REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 1996

No. 2
(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

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Preface

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

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

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

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

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

Chapter-II contains three reviews relating to the Government companies viz. Recovery of dues in Uttar Pradesh Rajkiya Nirman Nigam Limited, Working of the Uttar Pradesh State Mineral Development Corporation Limited and Working of the Uttar Pradesh Hill Electronics Corporation Limited.

Chapter-III deals with four reviews relating to the Statutory corporations viz. Tanda Thermal Power Station, Distribution Zone Agra, Hydel Power Stations at Rihand and Obra of Uttar Pradesh State Electricity Board and Fund Management in Uttar Pradesh State Road Transport Corporation.

Chapter-IV deals with miscellaneous topics relating to loss, lack of economy or efficiency and other matters of public interest. The cases reported in this section came to notice in course of audit during the year 1995-96 as well as those which came to notice earlier but were not dealt in the previous year's Reports. Matters relating to the period subsequent to 1995-96 have also been included wherever necessary.

Overview

Overview

The State had 97 Government companies (including 37 subsidiaries), six companies under the purview of section 619 B of the Companies Act, 1956 and four Statutory corporations as on 31 March 1996. Eleven companies (including eight subsidiaries) were under the process of liquidation.

(Paragraphs 1.2.1, 1.2.10 and 1.3)

The aggregate paid-up capital of Government companies was Rs. 1560.40 crore, out of which Rs. 1199.22 crore were invested by the State Government, Rs. 40.10 crore by Central Government,Rs.300.65 crore by holding companies and Rs. 20.43 crore by others. The aggregate long term loans outstanding as on 31 March 1996 against 60 companies was Rs. 1677.45 crore.

The State Government guaranteed the repayment of loans and interest thereon. The outstanding amount of guarantees aggregated to Rs. 511.77 crore at the close of March 1996.

(Paragraphs 1.2.1, 1.2.4, and annexure-2)

Of the 86 Government companies, finalisation of the accounts of 77 companies were in arrear for periods ranging from 1 year to 21 years.

(Paragraph 1.2.5)

Out of nine companies which finalised their accounts for the year 1995-96, six companies earned a profit of Rs. 6.10 crore and declared dividend amounting to Rs. 1.66 crore.

(Paragraph 1.2.6.2)

According to the latest available accounts,31 companies have eroded their paid-up capital as the accumulated loss amounting to Rs. 1675.35 crore of these companies exceeded their paid-up capital of Rs. 973.51 crore. Of the 49 loss making companies, 18 companies suffered loss during consecutive five years up to March 1996.

(Paragraph 1.2.6.3)

Out of four Statutory corporations, Uttar Pradesh State Warehousing Corporation and Uttat Pradesh State Electricity Board *have finalised accounts for 1995-96 and remaining two corporations finalised accounts for 1994-95. While Uttar Pradesh State Road Transport Corporation incurred a loss of Rs. 35.62 crore and Uttar Pradesh Financial Corporation earned profit of Rs. 23.32 crore in the year 1994-95, the remaining two corporations earned profit/surplus of Rs. 26.44 crore.*

(Paragraph 1.3.3)

Recovery of dues of Uttar Pradesh Rajkiya Nirman Nigam Limited

The dues of Uttar Pradesh Rajkiya Nirman Nigam Limited arise due to incurring expenditure in excess of fund received from the clients, reduction in quantity and rates from the bills raised by the Company upon clients, levy of penalty for delayed completion of work and penal recovery for excess consumption of clients' material.

(Paragraph 2A.1)

The dues of the Company increased continuously from Rs. 28.70 crore at the end of March 1991 to Rs. 91.94 crore at the end of March 1995. The percentage of dues to turnover also increased from 30.1 in 1990-91 to 51.6 in 1994-95.

(Paragraph 2A.5.2)

The Company without submitting/obtaining approval of revised estimates, completed 39 works and incurred an expenditure of Rs. 4.51 crore over and above the fund released by clients to the Company till date.

Dues amounting to Rs. 1.68 crore against nine works could not be realised as the Company started the work without determination of terms and conditions.

(Paragaraphs 2A.6.3.2 and 2A.6.3.3)

The Company had not pursued its claims amounting to Rs. 2.01 crore for the last two to three years with respective departments though they were awarded in its favour by the High Power Committee appointed by the State Government for speedy settlement of disputes.

(Paragaraph 2A.7.2)

Uttar Pradesh State Mineral Development Corporation Limited

The Uttar Pradesh State Mineral Development Corporation Limited was incorporated in March 1974 as a wholly owned Government Company with the main object of exploitation and development of mineral resources of the State, promotion of mineral based industries and trading in minor minerals.

(Paragraph 2B.1)

The Company suffered losses mainly due to writing off of expenses pertaining to abandoned ballast mining projects, poor management of activities of minor minerals and inadequate monitoring and control of fund.

(Paragraph 2B.6)

The Company had to pay price escalation of Rs. 2.12 crore claimed by a turnkey contractor on account of its failure to provide basic infrastructure in time due to management lapses. This included Rs. 1.95 crore being extra contractual payments.

(Paragraphs 2B.7.1.2(b))

Due to management lapses in not carrying out feasibility studies before undertaking the mining rights and negligence of a unit incharge, the Company had to close down its ballast projects at Moth and Karvi after incurring expenditure of Rs. 1.13 crore.

(Paragraph 2B.8)

In trading of minor minerals, the Company suffered a loss of Rs. 1.23 crore at eleven ghats due to delay in surrender of ghats, inadequate feasibility studies and inadmissible payments.

(Paragraph 2B.9)

Uttar Pradesh Hill Electronics Corporation Limited

The Uttar Pradesh Hill Electronics Corporation Limited was incorporated on 25 June 1985 with a view to promoting and encouraging development of electronic industry in the hill districts of the State. The paid-up capital of the Company as on 31 March 1995 was Rs. 7.95 crore.

(Paragraphs 2C.1 and 2C.5)

The accumulated loss of the Company up to March 1995 aggregated to Rs. 0.71 crore mainly due to poor production performance and higher costs.

(Paragraph 2C.6.2)

The Company suffered a cash loss of Rs. 0.59 crore in production of black and white TVs due to its failure in controlling overheads and making available a work conducive atmosphere.

(Paragraph 2C.7.1.1)

The Company did not receive any return from its investment of Rs. 3.81 crore in 3 subsidiaries and 12 assisted units. Out of above, 2 subsidiaries and 10 units were lying closed for last 2 to 6 years.

(Paragraph 2C.9)

Tanda Thermal Power Station

The Uttar Pradesh State Electricity Board commissioned only three out of four thermal units of 110 MW each at Tanda, between March 1988 to March 1990. The commissioning of these units was delayed by 36, 48 and 60 months, respectively, resulting in cost overrun of Rs. 475.91 crore (originally approved cost Rs. 159.25 crore) mainly due to delays in finalisation of design, supply of plant and equipment and paucity of fund. The work of unit IV, suspended after incurring expenditure of about Rs. 80 crore up to February 1992, has not been restarted so far (March 1996).

(Paragraphs 3A.1, 3A.4.1 and 3A.4.2)

Non-commissioning of six HP heaters and three HP/LP bye pass system resulted in not only non-achievement of desired thermal efficiency but also rendered the entire expenditure of Rs. 1.12 crore on its procurement unproductive.

(Paragraph 3A.5.3)

As against the prescribed norm of 85 per cent, the plant availability achieved by the project ranged between 35.2 and 51.4 per cent only. The capacity utilisation during available hours was also very low and resulted in shortfall of generation of 1796.13 MU valued at Rs. 219.13 crore when compared to the average capacity utilisation by all State Electricity Boards.

The failure of the Management to control outages due to internal factors resulted in loss of generation of 3589.54 MU valued at Rs. 437.92 crore. The actual auxiliary consumption of energy was in excess over norms by 80.729 MU valued at Rs. 9.85 crore.

(Paragraphs 3A.6.1, 3A.6.2 and 3A.6.4)

Cost of generation of electricity at the Power House ranged between 155.17 and 228.86 paise per unit against the projected cost of 91 paise per unit. The high cost of generation was due to excessive consumption of coal, fuel oil and demineralised water. The value of such excessive consumption worked out by Audit amounted to Rs. 68.39 crore during five years up to 1995-96.

(Paragraphs 3A.8, 3A.8.1, 3A.8.2 and 3A.8.4)

Distribution Zone, Agra

Agra Distribution Zone is one of thirteen zones into which the Uttar Pradesh State Electricity Board has been divided with a view to exercising effective control over planning and monitoring of supply and billing of energy and is headed by a Chief Zonal Engineer.

(Paragraph 3B.1)

The working results of the Zone disclosed an aggregate deficit of Rs. 547.22 crore during the five years up to March 1996 mainly due to excessive line losses, non-assessment/short assessment of energy charges and excessive damage to distribution transformers.

(Paragraph 3B.4)

The transformation capacity of sub-stations of Transmission wing (912.5 MVA) was not matched adequately to the sub-transmission (1040.5 MVA) and distribution system (1767.4 MVA) of the Agra Zone which resulted in interruption in supply, problem of low voltage, excessive break downs and load sheddings.

(Paragraph 3B.5)

Non-installation of capacitor banks to the required extent resulted in loss of saving of system losses of 11.16 MU valued at Rs. 1.51 crore per annum. The distribution losses in excess of the norms worked out to 1362.675 MU valued at Rs. 171 crore and the value of distribution *transformers, damaged in excess of norms, worked out to Rs. 59.59 crore during the period 1991-92 to 1995-96.*

(Paragraphs 3B.5.1, 3B.5.2 and 3B.5.3.1)

Incorrect application of tariff resulted in under charging of revenue to the extent of Rs. 2.08 crore. In spite of increasing arrears, the Management did not even issue recovery certificates amounting to Rs. 43.75 crore.

(Paragraphs 3B.6.1.3 and 3B.6.6)

Hydel Power Stations of Rihand and Obra

With a view to providing cheap electric power for the full scale development of the eastern districts of the State, the Board commissioned six generating units of 50 MW each (Total cost: Rs. 51.52 crore) at Rihand (Pipri) during the period February 1962 to April 1965 and three generating units of 33 MW each (Total cost : Rs. 24.24 crore) at Obra during the period May 1970 to April 1971.

(Paragraph 3C.1)

Due to achievement of lower plant availability than the norms there was a shortfall of generation of 11287 MU valued at Rs. 1362.02 crore. Time taken by the Management for overhauling was in excess by 16139 hours over the norms which resulted in loss of generation of 724.3 MU valued at Rs. 91.18 crore and the quantum of excess energy lost at bus bar over the norms was 140.589 MU valued at Rs. 15.25 crore.

(Paragraphs 3C.4.1, 3C.4.2 and 3C.4.3)

Besides expenditure of Rs. 6.07 crore on excess manpower at Hydel Power Station Obra (HOPS), the Board also incurred Rs. 0.17 crore on day to day work executed through contractors and Rs. 1.18 crore on account of overtime.

(Paragraph 3C.7)

The Board suffered a loss of Rs. 2.07 crore due to irregular waival of late payment surcharge recoverable from a Chemical Factory of Renukoot.

The Board could not realise a sum of Rs. 294.54 crore as it did not settle the rate of water charge realisable from NTPC before starting supply of water in February 1982.

(Paragraphs 3C.9.1 and 3C.9.3)

Fund Management

Main source of fund inflow of the Uttar Pradesh State Road Transport Corporation is revenue from sale of bus tickets, capital contributions from the State and the Central Government and loans from the financial institutions and the State Government. Its outflow of fund comprises mainly of expenditure on establishment, operation and maintenance of buses, interest on loans, repayment of loans and acquisition of assets.

(Paragraph 3D.1)

The deficit of the Corporation has increased from Rs. 23.03 crore in 1991-92 to Rs. 29.57 crore in 1995-96 mainly due to lack of budgetary control and deficiencies in generation/utilisation of fund.

The Corporation had paid penal interest of Rs. 3.84 crore and incurred further liability of Rs. 0.81 crore due to default in repayment of loans. The Corporation also paid penalty of Rs. 1.04 crore and Rs. 0.45 crore due to delay in depositing passenger tax and Employees Provident Fund respectively.

(Paragraphs 3D.4)

The Corporation's expenditure on spare parts and fuel over the budgeted expenditure was Rs. 22.57 crore and Rs. 36.87 crore respectively.

(Paragraph 3D.5.1.2)

The Corporation suffered a loss of prospective revenue of Rs. 261.95 crore due to excessive curtailment of scheduled trips mainly due to failure of Corporation's workshops to provide road worthy buses within scheduled time frame.

(Paragraph 3D.6.1)

Due to non-obtaining of insurance cover for its buses, the Corporation had to suffer an avoidable loss of Rs. 3.94 crore on account of accident claims.

(Paragraph 3D.8)

Miscellaneous Topics of Interest

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

The Pradeshyia Industrial and Investment Corporation of Uttar Pradesh Limited lost an opportunity to earn a revenue of Rs. 0.30 crore as it renounced a Rights offer without making any effort to realise the premium.

The Company also suffered a loss of Rs. 0.12 crore as it allowed an inadmissible discount on disinvestment of shares.

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

The Uttar Pradesh State Cement Corporation Limited suffered an avoidable loss of Rs. 0.84 crore as it did not get its electrical load reduced which was far in excess of its requirement.

The Company also suffered a loss of Rs. 1.18 crore as it accepted coal of inferior grades without being subjected to test by the handling agent.

(Paragraphs 4A.11 and 4A.12)

The Uttar Pradesh Small Industries Corporation Limited suffered a loss of Rs. 0.11 crore as it did not revise selling price of empty brass cartridges from time to time.

(Paragraph 4A.17)

The Uttar Pradesh Handloom Corporation Limited suffered a loss of Rs. 0.21 crore in supply of durries procured at rates higher than allowed by the client.

(Paragraph 4A.23)

Chapter -I

Section-1
General view of Government companies and Statutory corporations

Introduction

CHAPTER I

GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introduction

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

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

1.2 General view

1.2.1 Government companies

As on 31 March 1996, there were 97 Government companies (including 37 subsidiaries) out of which 11 (including 8 subsidiaries) having paid-up capital of Rs. 13.35 crore were under liquidation. Total investment in remaining 86 companies (including 29 subsidiaries) was Rs. 3237.85 crore (Equity - Rs. 1560.40 crore and long term loans - Rs. 1677.45 crore) as against total investment of Rs. 3161.22 crore as on 31 March 1995 (Equity - Rs. 1497.02 crore and long term loans - Rs. 1664.20 crore) in 89 companies. There were six deemed Government Companies as on 31 March 1996.

The classification of the companies is as under:

	Number of companies	Paid-up capital (Rupees in crore)
(a) Working companies	67	1535.60
(b) Non working companies:		
(i) Defunct companies	19	24.80
(ii) Companies under liquidation	11	13.35

Out of 19 defunct companies, none has been referred to BIFR.

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

The sectorwise investment in all 92 companies (including investments of Rs. 194.81 crore of six deemed Government companies) is given below:

(Rupees in crore)

Department/type of Public Sector Undertaking (P.S.U.)	As on 31 March 1996 Number	Equity	Loan	As on 31 March 1995 Number	Equity	Loan	Debt equity ratio as on 31 March 1996
Agriculture							
Government companies	3	35.87	15.59	3	27.22	4.86	0.03:1
Deemed Government company	1	2.46	--	1	2.38	--	0:1
Animal Husbandry							
Government companies	2	4.35	1.65	2	4.26	1.89	0.14:1
Deemed Government company	1	0.24	0.31	1	0.24	0.36	1.29:1
Area Development							
Government companies	10	9.37	4.07	10	9.36	4.94	0.15:1
Subsidiary company	1	0.02	--	1	0.02	--	0:1
Cement							
Government company	1	68.28	118.56	1	68.28	235.53	0.80:1
Electronics							
Government company	1	80.60	26.11		5.60	25.10	0.32:1
Subsidiary companies	6	57.15	88.56		56.19	115.87	0.22:1
Deemed Government companies	2	42.49	143.51	2	42.49	143.51	3.38:1
Export Promotion							
Government companies	3	17.86	5.80	3	16.26	5.43	0.27:1
Finance							
Government companies	3	148.88	453.84	3	137.40	448.95	2.65:1
Fisheries Development							
Government company	1	1.00	--	1	1.00	--	0:1
Food and Civil Supplies							
Government company	1	5.50	15.27	1	5.50	15.46	2.78:1
Harijan and Social Welfare							
Government companies	6	59.84	47.34	6	57.96	31.57	0.77:1

(Rupees in crore)

Department/type of Public Sector Undertaking (P.S.U.)	As on 31 March 1996			As on 31 March 1995			Debt equity ratio as on 31 March 1996
	Number	Equity	Loan	Number	Equity	Loan	
Hill Development							
Government companies	3	22.99	15.48	3	21.88	12.96	0.67:1
Subsidiary companies	9	73.80	6.49	9	6.30	5.82	0.05:1
Deemed Government company	1	2.00	2.90	1	2.00	5.00	1.45:1
Home							
Government company	1	3.00	--	1	3.00	--	0:1
Industries and Industrial Development							
Government companies	3	64.13	1.53	3	64.13	4.54	0.02:1
Subsidiary companies	5	5.46	13.09	7	56.09	213.90	2.54:1
Institutional Finance							
Government company	1	8.18	0.16	1	8.18	4.85	0.02:1
Irrigation							
Government company	1	5.90	--	1	5.40	--	0:1
Panchayati Raj							
Government company	1	1.46	--	1	1.39	--	0:1
Planning Department							
Government companies	2	1.06	--	2	1.06	--	0:1
Power							
Government companies	2	3.23	19.00	2	1.70	44.00	5.88:1
Public Works							
Government companies	2	11.00	--	2	11.00	8.90	0:1
Rural and Small Industry							
Government companies	2	28.81	21.96	2	28.70	19.53	0.68:1
Subsidiary companies	2	0.78	0.76	2	0.78	0.67	0.97:1
Deemed Government company	1	0.90	--	1	0.01	--	0:1
Sugar and Cane Development							
Government companies	5	488.84	633.76	5	480.06	307.63	0.67:1
Subsidiary companies	4	72.23	39.80	4	69.88	26.62	0.27:1
Textile							
Government company	1	160.79	83.61	1	155.79	26.26	0.15:1
Subsidiary companies	2	110.33	58.14	3	112.93	90.87	0.40:1
Tourism							
Government company	1	8.19	6.08	1	8.20	8.04	0.74:1
Waqf							
Government company	1	1.50	--	1	1.50	--	0:1
Total	**92**	**1608.49**	**1824.17**	**95**	**1544.14**	**1813.06**	

1.2.3 Analysis of Investment

a. Increase in investment is due to additional investment in hills and finance industries.

b. In context of the Industrial Policy of the Central Government to disinvest the shareholdings in PSU, the State Government has referred the cases of 50 PSU to the 'Empowered Committee' for consideration on their reconstruction/reorganisation/ amalgamation/privatisation and their reports with recommendation of Government are still awaited (October 1996).

1.2.4 Guarantees

The guarantees given by the State Government against loans and credits given by banks etc. to the PSU for the preceding three years up to 1995-96 and outstanding as on 31 March 1996 are shown in the table below:

(Rupees in crore)

Sl. No.	Guarantees	Amount Guaranteed during			Guaranteed amount outstanding as on 31 March 1996
		1993-94	1994-95	1995-96	
1.	Cash credit from State Bank of India and other nationalised banks	25.45	33.55	142.93	511.70
2.	Loans from other sources	10.70	9.80	182.78	

Budgetary outgo and waiver of dues

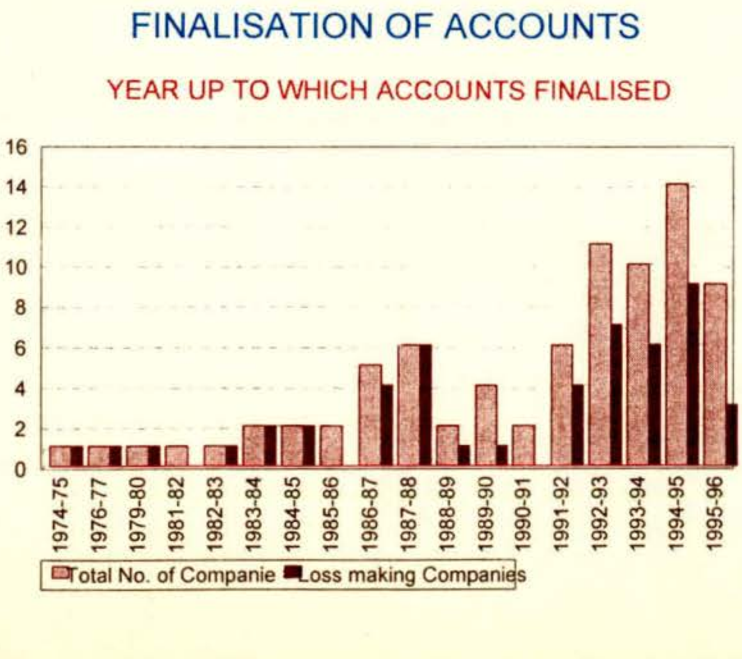
The outgo from the State Government to 86 PSUs during the years 1993-94 to 1995-96 in the form of equity capital, loans and subsidy is as detailed below:

(Rupees in crore)

	1993-94	1994-95	1995-96
1. Equity capital outgo from budget	57.36	54.56	34.45
2. Loans given from budget	102,29	79.36	87.36
3. Subsidy	2.32	0.07	164.68
Total outgo	**161.97**	**133.99**	**286.49**

1.2.5 Finalisation of accounts

Accountability of PSUs to the legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the legislature. Of 86 Government companies, the accounts of 77 companies



were in arrears for the periods ranging from 1 year to 21 years as indicated in Annexure-3 (as on 30 September 1996). Accounts of only nine Companies were finalised for the year 1995-96 by September 1996.

According to the latest finalised accounts of these companies, 49 companies had incurred losses of Rs. 251.45 crore and the remaining* 31 companies earned profit of Rs. 15.59 crore as indicated in the table below:

(Rupees in lakh)

Sl. No.	Number of companies	Year upto which accounts were finalised	Profit		Loss		Reference to serial No. of Company as per Annexure 3	
			No. of companies	Amount	No.of companies	Amount	Profit making	Loss making
1.	1	1974-75			1	0.81		64
2.	1	1976-77			1	0.01		59
3.	1	1979-80			1	0.78		22
4.	1	1981-82	1	0.44			11	
5.	1	1982-83			1	4.00		29
6.	2	1983-84			2	12.37		7,37
7.	2	1984-85			2	135.83		3,8
8.	2	1985-86	2	37.07			10,28	
9.	5	1986-87	1	11.24	4	331.08	6	9,13, 14,66
10.	6	1987-88			6	66.96		15,16, 27,35, 41,55
11.	2	1988-89	1	0.25	1	36.33	58	63
12.	4	1989-90	3	15.29	1	1.61	4,77,79	40
13.	2	1990-91	2	55.32			30,65	
14.	6	1991-92	2	35.54	4	228.19	36,48	25,38 39,42
15.	11	1992-93	4	23.56	7	10012.76	5,33,68 73	12,45 56,60 67,70 75

* Two companies at serial 31 and 49 of Annexure 3 were under construction and four companies at serial 18, 44, 46 and 53 had not rendered any account since inception.

Sl. No.	Number of companies	Year upto which accounts were finalised	Profit		Loss		Reference to serial No. of Company as per Annexure 3	
			No. of companies	Amount	No.of companies	Amount	Profit making	Loss making
16.	10	1993-94	4	560.34	6	1316.36	32,54 62,69	2,24, 26,43, 61,74
17.	14	1994-95	5	209.92	9	11839.49	47,71,72, 80,85	1,19, 50,51, 52,82, 83,84, 86
18.	9	1995-96	6	610.02	3	1158.73	17,20,23, 34,76,78	21,57, 81
Total	80		31	1558.99	49	25145.31		

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

1.2.6 Working Results

1.2.6.1 Profit making Companies

During the year, 23* companies which finalised accounts for 1995-96 or previous years, earned profit of Rs. 14.41 crore. Of these, 14@ companies earned profit for two successive years or more and three companies declared dividend. Free reserves and surplus amounting to Rs. 64.28 crore were built-up in 50 companies.

1.2.6.2 Profit and dividend

Out of nine companies which finalised their accounts for 1995-96 by September 1996, six companies (Serial numbers 17,20,23,34,76 and 78 of Annexure 3) earned profit of Rs. 6.10 crore on total share capital of Rs. 202.28 crore and one company declared dividend amounting to Rs. 1.66 crore as per details given on the next page:

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* Serial number of Annexure 3: 10, 17, 20, 23, 28, 32, 33, 34, 36, 47, 48, 54, 62, 65, 68, 69, 71, 72, 76, 77, 78, 79 and 85.

@ Serial number of Annexure 3: 17, 20, 23, 32, 33, 34, 36, 47, 65, 71, 72, 77, 78 and 85.

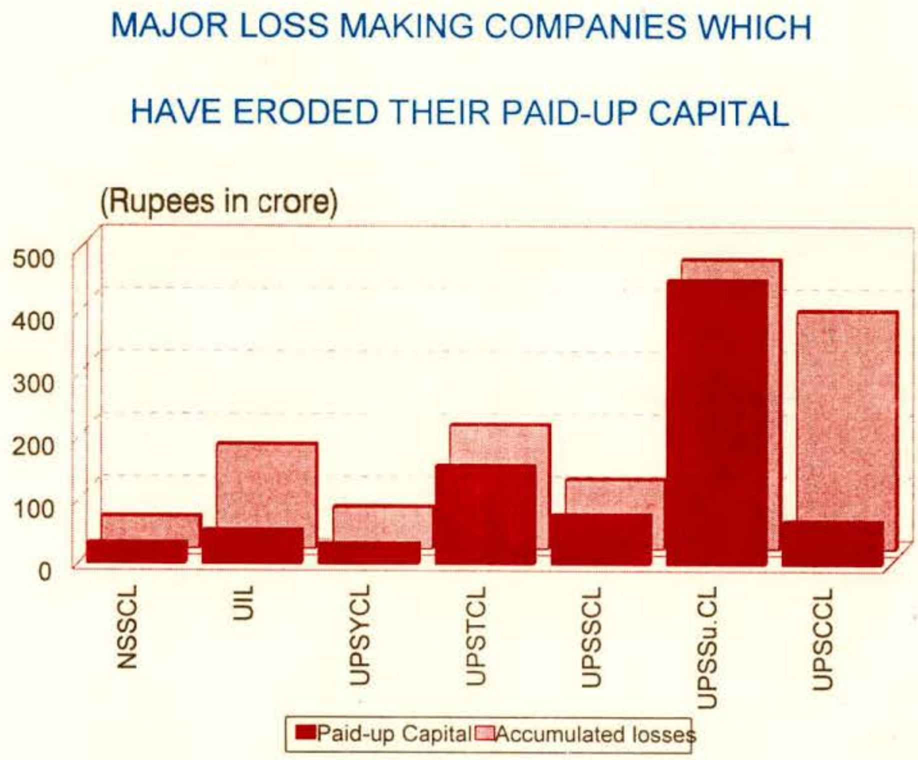
(Rupees in crore)

Name of company	Profit earned	Dividend declared	
		per cent	Amount
Pradeshiya Industrial and Investment Corporation of Uttar Pradesh	4.74	1.5	1.66
Total	**4.74**		**1.66**

The dividend as percentage of share capital in the profit making companies worked out to 1.22. The remaining five profit making companies did not declare any dividend on the profit of Rs. 1.36 crore earned by them in 1995-96. On the total equity capital, the return worked out to 0.11 per cent in 1995-96 compared to 0.15 per cent in 1994-95.

1.2.6.3 Loss making companies

According to the latest available accounts, 31* companies had eroded their paid-up capital amount-ing to Rs. 973.51 crore as the accumulated losses amount-ing to Rs. 1675.35 crore of these companies had far exceeded the paid-up capital. Of the 49 loss making companies, 18 companies suffered loss for five con-secutive years and eroded their paid-up capital as shown on the next page:



* Serial number of Annexure 3: 2, 3, 4, 10, 17, 19, 22, 24, 25, 26, 39, 43, 48, 50, 51, 52, 55, 56, 61, 62, 63, 66, 67, 68, 70, 74, 75, 81, 82, 83 and 84.

(Rupees in crore)

Sl. No.	Name of Company	Year upto which account received	Paid-up capital	Accumulated loss	Percentage of capital eroded	Loss suffered due to	Reference Sl.No. of Annexure - 3
1.	Chhata Sugar Company Limited (Subdidiary of Uttar Pradesh State Sugar Corporation Limited)	1992-93	12.25	15.17	123.86	Under utilisation of capacity and heavy depreciation burden	67
2.	Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited0	1992-93	32.21	50.32	156.21	Increase in raw material and lower sale price of sugar	70
3.	The Indian Turpentine and Rosin Company Limited	1994-95	0.22	7.17	3255.59	Underutilisation of capacity due to shortage of raw material	50
4.	The Uttar Pradesh State Brassware Corporation Limited	1991-92	5.38	6.49	120.64	Poor sales performance and implementation of unviable schemes	25
5.	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited	1993-94	0.63	2.24	354.66	N.A.	43
6.	UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited	1988-89	0.59	1.89	318.92	Lack of working capital	63
7.	Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited	1994-95	53.16	164.81	310.05	N.A.	19
8.	Uttar Pradesh Chalchitra Nigam Limited	1992-93	8.18	10.14	123.91	Unviable business activities	56
9.	Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh Industrial Development Corporation Limited)	1994-95	0.35	4.68	1330.88	Inadequate supply of component by H.M.T. and labour problem	52

Sl. No.	Name of Company	Year upto which account received	Paid-up capital	Accumu-lated loss	Percen-tage of capital eroded	Loss suffered due to	Reference Sl.No. of Annexure - 3
10.	Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1995-96	31.91	65.69	205.90	Adverse market condition and heavy interest burden	81
11.	Uttar Pradesh State Textile Corporation Limited	1994-95	155.79	196.55	126.16	Underutilisation of capacity, surplus staff and abnormal wastage	82
12.	Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1994-95	78.43	109.80	140.00	Adverse market condition and financial and power problem	83
13.	Uttar Pradesh State Agro Industrial Corporation Limited	1993-94	19.04	49.73	261.17	Heavy interest burden and shortage of working capital	2
14.	Uttar Pradesh State Sugar Corporation Limited	1992-93	452.01	460.48	101.87	Poor recovery of sugar and low capacity utilisation due to old plant and machinery	75
15.	Uttar Pradesh State Cement Corporation Limited	1994-95	68.28	378.24	553.94	Underutilistion of capacity and shortage of working capital	84
16.	Uttar Pradesh State Handloom Corporation Limited	1986-87	10.43	11.16	106.91	Heavy burden of interest and fixed expenditure	66
17.	Uttar Pradesh State Leather Development and Marketing Corporation Limited	1993-94	5.74	6.25	108.83	Low capacity utilisation and inadequate working capital	26
18.	Uttar Pradesh State Horticultural produce Marketing and Processing Corporation Limited	1984-85	1.91	2.55	133.85	Lower capacity utilisation	3
Total			936.51	1543.36			

Out of 86 working companies, 11• companies were either sick or in the process of being referred to BIFR. Out of 31 companies which eroded capital, three* companies were defunct or non-functional.

• Serial number of Annexure 3: 15,17,19,50,68,70,75,81,82,83 and 84.

* Serial number of Annexure 3: 3, 10 and 56.

In spite of the poor performance leading to complete erosion of paid-up capital, the State Government continued to provide financial support to the companies in the form of contribution towards equity, further grant of loans, subsidy, etc. The total financial support provided to 12** of these companies during 1995-96 amounted to Rs. 81.74 crore.

1.2.6.4 Return on capital

(a) Return on capital invested

As the capital structure differs from company to company and rates of interest charged on long term loans given to the companies are not uniform, it may be unrealistic to compare profit of the companies wholly on the basis of profit and loss as reflected in these accounts. To study the results on a uniform basis, the capital was taken into account which consisted of the total paid-up capital, long term loans and free reserves less accumulated losses at the close of the financial year. Similarly, the return was taken not only as the profit or loss (before tax and prior period adjustments) as disclosed in the accounts but also the interest paid on long term loans. On this basis, on total investment of Rs. 931.01 crore during the year 1995-96 in 86 companies, there was negative return of Rs. 180.04 crore (before tax and prior period adjustments) in 1995-96. The net return on capital invested during 1995-96 as per latest finalised accounts (previous year's figure given in the bracket) in companies in different sectors was as follows:

(Rupees in crore)

Sector	Capital invested	Return on capital invested	Percentage of return on capital invested
Agriculture	- 29.79	- 1.38	--
	(21.37)	(- 5.69)	--
Animal Husbandry	2.75	0.26	9.53
	(2.16)	(0.26)	(12.04)
Area	7.59	- 0.97	--
Development	(6.98)	(- 0.98)	--
Cement	- 245.27	- 42.09	--
	(- 222.90)	(- 37.26)	--
Electronics	40.81	- 27.23	--
	(166.69)	(- 27.83)	--
Export Promotion	4.19	- 2.73	--
	(6.56)	(0.60)	(9.15)
Financing	525.28	5.23	1.00
	(604.49)	(61.11)	(10.11)
Fisheries	1.64	- 0.35	--
	(3.36)	(- 0.18)	--

** Serial number of Annexure 3: 2, 17, 39, 50, 51, 66, 68, 70, 74, 75, 81 and 82.

(Rupees in crore)

Sector	Capital invested	Return on capital invested	Percentage of return on capital invested
Food and Civil Supplies	1.45 (5.46)	0.35 (- 0.05)	23.92 --
Harijan and Social Welfare	49.86 (56.64)	2.19 (173.02)	4.39 (3.05)
Hill Development	29.41 (44.29)	- 2.01 (- 0.29)	-- --
Home	4.67 (2.10)	1.00 (1.06)	21.42 (50.48)
Industries and Industrial Development	167.94 (202.80)	- 4.18 (- 7.35)	-- --
Institutional Finance	- 1.45 (- 1.26)	- 0.11 (0.04)	-- --
Irrigation	6.33 (2.03)	- 1.16 (2.00)	-- --
Panchayati Raj	1.42 (1.42)	0.00 (0.01)	-- (0.70)
Planning	1.03 (1.04)	- 0.02 (0.01)	-- (0.96)
Power	157.23 (183.56)	1.98 (- 0.50)	1.26 --
Public Works	25.93 (60.90)	- 7.31 (- 3.40)	-- --
Rural and Small Industry	17.37 (22.23)	- 1.82 (1.80)	-- (8.10)
Sugar and Cane Development	187.37 (563.47)	- 85.64 (- 84.29)	-- --
Textile	- 37.20 (105.48)	- 14.18 (- 8.68)	-- --
Tourism	11.46 (12.19)	0.14 (- 3.80)	1.24 --
Waqf	1.00 (1.50)	0.00 (0.01)	-- (0.67)
Total	**931.01 (1852.56)**	**- 180.04 (- 115.67)**	

(b) Return on capital employed

Capital employed has been taken as net fixed assets (excluding capital works-in-progress) plus working capital. Interest on borrowed funds is added/substracted to the net profit/loss as disclosed in the profit and loss account. Thus, during 1995-96 the total capital employed worked out to Rs. 1557.13 crore in 86 companies on which there was negative return of Rs. 103.46 crore as against negative return of Rs. 23.57 crore in 1994-95.

Sectorwise details of the net return on capital employed during 1995-96 as per latest finalised accounts (previous year's figure given in the bracket) are given on the next page:

(Rupees in crore)

Sector	Capital employed	Return on capital employed	Percentage of return on capital employed
Agriculture	17.95 (- 1.41)	2.25 (- 2.34)	12.51 --
Animal Husbandry	3.01 (3.01)	0.26 (0.39)	-- (12.89)
Area Development	9.63 (8.89)	- 0.78 (- 0.72)	-- --
Cement	- 77.81 (- 210.10)	- 35.43 (- 37.26)	-- --
Electronics	94.38 (94.38)	- 10.03 (- 4.31)	-- --
Export Promotion	15.81 (14.98)	- 2.54 (1.09)	-- (7.27)
Financing	609.93 (601.25)	5.23 (63.29)	0.86 (10.58)
Fisheries	3.32 (3.32)	- 0.35 (- 0.18)	-- --
Food and Civil Supplies	5.24 (5.46)	1.21 (0.53)	23.08 (9.63)
Harijan and Social Welfare	48.53 (53.92)	2.19 (1.73)	4.51 (3.21)
Hill Development	40.00 (45.22)	- 1.91 (- 0.36)	-- --
Home	4.66 (2.10)	1.00 (1.06)	21.43 (50.51)
Industries and Industrial Development	- 48.86 (- 23.72)	- 3.77 (- 4.45)	-- --
Institutional Finance	3.23 (3.41)	- 0.11 (0.04)	-- (1.32)
Irrigation	5.71 (0.52)	- 1.16 (- 2.00)	-- --
Panchayati Raj	1.40 (1.40)	0.00 (0.01)	-- (0.18)
Planning	1.03 (1.04)	- 0.02 (0.01)	-- (1.20)
Power	147.68 (144.93)	1.98 (- 0.50)	1.34 --
Public Works	48.06 (60.89)	- 7.31 (- 0.70)	-- --
Rural and Small Industry	47.76 (23.61)	- 1.82 (1.84)	-- (7.78)
Sugar and Cane Development	446.69 (339.81)	- 46.73 (- 45.19)	-- --
Textile	117.89 (65.76)	- 5.76 (8.24)	-- (7.78)
Tourism	10.73 (11.34)	0.14 (- 3.79)	1.32 --
Waqf	1.28 (1.49)	0.00 (0.01)	-- (0.44)
Total	**1557.13** **(1250.46)**	**- 103.46** **(- 23.57)**	

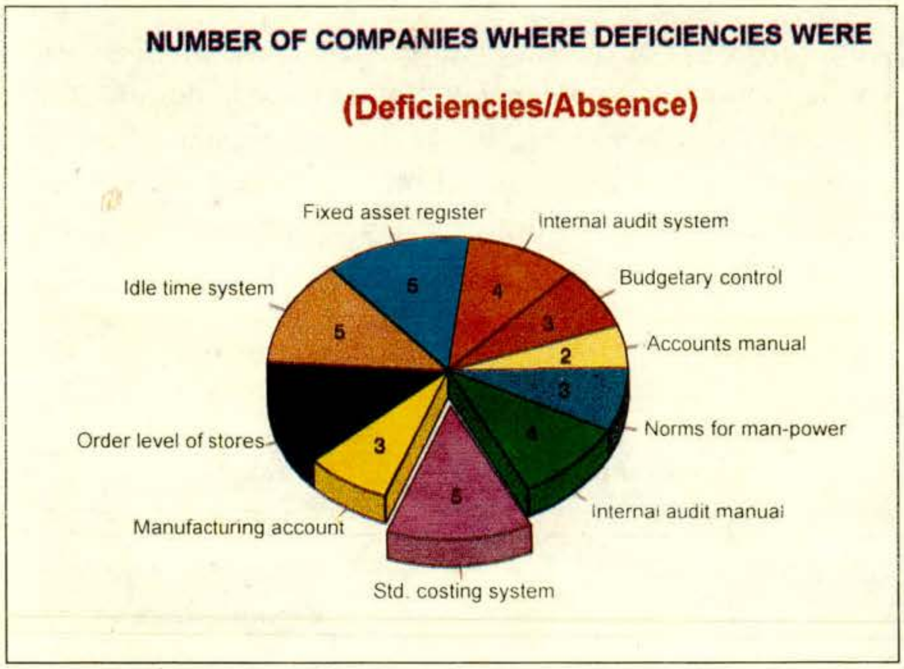
1.2.7 Buy back of shares by joint sector companies promoted by Government companies

Some of the Government companies are engaged in the development/promotion of industries in the State by providing loans or making investments in their share capital. The terms and conditions of the promotional agreement provides for the buy back of the shares from the Government companies by the co-promoter after the promoted unit starts commercial production. During the year, the shares valued at Rs. 88.24 lakh were disinvested by the Uttar Pradesh State Industrial Development Corporation Limited as detailed below:

(Rupees in lakh)

Sl. No.	Name of unit (Joint sector company)	No. of shares disinvested	Face value	Sale consideration
1.	Perfect Latex (Private) Limited	3000	3.00	4.20
2.	Integrated organics Limited	36000	3.60	6.33
3.	Yibros Organics Limited	30000	3.00	4.49
4.	Track Pack India Limited	33000	3.30	4.99
5.	Hamirpur Alloys (Private) Limited	49000	4.90	8.10
6.	Essem Poly Films Limited	30000	3.00	5.86
7.	Banwari Paper Mills Limited	2250	2.25	5.76
8.	Jay Cylinders Limited	30000	3.00	7.68
9.	Kapoor Latex (Private) Limited	85000	8.50	10.37
10.	Asha Refineries (Private) Limited)	10000	1.00	2.11
11.	India Chemicals India (Private) Limited	6000	6.00	17.78
12.	Amit Poly Seats (Private) Limited	30000	3.00	5.83
13.	Mawana Steels (Private) Limited	30000	3.00	4.74
	Total			**88.24**

1.2.8.1 The Companies Act 1956 empowers the CAG of India to issue directives to the Auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the Company Auditors on the accounts of six companies were received during October 1995 to September 1996. Important points noticed in these reports are summarised on the next page:



Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to serial number of Annexure 3
1.	Absence of accounting manual	2	24 and 48
2.	Absence of adequate budgetary control system	3	24,48 and 54
3.	Internal audit system not commensurate with nature and size of business or needed to be strengthened	4	2,24,48 and 78
4.	Defective maintenance/non-maintenance of fixed assets register	5	2,24,48, 54 and 78
5.	Absence of system of ascertaining idle time for labour and machinery	5	2,24,48, 54 and 78
6.	Non-fixation/non-observance of order level of stores and spares	5	2,19,24, 48 and 54
7.	Non-operation of separate manufacturing account	3	2,24 and 48
8.	Absence of standard costing system	5	2,24,48, 54 and 78
9.	Absence of internal audit manual	4	24,48,54 and 78
10.	Non-fixation of norms for man-power	3	2,24 and 78

1.2.8.2 Under Section 619 (4) of the Companies Act, 1956, the CAG of India has the right to comment upon or supplement the report of the Statutory Auditors. Under this provision, the review of annual accounts of Government companies is being conducted on selective basis. Out of 76 accounts of 69 companies received during the year, accounts relating to 60 companies were selected for such review during the period from October 1995 to September 1996. The net effect of the important comments as a result of such review was as follows:

(Rupees in lakh)

Details	Number of accounts	Monetary effect
Decrease in profits/increase in loss	13	410.19

The financial results of all the 86 companies based on the latest available accounts is given in Annexure - 3.

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) Ghatampur Sugar Company Limited (1992-93)

Secured loans: Other loans Rs. 193.96 lakh (Term Loan) represented loan in respect of which no tangible security has been provided by the Company.

(B) UPSIC Potteries Limited, Kanpur (1988-89)

The Company had taken unsecured loan of Rs. 59.27 lakh from its holding Company (UPSIC Limited). The fact was not disclosed in the Auditor's Report. Holding Company has, however, disclosed in their records, Rs. 37.47 lakh towards outstanding loans to UPSIC Potteries as on 31 March 1989. Difference of Rs. 21.80 lakh had not been reconciled.

(C) Kichha Sugar Company Limited (1993-94)

Sale value - Sugar Rs. 4181.87 lakh (as disclosed in Profit and Loss Account of the Company) included Rs. 13.62 lakh towards penalty or damages recovered for delay in lifting of Sugar within due date. This should have been disclosed separately as miscellaneous receipts.

(D) Uttar Pradesh Bhoomi Sudhar Nigam Limited (1994-95)

(a) Fixed Assets: Land - Rs. 173.09 lakh

It included a sum of Rs. 130 lakh towards value of land purchased form LDA, the title in respect of which had not been passed on to the Company. This fact was not disclosed.

(b) Expenditure of Rs. 185.03 lakh incurred out of grant (under EEC) received from the Indian Government had not been debited to the grant but debited to sundry debtors. This resulted in overstatement of grant as well as sundry debtors.

(E) Uttar Pradesh Agro Industrial Corporation Limited (1992-93)

Stock in trade - Rs. 726 lakh included unsaleable stock of fertilisers valued at Rs. 6.22 lakh lying in Meerut Region for which no disclosure was made in accounts.

(F) Indian Turpentine and Rosin Company Limited (1994-95)

(a) Secured Loan - Government loan: Rs. 45 lakh

This was unsecured loan and should have been disclosed as such.

(b) Current assets - Claim on loss of fire: Rs. 3.09 lakh

The above claim had been accepted and received for Rs. 4.88 lakh before finalisation of accounts but the fact was not disclosed.

(G) Uttar Pradesh Export Corporation Limited (1993-94)

Fixed assets - Building: Rs. 52.32 lakh

This included building of Ahmedabad showroom purchased in 1990 but the title in respect of which has not yet been passed on due to non registration of sale deed. Although this building was in use since 1991-92, no depreciation had been provided, which resulted in understatement of accumulated loss by Rs. 1.37 lakh.

(H) Uttar Pradesh Development Systems Corporation Limited (1992-93)

Sundry debtors - Rs.52.80 lakh included doubtful debt of Rs. 13.96 lakh which should have been disclosed as such.

(I) U.P. Rajkiya Nirman Nigam Limited (1992-93)

(a) Current Assets - Stock and Stores - Material in transit - Rs. 6.27 lakh. This included money in transit in respect of LDB unit which should have been shown under Cash Balance.

(b) Sundry Debtors - Rs. 3567.44 lakh included a sum of Rs. 371.93 lakh recovery of which was difficult. It related to works already handed over to the clients. The fact was nowhere disclosed.

(c) Fixed Deposit - Rs. 542.42 lakh - included Rs. 18.69 lakh of IG Planetorium Lucknow, which has been lying pledged with the Bank but the fact was not disclosed.

(d) Profit and Loss A/c - Interest and financial charges - Interest to others - Rs. 1.93 lakh. This does not include interest of Rs. 1.37 lakh due to a client on mobiliation advance.

(J) Uttar Pradesh Laghu Jal Vidyut Nigam Limited (1994-95)

(a) Fixed Assets - Temporary structure - Net block - Rs. 12.40 lakh. 100 per cent depreciation as required under the provisions of Income Tax Act was not provided and transferred to incidental charges relating to construction.

(b) Similarly non-provision of penal interest of Rs. 82.10 lakh on Government loan has resulted in under statement of incidental expenditure during construction by the same extent.

(c) Subsidy of Rs. 100.02 lakh paid by Government through draft dated 28.3.95 to the Company was not disclosed in accounts.

1.2.9 Capacity utilisation

The utilisation of the installed or rated capacity of the manufacturing companies (to the extent the information is available) is given in Annexure 4. Main reasons for shortfall in capacity utilisation in case of five Sugar companies was non-availability of sugar cane and mechanical breakdown in old machineries whereas in case of others, lack of demand, shortage of raw material and labour trouble were the main contributory factor for low capacity utilisation. The percentage of utilisation ranged between 3.25 and 99.37 in 14 companies.

1.2.10 619-B Companies

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

(Rupees in crore)

Name of Company	Year of accounts	Paid up capital	Investment by			Profit(+)/ Loss(-)
			State Government	Government companies	Others	
Almora Magnesite Limited	1995-96	2.00	--	1.22	0.78	- 0.43
Command Area Poultry Development Corporation Limited	1992-93	0.24	--	--	0.24	- 0.15
Electronics and Computers (India) Limited	Accounts not finalised since inception (1975-76)					
Steel and Fasteners Limited	1978-79	0.90	--	0.55	0.35	- 0.45
Uptron Colour Picture Tubes Limited	1993-94	42.49	--	30.38	12.11	- 48.97
Uttar Pradesh Seeds and Tarai Development Corporation Limited	1995-96	2.46	0.75	0.53	1.18	+ 6.02

The accumulated losses in respect of Almora Magnesite Limited, Command Area Poultry Development Corporation Limited and Uptron Colour Picture Tubes Limited amounting to Rs. 5.62 crore, Rs. 0.35 crore and Rs. 208.44 crore had exceeded their paid-up capital of Rs. 2 crore, Rs. 0.24 crore and Rs. 42.49 crore respectively.

1.2.11 Other investments

The State Government has invested Rs. 78.50 crore in 63 other companies. Though the Government invested Rs. 10 lakh and above in these companies, they are not subject to audit by the Comptroller and Auditor Genreal as the aggregate amount of investment made by the Government, Government companies and Corporations and Financial Institutions was less than 51 per cent of the equity of the respective companies. A list of these companies is given in Annexure 1.

1.3 Statutory corporations

1.3.1 General aspects

There were four Statutory corporations in the State as on 31 March 1996. Audit arrangements of these corporations are given below:

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrangement	Year up to which accounts finalised	Separate Audit Report (SAR) placed in the legislature up to the year	Authority for audit by Comptroller and Auditor General of India
Uttar Pradesh State Electricity Board	Section 5(1) of the Electricity (Supply) Act, 1948	April 1959	Sole audit by Comptroller and Auditor General of India	1995-96	1989-90	Section 69(2) of the Electricity (Supply) Act, 1948
Uttar Pradesh State Road Transport Corporation	Section 3 of the Road Transport Corporation Act, 1950	June 1972	- Do -	1994-95	1992-93	Section 33(2) of the Road Transport Corporation Act, 1950.
Uttar Pradesh Financial Corporation	Section 3 of the State Financial Corporations Act, 1951	November 1954	Chartered Accountants, SAR issued by Comptroller and Auditor General of India	1994-95	1992-93	Section 37(6) of the State Financial Corporations Act, 1951.
Uttar Pradesh State Warehousing Corporation	Section 18(1) of the Warehousing Corporations Act, 1962	March 1958	- Do -	1995-96	1993-94	Section 31(8) of the Warehousing Corporations Act, 1962.

1.3.2 Investment

The investment in the four Statutory corporations as on 31 March 1996 was Rs. 13537.88 crore (equity: Rs. 424.28 crore; long term loans: Rs. 13113.60 crore) as against the total investment of Rs. 13042.52 crore (equity: Rs. 423.08 crore; long term loans Rs. 12619.44 crore) as on 31 March 1995.

The Sectorwise investment in these corporations is given below:

(Rupees in crore)

Name of the Corporation	Equity and loans as at the end of 1995-96		1994-95		Debt equity ratio in 1995-96
	Equity	Loans	Equity	Loans	
1. Power Department					
Uttar Pradesh State Electricity Board	--	11973.91	--	11682.90	--
2. Transport Department					
Uttar Pradesh State Road Road Transport Corporation	314.01	73.32	313.51	43.26	0.23:1
3. Industries Department					
Uttar Pradesh Financial Corporation	100.00	1063.70	100.00	888.26	10.64:1
4. Cooperative Department					
Uttar Pradesh State Warehousing Corporation	10.27	2.67	9.57	5.02	0.26:1
Total	**424.28**	**13113.60**	**423.08**	**12619.44**	

1.3.3 Profit/Loss of the corporations

Two corporations have finalised their accounts for the year 1994-95 of which Uttar Pradesh State Road Transport Corporation, incurred loss of Rs. 35.62 crore and Uttar Pradesh State Financial Corporation earned profit of Rs. 23.32 crore. Uttar Pradesh State Warehousing Corporation and Uttar Pradesh State Electricity Board which finalised accounts for the year 1995-96 earned profit of Rs. 4.24 crore (before tax) and a net surplus of Rs. 22.20 crore respectively.

1.3.4 Finalisation of accounts

Uttar Pradesh Financial Corporation and Uttar Pradesh State Road Transport Corporation have finalised their accounts up to 1994-95. Uttar Pradesh State Warehousing Corporation and Uttar Pradesh State Electricity Board have finalised the accounts up to 1995-96.

1.3.5 Guarantee on loans

The guarantee given by the State Government against loans, credits given by banks etc. (including interest) to the Statutory corporations for the preceding three years up to 1995-96 and outstanding as on 31 March 1996 is shown in table below:

(Figures at Sl.No.1,2, & 3 are rupees in crore)

Serial number	Guarantees	Guanantees given by State Government 1993-94	1994-95	1995-96	Guaranteed amount outstanding as on 31 March 1996
1.	Cash credits from State Bank of India and other nationalised banks	7.50	9.00	18.00	7.64
2.	Loans from other sources	216.40	258.30	91.16	1698.55
3.	Letter of credit opened by State Bank of India and other nationalised banks for purchase of power	75.00	123.00	109.00	--
4.	Payment obligation under agreements with foreign consultants or contractors	--	--	--	27.39 billion Yen

1.3.6 Budgetary outgo

The outgo from the State Government to the Statutory corporations during the years 1993-94 to 1995-96 in the form of equity capital, loans and subsidy is as detailed below:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96
1. Equity capital outgo from budget	45.01	0.37	0.50
2. Loans given out from budget	625.15	679.14	519.44

1.3.7 Subsidy

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

The State Government gave (March 1979) an undertaking to the World Bank to provide subsidy to the Uttar Pradesh State Electricity Board for rural electrification losses so that the Board may achieve and maintain a return of 9.5 per cent on its average capital base. Subsidy was either the difference between the operating expenses and operating revenue in respect of rural electrification operations or such lower amount as may be necessary to achieve and maintain the said return. Subsidy has been received from Government for the years 1993-94, 1994-95 and 1995-96 amounting to Rs. 1160.67 crore, Rs. 1236.60 and Rs. 1517.20 crore respectively. Subsidy receivable from the State Government on this account as on 31 March 1996 was Rs. 5848.10 crore.

1.3.8 Working results

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

1.4 Uttar Pradesh State Electricity Board

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

The aggregate of long-term loans including loans from the Government obtained by the Board and outstanding as on 31 March 1996 was Rs. 11973.91 crore and represented an increase of Rs. 291.01 crore on long term loans of Rs. 11682.90 crore outstanding at the end of the previous year. Particulars of loans obtained from State Government and other sources and outstanding at the close of each of the two years up to 1995-96 are as follows:

(Rupees in crore)

Sources	Amounts outstanding as on 31 March 1995	1996	Percentage of increase +/ decrease -
1. State Government	8980.33	9499.77	(+)5.78
2. Other sources			
(i) Central Government	35.45	32.27	(-) 8.97
(ii) Public borrowing:			
- Bonds	702.00	667.62	(-) 4.90
- Commercial deposits	7.38	7.29	(-) 1.22
(iii) Foreign Currency deferred credits	365.35	267.62	(-) 26.75
(iv) Financial institutions	877.86	810.11	(-) 7.72
(v) Rural Electrification Corporation	528.36	579.38	9.66
(vi) State Government companies and corporate bodies	186.17	109.85	(-)41.00
Total	**11682.90**	**11973.91**	**(+)2.49**

1.4.2 The Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 3294.15 crore and payment of interest thereon. The amount outstanding thereagainst as on 31 March 1996 was Rs. 1672.24 crore.

1.4.3 The financial position of the Board at the end of the three years up to 31 March 1996 is given below:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96
A Liabilities			
Long term loans from:			
(a) Government	8303.19	8980.33	9499.77
(b) Other sources	2554.32	2701.57	2474.14
Subvention and grants from			
(a) Government	108.46	108.66	128.66
(b) Others	0.46	6.85	15.58
Reserve and surplus	776.60	1017.58	1209.09
Current liabilities and provisions	5262.71	6747.19	8800.21
Total A	17005.74	19562.18	22127.45
B Assets			
Gross fixed assets	9435.50	11811.08	12925.28
Less- Depreciation	1929.10	2307.66	2815.91
Less- Consumers contribution	560.19	625.22	693.41
Net fixed assets	6946.21	8878.20	9415.96
Capital works-in-progress	3085.34	1713.33	1559.39
Current assets	3626.68	4484.24	5132.24
Subsidies receivable from Government	3095.00	4331.60	5848.10
Investments	87.72	154.42	171.29
(a) Intangible assets	0.33	0.39	0.47
(b)Accumulated deficit	164.46	--	--
Total B	17005.74	19562.18	22127.45
C Capital employed*	8492.93	11101.27	11767.38
D Capital invested@	11743.03	12814.99	13327.24

1.4.4 The working results of the Board for the three years up to 1995-96 are summarised below:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96
1. (a) Revenue receipts	2868.77	3486.10	4134.52
(b) Subsidy from Government	1160.67	1236.60	1517.20
Total	4029.44	4772.70	5651.72
2. Revenue expenditure#	2969.80	3064.21	3890.30
3. Gross surplus (1-2)	1059.64	1658.53	1761.42
4. Utilisation			
(a) Depreciation	282.52	391.60	522.77
(b) Interest on			
- State Government loans	785.33	897.33	961.93
- Central Government loans	3.20	2.93	2.67
- Other loans and bonds	317.66	352.67	426.35
Total	1106.19	1252.93	1390.95
(c) Less: Interest capitalised	390.30	244.39	174.50
(d) Net interest	715.89	1008.54	1216.45
Total (a+d)	998.41	1400.14	1740.41
5. Net surplus	61.23	258.44	22.20
6. Total return on capital employed and capital invested (Net surplus plus net interest)	777.12	1266.98	1238.65
7. Percentage of return on:			
(a) Capital employed	9.15	11.50	10.53
(b) Capital invested	6.62	9.96	9.29

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* Capital employed represents net fixed assets plus working capital.

@ Capital invested represnets long-term loans plus free reserves including subvention and grants.

\# Revenue expenditure does not include depreciation and interest and loans.

1.4.5 The following observations were made on the separate audit report on the annual accounts of Uttar Pradesh State Electricity Board for the year 1995-96 (revised and final) which showed a surplus of Rs. 22.20 crore instead of Rs. 89.99 crore shown in the accounts submitted for audit.

The surplus of Rs. 22.20 crore was overstated by Rs. 60.94 crore on account of following:

(Rupees in crore)

Particulars	Amount
(a) Under statement of expenditure on repairs and maintenance of transformers	65.54
(b) Under statement of revenue on sale of power	4.60
Net (a-b)	60.94

1.4.6 The table below indicates the operational performance of the Board for three years up to 1995-96:

Particulars	1993-94	1994-95	1995-96
1. Installed capacity (MW)			
(a) Thermal	4054.00	4544.00	4544.00
(b) Hydel	1504.75	1504.75	1504.75
Total	5558.75	6048.75	6048.75
2. Power generated (Mkwh)			
(a) Thermal	14560.00	15611.00	17813.00
(b) Hydel	5287.00	6064.00	5014.00
Total	19847.00	21675.00	22827.00
(c) Less: Auxiliary consumption	1618.00	1642.00	1732.00
(d) Net power generated	18229.00	20033.00	21095.00
(e) Power purchased	12775.00	13331.00	14014.00
(f) Total power available for sale (d+e)	31004.00	33364.00	35109.00
3. Power sold **(Mkwh)**	23813.00	25810.00	26771.00
4. Transmission and distribution losses **(Mkwh)**	7194.00	7554.00	8338.00
5. Percentage of transmission and distribution losses	23.20	22.64	23.75
6. Units generated per KW of installed capacity **(Kwh)**	3570.41	3583.41	3774.84
7. Percentage of generation to installed capacity	40.46	40.80	42.96

Particulars	1993-94	1994-95	1995-96
8. Percentage of Plant Load factor	49.80	43.59	47.48
9. Villages/towns electrified at the end of year **(Number)**	84906	85334	85657
10. Pump sets/tubewells energised at the end of year **(Number)**			
(a) Private Tubewells	690119	706404	729356
(b) State Tubewells	31814	31916	N.A.
11. Connected load **(MW)**	12087	12843	13385
12. Number of consumers **(In lakh)**	55.90	58.87	61.40
13. Number of employees*	97711	97711	96153
14. Employees cost per Mkwh **(Rupees in lakh)**	2.06	2.05	2.18
15. Break-up of units sold according to categories of consumers **(Mkwh)**			
(a) Agricultural	8924	9485	9507
(b) Industrial	6030	6281	6674
(c) Commercial	1706	1901	2134
(d) Domestic	5124	6025	6148
(e) Others	2026	2118	2300
Total	23810	25810	26771
16. (a) Revenue per Kwh **(Paise)**	120	135	143
(b) Expenditure per Kwh **(Paise)**	167	172	210
(c) Profit(+)/Loss(-) per Kwh **(Paise)**	(-) 47	(-) 37	(-) 67

1.5 Uttar Pradesh State Road Transport Corporation

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

The paid-up equity capital of the Corporation as on 31 March 1996 was Rs. 314.01# crore (State Government: Rs. 244.76 crore and Central Government: Rs. 69.25 crore) as against Rs. 313.51 crore as on 31 March 1995 (State Government: Rs. 244.58 crore and Central Government: Rs. 69.25 crore). Further, loans amounting to Rs. 73.32# crore (State Government: Rs. 4.05 crore and Life Insurance Corporation of India Rs. 44.27 crore and Industrial Development Bank of India Rs. 25 crore) were outstanding as on 31 March 1996. The State Government had also given guarantees for repayment of loans raised by the Corporation from other sources and payment of interest thereon. As on 31 March 1996, the amount of principal outstanding thereagainst was as indicated on the next page:

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

\# Figures supplied by the Management.

(Rupees in crore)

Particulars	Amount guaranteed	Amount outstanding as on 31March 1996
(i) Cash credit from banks	6.00	5.35
(ii) Life Insurance Corporation of India	24.97	16.94
(iii) Industrial Development Bank of India	25.00	25.00
Total	**55.97**	**47.29**

1.5.2. The Corporation has not finalised accounts for the year 1995-96 so far (October 1996). The financial position of the Corporation at the end of each of the three years up to 1994-95 is given below:

(Rupees in crore)

Particulars	1992-93	1993-94	1994-95
(A) Liabilities			
Capital	265.34	313.13	313.51
Reserves and surplus	2.85	1.38	0.95
Borrowings	107.54	112.40	127.34
Trade dues and other current liabilities	134.63	80.77	122.25
Total- A	510.36	507.68	564.05
(B) Assets			
Gross Block	443.50	452.71	483.44
Less: Depreciation	288.76	306.67	318.01
Net fixed assets	154.74	146.04	165.43
Capital work-in-progress	3.27	4.20	4.88
Investments	0.80	0.80	0.80
Current assets, loans and advances	47.56	52.67	52.71
Accumulated losses	303.99	303.97	340.23
Total- B	510.36	507.68	564.05
(C) Capital employed*	70.48	120.90	99.61
(D) Capital invested@	299.06	351.55	356.78

1.5.3. The working results of the Corporation for the three years up to 1994-95 are summarised below:

(Rupees in crore)

Particulars	1992-93	1993-94	1994-95
Total revenue	400.28	444.43	457.91
Total expenditure:			
(a) Other than interest	398.51	435.58	473.36
(b) Interest	24.28	17.60	20.17
Total	422.79	453.18	493.53
Net Loss	22.51	8.75	35.62
Total return on:			
(a) Capital employed	1.77	8.85	- 15.45
(b) Capital invested	1.77	8.85	- 15.45
Percentage of return on			
(a) Capital employed	2.51	7.32	--
(b) Capital invested	0.59	2.52	--

* Capital employed represents net fixed assets plus working capital.

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

The Corporation suffered a loss of Rs. 35.62 crore during the year 1994-95 as compared to loss of Rs. 8.75 crore suffered during the year 1993-94. The loss of the Corporation increased by 307.08 *per cent* during the year 1994-95 as compared to the year 1993-94. The loss during 1994-95 was attributable mainly to increase in cost of operating expenses, fuel and oil, repairs and maintenance, welfare and general administrative expenses.

The accumulated loss at the end of 1994-95 amounted to Rs. 340.23 crore which was understated by Rs. 3.17 crore due to non-provision for bad debts (Rs. 2.76 crore), shortages of stores (Rs. 0.25 crore) and liability for passenger tax (Rs. 0.16 crore).

1.5.4 The table given on the next page indicates the physical performance of the Corporation during the three years up to 1994-95:

Particulars	1992-93	1993-94	(Rupees in crore) 1994-95
Average number of vehicles held (effective fleet)	7956	8023	7920
Average number of vehicles on road*	7052	7112	6891
Percentage of utilisation	89	89	87
Kilometres covered (In lakh)			
- Gross	6379	6645	6507
- Effective	6213	6479	6344
- Dead	157	166	163
Percentage of dead kilometres to gross kilometres	2.46	2.50	2.50
Average kilometres covered per bus per day	241	249	252
Average revenue per kilometre (Paise)	644	686	722
Average expenditure per kilometre (Paise)	680	699	778
Loss per kilometre (Paise)	36	13	56
Total route kilometres (In lakh)	5.45	5.90	5.98
Number of operating Depots	105	106	108
Average number of break-downs per lakh kilometres	3.54	3.96	4.43
Average number of accidents per lakh kilometres	0.23	0.21	0.20
Passenger kilometres			
- Scheduled (in lakh)	334511	348924	341371
- Operated (in lakh)	227467	240758	221891
Occupancy ratio (*Per cent*)	68	69	65

* Vehicles include buses, taxies and trucks.

1.6 Uttar Pradesh Financial Corporation

1.6.1 The paid-up capital of the Corporation as on 31 March 1995 as well as on 31 March 1996 was Rs. 100.00 crore (State Government: Rs. 63.12 crore; Industrial Development Bank of India: Rs. 34.21 crore and others: Rs. 2.67crore).

1.6.2 The Government has guaranteed repayment of share capital of Rs. 10.32 crore under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at 3.5 *per cent.* During the year 1995-96, the Corporation's total income was Rs. 162.47 crore and revenue expenditure was Rs. 131.54 crore (provisional). Thus, there was a profit of Rs. 30.93 crore.

The Government has also guaranteed repayment of market loans (bonds and debentures) of Rs. 491.45 crore raised by the Corporation.

1.6.3 The financial position of the Corporation at the end of each of three years up to 1995-96 is given below:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96 (Provisional)
(A) Liabilities			
(i) Paid-up capital	100.00	100.00	100.00
(ii) Reserves and surplus	15.87	9.64	23.95
(iii) **Borrowings:**			
(a) Bonds	378.28	428.28	491.45
(b) Others*	463.07	459.98	572.25
(iv) Other liabilities and provisions	76.61	86.43	22.10
Total-A	1033.83	1084.33	1209.75
(B) Assets			
(i) Cash and bank balances	47.62	32.98	38.20
(ii) Investments	0.27	0.75	2.26
(iii) Loans and advances	864.60	921.65	1105.78
(iv) Net fixed assets	2.89	11.33	30.59
(v) Other assets	118.45	117.62	32.92
Total-B	1033.83	1084.33	1209.75
(C) Capital employed#	941.07	977.56	1092.78
(D) Capital invested@	957.22	997.90	1187.65

* Includes loans in lieu of share capital of Rs. 20.00 crore in 1992-93 and Rs. 18.60 crore in 1993-94 and 1994-95.

\# 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 <u>plus</u> free reserves and long term loans.

1.6.4 The working results of the Corporation for the three years up to 1995-96 is given below:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96 (Provisional)
Income			
(a) Interest on loans and advances	86.13	106.26	149.88
(b) Other income	0.89	3.69	12.59
Total	87.02	109.95	162.47
Expenditure			
(a) Interest on long-term loans	95.03	72.15	111.65
(b) Other expenses	13.69	14.48	19.89
Total	108.72	86.63	131.54
Profit (+)/Loss(-)before tax	(-) 21.70	(+)23.32	(+)30.93
Profit (+)/Loss(-) after tax	..	(+)23.32	(+)30.93
Other appropriations	..	19.30	27.95
Amount available for dividend	..	4.02	2.98
Dividend payable	..	..	..
Total return on:			
(a) Capital employed	63.33	95.47	132.58
(b) Capital invested	63.33	95.47	132.58
Percentage of return on			
(a) Capital employed	6.73	9.77	12.13
(b) Capital invested	6.62	9.57	11.16

The table given below indicates the position regarding receipts and disposal of applications for loans during three years up to 1995-96:

(Rupees in crore)

Particulars	1993-94		1994-95		1995-96 (Provisional)	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	107	15.27	72	7.68	145	78.83
Applications received	458	76.42	1193	441.98	1939	860.22
Total	565	91.69	1265	449.66	2084	919.17
Applications sanctioned	273	46.40	974	333.14	1593	620.34
Applications cancelled/with-drawn/rejected/reduced	220	37.61	146	37.69	230	132.09
Applications pending at the close of the year	72	07.68	145	78.83	261	110.46
Loans disbursed	390	75.25	643	175.89	1227	389.39
Loan outstanding at the close of the year	24063	864.60	26068	921.65	27187	1105.78
Amount overdue for recovery at the close of the year:						
(a) Principal	--	109.89	--	136.06	--	154.03
(b) Interest	--	212.12	--	331.19	--	375.79
Total		322.01		467.25	--	529.42
Amount involved in recovery certificate cases	--	131.18	--	127.92	--	90.65
Total		453.19		595.17	--	620.07
Percentage of default to total loans outstanding		52.46		64.58	--	56.08

As may be seen from the table given above, out of outstanding loans of Rs. 1105.78 crore (excluding interest) as on 31 March 1996, an amount of Rs. 529.42 crore (including interest of Rs. 375.79 crore) was overdue for recovery. The percentage of overdue amount to the total

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

outstanding has increased from 52.46 *per cent* in 1993-94 to 64.58 *per cent* in 1994-95 and decreased to 56.08 *per cent* in 1995-96.

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

The Corporation has made cumulative provision of Rs. 70.70 crore towards non-performing assets made up to 31 March 1995. Besides, the Corporation has written off bad debts during 1993-94 (Rs. 0.12 crore), 1994-95 (Rs. 0.23 crore) and 1995-96 (Rs. 0.33 crore).

1.7 Uttar Pradesh State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31 March 1996 was Rs. 10.27 crore (State Government: Rs. 5.59 crore and Central Warehousing Corporation: Rs. 4.68 crore) as against paid up capital of Rs. 9.57 crore (State Government Rs. 5.59 crore and Central Warehousing Corporation Rs: 3.98 crore) as on 31 March 1995.

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

(Rupees in crore)

Particulars	Year of guarantee	Amounts guaranteed	Amount outstanding as on 31 March 1996		
			Principal	Interest	Total
1. Loan from Land Development Bank	1986-87	0.45	1.20	0.11	1.31
2. Loan from Punjab National Bank	1989-90 and 1990-91	4.53	--	0.09	0.09
	Total	**4.98**	**1.20**	**0.20**	**1.40**

1.7.3 The financial position of the Corporation at the end of each of the three years up to 31 March, 1996 is given below:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96
(A) Liabilities			
Paid-up capital	9.57	9.57	10.27
Reserves and surplus	6.16	8.47	11.94
Borrowings	8.06	5.02	2.67
Trade dues and other current liabilities	9.05	10.37	12.91
Total-A	**32.84**	**33.43**	**37.79**
(B) Assets			
Gross block	33.83	34.02	38.53
Less depreciation	12.71	13.27	14.15
Net fixed assets	21.12	20.75	24.38
Capital work-in-progress	0.98	1.03	0.49
Current assets, loans and advances	10.74	11.65	12.92
Total-B	32.84	33.43	37.79
(C) Capital employed*	22.81	26.35	24.39
(D) Capital invested#	23.79	23.06	24.88

* Capital employed represents net fixed assets plus working capital.

\# Capital invested represents paid-up capital plus reserves and surplus plus borrowings.

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

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96
Income			
(a) Warehousing charges	10.20	14.98	19.55
(b) Other income	0.40	0.26	0.54
Total	10.60	15.24	20.09
Expenses			
(a) Establishment charges	7.61	8.75	10.57
(b) Interest	0.97	0.89	0.42
© Other expenses	2.89	2.76	3.63
Total	11.47	12.40	14.62
Net profit (+)/loss (-)	- 0.87	+ 2.84	+5.47
Prior period adjustments	+ 0.12	- 0.13	-1.23
Profit before tax	- 0.75	+ 2.71	+4.24
Amount available for dividend	..	2.71	4.24
Transfer from/to general reserve	0.75	2.31	3.75
Proposed dividend	..	0.40	0.47
Total return on:			
(a) Capital employed	(+) 0.22	(+) 3.60	+4.66
(b) Capital invested	(+) 0.22	(+) 3.60	+4.66
Percentage of return on			
(a) Capital employed	0.96	13.66	19.11
(b) Capital invested	0.92	15.61	18.73

1.7.5. The physical performance of the Corporation for the three years up to 1995-96 is summarised below:

Particulars	1993-94	1994-95	1995-96
Number of stations covered	117	102	100
Storage capacity created up to			
the end of the year :-		(Tonnes in lakh)	
(a) Owned-	11.50	11.54	11.72
(b) Hired-	1.19	1.17	1.33
Total	12.69	12.71	13.05
Average capacity utilised	7.94	9.22	11.72
Percentage of utilisation	62.57	72.54	89.80
		(Rupees per tonne)	
Average revenue	128.46	161.06	166.81
Average expenses	144.46	136.44	124.74
Average net earning	- 16.00	+ 24.62	+42.07

Chapter - II

Section-2A
Recovery of dues

Uttar Pradesh Rajkiya Nirman Nigam Limited

SECTION-2A

UTTAR PRADESH RAJKIYA NIRMAN NIGAM LIMITED

RECOVERY OF DUES

HIGHLIGHTS

The dues of the Company arise due to incurring expenditure in excess of fund received from the clients, retrenchment in quantity and rates from the bills raised by the Company upon clients, levy of penalty for delayed completion of work and penal recovery for excess consumption of client's material.

(Paragraph 2A.1)

The dues of the Company increased continuously from Rs. 2869.80 lakh at the end of March 1991 to Rs. 9194.37 lakh at the end of March 1995. The percentage of dues to turnover also increased from 30.1 in 1990-91 to 51.6 in 1994-95.

(Paragraph 2A.5.2)

The Company without submitting/obtaining approval of revised estimates, completed 39 works and incurred an expenditure of Rs. 451.33 lakh over and above the fund released by clients to the Company till date.

(Paragraph 2A.6.3.2)

Dues amounting to Rs. 167.78 lakh against nine works could not be realised as the Company started the work without determination of terms and conditions.

(Paragraph 2A.6.3.3)

The Company, in spite of award of claim amounting to Rs. 201.73 lakh by High Power Committee, had not pursued the claims with respective departments for last two to three years.

(Paragraph 2A.7.2)

2A.1 INTRODUCTION

The Company was incorporated in August 1975 as a wholly owned State Government Company with the main objective of undertaking construction works of the State Government and autonomous bodies and execution of these works directly by eliminating contractors thereby securing speedy construction with quality and economy.

The Company undertakes works either on the basis of actual cost plus centage basis or at rates offered by it against tenders. Whereas the works of the State Government are generally entrusted by the Government to the Company on cost plus basis, the works of autonomous bodies of the State as well of as outside State are secured either on cost plus basis or by participating in the tender. The dues in respect of cost plus works arise due to incurring of expenditure by the Company in excess of fund received from clients. In respect of tender works, dues arise mainly due to retrenchment in quantity and rates from the bills raised by the Company upon clients as well as due to levy of penalty for delay in completion of works and penal recovery for excess consumption of clients material.

2A.2 Organisational set-up

The day to day affairs of the Company are looked after by the Managing Director under powers delegated by the Board of Directors. The Managing Director is assisted by a Financial Adviser and three General Managers at Headquarters besides eight General Managers in the Zones exercising control over projects under their jurisdiction. The pursuance of dues is made by Claims Section at Headquarters working under General Manager (Contract) as well as by General Managers of the Zone.

2A.3 Scope of Audit

As on 31 March 1995 the total dues of the Company amounted to Rs. 4016.31 lakh against 346 completed and 164 ongoing works. Of these, 110 works involving dues of Rs. 924.37 lakh were reviewed in audit between August to September 1995 and December 1995 to March 1996. The works reviewed represented cases in respect of which details regarding period of completion and revision of estimates were available. Apart from the above, the current dues of tender works which remain unreflected in the accounts in view of Company's policy of accounting for income of such works on realisation basis/completion of contract, were also reviewed in respect of 6 completed works.

2A.4 Financial Position

The table below summarises the financial position of the Company for the last five years up to 1994-95:

(Rupees in lakh)

Particulars	1990-91	1991-92	1992-93	1993-94	1994-95
Liabilities					
Share capital	100.00	100.00	100.00	100.00	100.00
Reserves and surplus	1739.45	1740.65	1980.77	1046.08	1114.28
Loans and advances	107.21	-	1.64	1.16	3.88
Current liabilities & provisions	10445.38	11457.99	13123.28	18415.05	23249.13
	12392.04	**13298.64**	**15205.69**	**19562.29**	**24467.29**
Assets					
Gross block	2179.69	2276.97	2315.01	2977.55	3201.96
Less:Depreciation	1217.93	1372.11	1502.97	1786.22	1919.30
Net block	**961.76**	**904.86**	**812.04**	**1191.33**	**1282.67**
Capital works-in-progress	208.95	398.73	513.80	--	--
Current assets, loans and advances	11221.33	11995.05	13879.85	18370.96	23184.62
	12392.04	**13298.64**	**15205.69**	**19562.29**	**24467.29**
Working capital*	775.95	537.06	756.57	(-)44.09	(-)64.51

The main reason for negative working capital during 1993-94 and 1994-95 was change in accounting treatment of fund received from the client against ongoing tender work. Under the revised procedure introduced in 1993-94, surplus of receipts from client against running bills of ongoing tender works were treated as liability instead of being credited as income. This has resulted in decrease in working capital by Rs. 464.81 lakh in 1993-94 (figure for 1994-95 yet to be finalised).

2A.5 Accounting procedure and dues position

2A.5.1 Accounting policy of income

(A) Tender works

In respect of tender works, the Company up to the year 1991-92, accounted for income equivalent to amount of the bills accepted and paid for by the client up to 30 April of the following year. Therefore, its accounts reflected only such debts which were paid for during the month of April of the following year. During the year 1992-93, the Company

* Working capital represents current assets, loans and advances less current liabilities.

switched over to a new system of accounting, under which the amount equivalent to prime cost incurred was credited to contract account, consisting of fund received from client and the excess expenditure over fund received was debited to work-in-progress account. Therefore, debts and profits /losses of tender works were not reflected in accounts. The change in the accounting policy which was introduced to implement principle of matching of costs and revenue, resulted in increase in overall income of the Company by Rs. 916.98 lakh but for which the Company would have incurred loss of Rs. 291.85 lakh during the year 1993-94.

(B) Cost plus works

In respect of cost plus works, the Company credits income by the amount of expenditure incurred and centage, thereon. This practice often led to accountal of income even in excess of cost sanctioned by the client.

As a result of this, the income of the Company included excess expenditure of Rs. 216.02 lakh incurred over sanctioned cost of 17 works (referred to in para 6.3.2 infra) which was not payable to the Company as the revised estimates had not been submitted to the clients for over three years of completion of works.

2A.5.2 Position of dues

The turnover of the Company also includes contract expenses of ongoing tender works to the extent remaining unaccepted by client. Such unrealised income is not included in the accounts under debtors but is shown as work-in-progress. For fair comparison, such works-in-progress have been added back to the debts in the table below indicating the position of turnover and outstanding dues for the last five years up to 1994-95:

(Rupees in lakh)

Year	Turnover	Dues outstanding	Work-in-progress	Total debts	Percentage to turnover
1990-91	9544.73	2869.80	--	2869.80	30.1
1991-92	11459.13	3666.32	--	3666.32	32.0
1992-93	12654.63	3567.64	916.98	4484.62	35.4
1993-94	12732.30	3876.34	2840.15	6716.49	52.8
1994-95	17831.95	4039.88	5154.49	9194.37	51.6

2A.5.3 Agewise analysis of debts

The Manual of the Company did not prescribe monitoring of dues of completed works as a result of which the dues against completed works remained unreviewed by the Management. However, in spite of the Board's decision (October 1991) that position of dues showing agewise break up should be put up in each meeting, the Management had never put up these details before the Board. An agewise analysis of such dues was not possible by audit also as the records maintained by the Company were deficient in reflecting the status of each work, date of completion of works. Further, amount of dues in respect of completed and ongoing cost plus works remained grouped together.

2A.5.4 Irrecoverable dues

The Management, in October 1995, submitted a proposal to the Board that debts amounting to Rs. 372 lakh in respect of cost plus works be written off in the accounts for the year 1992-93 as these could not be recovered due to elapse of 5 to 17 years since completion of work. The reason for non-recovery of these debts for such a long time were not investigated by the management. The Board of Directors, did not agree to the Management's proposal and formed a Committee consisting of Joint Secretaries of Finance and Public Works Department and the Managing Director o[illegible] Company to examine and submit proposal in respect of each case afte[illegible] detailed scrutiny. The sub-Committee has not so far put up any proposal to the Board (March 1996).

2A.6 Dues of cost plus works

2A.6.1 Procedure for award of work and control system

Cost plus works are entrusted to the Company by the clients for execution of work on actual cost with centage at 15 percent thereon unless otherwise agreed to by the Company. The work is started on receiving administrative approval and financial sanction to the preliminary estimate (PE) framed at plinth area rates. Normally, no agreement is executed with the client outlining the periodical fund requirement, escalation admissible over project cost and responsibilities/ liabilities of each party. Therefore, release of fund for the work depends upon availability of fund with the client and approval of revised preliminary estimate (RPE) which is not binding upon client.

The Manual of the Company places restriction on incurring expenditure in excess of the clients fund. As per Financial Handbook

Volume- VI (para 395) of the State Public Works Department (PWD), a RPE should be submitted to the client as soon as it is noticed that sanctioned estimate is likely to be exceeded by more than 5 *per cent.* Dues in cost plus works arise due to incurring of expenditure by the units in excess of fund released by the client through unauthorised transfer of cash and stores by Unit In-charges from one work to another. This transfer was facilitated by the absence of adequate controls by the Headquarters over such transfer and their failure in restricting the release of fund up to amount received from the client.

2A.6.2 Position of dues

The dues against cost plus works as on 31 March 1995 amounted to Rs. 3827.38 lakh against 491 works. Based on accounts of completed works finally closed after incorporating accounts balances in Headquarters up to August 1996, the position emerged as under:

	Number	Dues outstanding (Rupees in lakh)
Works closed	184	591.94
Works completed/ suspended but accounts not closed	143	930.52
Work-in-progress	164	2304.92

Agewise analysis of 75 out of 327 closed/completed works, as worked out in audit, is given below:

(Rupees in lakh)

Outstanding for a period	Number of works	Dues outstanding
Over 15 year	4	5.01
Over 10 years to 15 yrs	30	90.23
Over 5 year to 10 yrs	41	182.59

2A.6.3 Analysis of dues

2A.6.3.1 Excess release of fund by Headquarters to units

Release of fund to its unit by the Company in excess of clients fund facilitated excess expenditure of Rs. 370.35 lakh on 19 works without any payment from clients.

Adequate controls were not exercised by the Company over release of fund resulting in excess release of fund to the units. In test check by Audit, release of fund in excess of amounts received from client were noticed to the extent of

Rs. 370.35 lakh in respect of 19 works. Cases involving fund above Rs. 5 lakh are cited in the following table:

(Rupees in lakh)

Name of work	Sanctioned cost	Fund released by client to the Head quarter	Fund released by Head quarter to units	Amount excess released and spent by units	year of completion of work	Amount spent in excess of client's fund
1	2	3	4	5	6	7
300 Bedded Hospital, Aligarh	1683.00	107.50	142.62	35.12	suspended in 1993-94	39.97
Tourist Reception Centre, Dehradun	134.84	120.45	133.43	12.98	1986-87	25.65
Modern Reception Centre, Hardwar	122.45	102.42	122.00	19.58	1993-94	17.07
Maternity Home-I, Varanasi	30.88	9.83	29.83	20.00	1984-85	23.94
Tourist Complex, Mussorie	106.62	93.23	98.55	5.32	1992-93	21.41
Tubewell, Meerut	25.78	14.75	21.35	6.60	1987-88	11.03
Tourist Reception Centre, Ayodhya	26.72	13.19	26.08	12.89	1985-86	18.52
Maternity Home-II, Varanasi	70.42	63.12	84.60	21.48	1987-88	28.15
Transit Hostel and Guest House,	243.52	193.95	339.56	145.61	1991-92	150.79
Lucknow Sports Stadium, Ghaziabad	152.98	64.45	89.45	25.00	suspended in 1990-91	42.33
Civil Hospital, Pilibhit	269.49	259.31	280.92	21.61	1989-90	44.22
Total		**1042.20**	**1368.39**	**326.19**		**423.08**

In respect of 11 works, the fund released by the Headquarters even exceeded the sanctioned cost of the works by Rs. 214.31 lakh which has remained unpaid so far (March 1996). Some important cases noticed in this connection are discussed below.

(i) Unrecovered dues of a suspended work

In December 1991, the Government awarded to the Company construction of a 300 bedded hospital at Aligarh (sanctioned cost: Rs. 1683 lakh). The work was started by Aligarh unit of the Company in February 1992 and suspended in 1993-94 after executing work valued at Rs. 147.47 lakh against which the fund released by the client were only Rs. 107.50 lakh. The balance amount of Rs. 39.97 lakh had not been released by the client so far (May 1996). It was noticed that the excess expenditure on the work incurred by the unit was mainly due to lack of control by Finance Wing of the Headquarters which released fund in excess of what it received from the client and unauthorised diversion of fund and stores valued at Rs. 4.85 lakh from other works.

(ii) Excess expenditure on construction of Sports Stadium, Ghaziabad

The Ghaziabad Unit of the Company, in April 1989, took up construction of a sports stadium at Ghaziabad against administrative approval of the State Government for Rs. 152.98 lakh. Against fund amounting to Rs. 64.45 lakh released by the Government up to March 1990, the Head Office released Rs. 89.45 lakh to the unit up to March 1993. Thus, Rs. 25 lakh were released by the Headquarters in excess of fund received from the client.

The unit after incurring expenditure of Rs. 96.63 lakh stopped the work in July 1990 when the excess expenditure over fund released by the client amounted to Rs. 32.18 lakh. The unit did not pursue the matter for release of further fund. The incomplete work was handed over to the Sports Directorate in June 1995 after incurring further expenditure of Rs. 10.15 lakh on watch and ward of the complex during the suspended period of five years.

The Company suspended the work after incurring excess expenditure of Rs. 32.18 lakh and incurred a further expenditure of Rs. 10.15 lakh on watch and ward before finally handing over it to client.

The payment of balance amount of Rs. 42.33 lakh was never taken up by the Company at Government level with the result entire amount due remained outstanding since 6 years (May 1996).

2A.6.3.2 Non-submission of RPE for claiming additional cost

The Company had not introduced any system for timely identification of the cases where RPE were to be submitted and also did not have any controlling record to watch the progress of submission of RPE and approval thereof by the client. As a result, there was

Dues amounting to Rs. 451.33 lakh remained unrecovered against 39 completed works as the Company released fund without exercising control over submission/approval of RPE to the clients.

no monitoring of submission and approval of RPE by the client as well as of progress of submission of RPE by units to Head Office. In absence of proper controlling records, Audit could analyse 46 completed works from the individual files and other records. As a result, instances of abnormal delay in submission of RPE after closure of works, non-submission of RPE and the RPE remaining unapproved without any pursuance by the Company were noticed in audit as summarised below:

(Rupees in lakh)

Particulars	No. of works	Amount
Dues outstanding	46	721.87
Reasons for outstanding dues:		
Non submission of RPE to client	17*	216.02
RPE submitted but remaining unapproved by client	22*	235.31
Non-release of balance amount of sanctioned cost	27*	270.54

From the above, it would be seen that in large number of cases of completed works the Company failed to recover its dues from the clients where full cost had been sanctioned. The extent of delay in such cases is summarised below:

(Rupees in lakh)

Particulars	Number of works	Amount outstanding
Outstanding for period :		
Above 1 year but up to 3 years	1	17.07
Above 3 years but up to 5 years	6	80.09
Above 5 years but up to 10 years	15	137.31
Above 10 years	5	36.07
TOTAL	**27**	**270.54**

The table on next page indicates the agewise break-up of dues of completed works in respect of which RPE has either not been submitted or if submitted not approved by the client :

* Due to more than one reason for unpaid dues, the break-up of number of works are overlapping and exceeds overall number of works.

(Dues in lakh of rupees)

Particulars	RPE not submitted		RPE submitted but not sanctioned	
	Number of works	Dues held up	Number of works	Dues held up
RPE not submitted/ not sanctioned for:				
Over 1 year but not exceeding 3 years	--	--	--	--
Over 3 years but not exceeding 5 years	2	101.43	6	53.58
Over 5 years but not exceeding 10 years	11	90.94	12	167.05
Above 10 years	4	23.65	4	14.68
Total	**17**	**216.02**	**22**	**235.31**

As the Company did not maintain any record indicating position of submission of RPE to the client and approval thereof, it could not inform the above position to the Board of Directors so far (March 1996) in spite of the Board's directive (October 1994) to put up such details in every meeting.

As a result of lack of proper monitoring over submission and approval of RPE, dues of Rs. 451.33 lakh remained unrecovered from clients. A few such cases are discussed in succeeding paragraphs.

(i) Tourist Reception Centre (TRC) at Ayodhya

In 1983-84, the Company was awarded construction of a TRC at Ayodhya (estimated cost: Rs. 26.72 lakh) by Uttar Pradesh State Tourism Development Corporation on cost plus 15 *per cent* centage. The Faizabad unit of the Company which started the work in March 1984, prepared a RPE in July 1984 according to which the cost of the work amounted to Rs. 34.05 lakh. Although, the RPE was not approved by the Head Office, the unit continued with the work and completed the same in 1986 with turnover of Rs. 31.71 lakh against Rs. 26.08 lakh released by the Headquarters. The balance cost was met by the unit through diversion of fund and stores amounting to Rs. 5.63 lakh from other works without approval of the Head office. The client which had released only Rs. 13.19 lakh up to 1984-85 had not made any further payment so far (December 1995).

The Company had not even approached the client during the last nine years after completion of the building for release of the balance amount of Rs. 18.52 lakh.

(ii) Rejection of estimate for additional works

The State Government in March 1981 entrusted the Company construction of TRC at Dehradun at an estimated cost of Rs 55.07 lakh which was revised to Rs 134.84 lakh in September 1984 due to increase in cost of labour and material. Dehradun unit of the Company completed the work in 1986-87 with turnover (expenditure plus centage) of Rs. 146.10 lakh which exceeded the revised sanctioned cost by Rs. 11.26 lakh.

The main reason for excess expenditure over sanctioned cost was execution of additional items (construction of service building and boundary walls, laying of electric lines, etc.) valued at Rs. 11.10 lakh which were not included in the original cost sanctioned by the Government. The supplementary estimate of Rs. 11.10 lakh for these items, submitted for approval in July 1987 after completion of works to the Government, was rejected in June 1993 as prior approval of the Government for taking up additional works was not taken by the Company.

As against the value of work done (Rs. 146.10 lakh), the Government had so far (March 1996) released fund amounting to Rs. 120.45 lakh only and the balance amounting to Rs. 25.65 lakh has remained outstanding for over nine years since completion of works and chances of its recovery were remote as informed by the General Manager of the Zone to the Headquarters.

2A.6.3.3 Execution of work without agreement

The Company while taking up cost plus works of autonomous bodies and aided projects implemented by State Government as agency work, did not execute any agreement outlining the cost escalation admissible over sanctioned cost of PE, mode of payment of extra items not covered in the sanctioned estimate, liability of clients for unforeseen losses due to *force majeure* conditions. Even in cases where agreements were executed, the provisions in this respect were not made by the Company. As a result, there were disputes with clients in respect of payment of price escalation, extra items and payment of damages by client for losses suffered by the Company. The table

Start of work without determination of terms and conditions led to disputes with client and non-realisation of claims of Rs. 167.78 lakh.

below summarises the position of dues of 9 works amounting to Rs. 167.78 lakh:

Name of Work	Claim not accepted (Rupees in lakh)	Reasons
Maternity Home-II, Varanasi	28.15	Price escalation over sanctioned cost not allowed
Spinning Mill, Mehmoodabad	18.25	Price escalation over sanctioned cost beyond scheduled completion date not admitted.
Spinning Mill, Jaunpur	16.08	Claim for additional items and escalation not admitted.
Spinning Mill,Rasra	12.71	Claim for escalation not admitted.
Spinning Mill, Meja	11.48	Escalation and extra items not admitted.
G.B.Pant Institute, Allahabad	24.10	Non-determination of cost ceiling leading to withdrawal of claim
T.R.C, Dehradun	11.10	Claim for additional items not accepted
Transit Hostel and Guest House,Lucknow.	19.46	Additional work of boundary wall and maintenance charges not accepted.
Darshak Digha, Sports College, Lucknow	26.45	Additional work done not approved.
Total	**167.78**	

(i) Unrecoverable excess expenditure

Under India Population Project of the Central Government, construction of a maternity home at Chaukaghat in Varanasi district was entrusted to the Company in March 1984 by the State Government. The sanctioned cost of the work including centage was Rs. 55.71 lakh which was finally revised (March 1986) to Rs. 70.42 lakh to cover additional cost of strengthening of foundation and external site development. The Government through PWD released Rs. 63.12 lakh for the above works in 1985-86. The work was started in April 1984 and completed in July 1987 with turnover of Rs. 91.27 lakh. The unit approached the Project authorities in February 1987 for release of further amount in view of increase in

> ***In absence of determination of price escalation payable, the extra expenditure of Rs. 28.15 lakh incurred in completion of work could not be recovered from the client.***

cost of work. The Project authorities did not accept the claim (March 1987) on the ground that full sanctioned cost had already been released to them and any excess of expenditure over sanctioned cost should be met by the Company from its own resources. The RPE of Rs. 84.87 lakh, submitted to the Project authorities in September 1988 through the Chief Engineer (Building), UPPWD has neither been sanctioned nor any further fund released by the Project authorities. The following points deserve mention:

(a) The Company had not made any efforts to reconcile its account with the client to ensure accountal of Rs. 7.30 lakh being difference between amount (Rs. 70.42 lakh) stated by the client to have been paid and amount (Rs. 63.12 lakh) received by the Company and settle the issue of payment of balance amount due to it.

(b) The Managing Director of the Company in September 1987 constituted an enquiry committee to examine reasons for heavy extra expenditure over the sanctioned cost so that responsibility for above may be fixed. The Committee has, however, made no progress and as such no responsibility has been fixed so far (March 1996).

Thus, the extra expenditure amounting to Rs. 28.15 lakh incurred on the work has not been recovered from the client even after eight years of completion of work. The Company has also not taken any action for its recovery from the officers responsible for it.

(ii) Construction of Spinning mills

The Company undertook construction of Spinning Mills at Rasra (Ballia) and Jaunpur in March 1983 and March 1985 respectively without executing any agreement with the client (Uttar Pradesh Spinning Mills Company Limited). The sanctioned cost of Rasra and Jaunpur mills was Rs. 279.23 lakh and Rs. 305.71 lakh respectively. The works were completed in December 1985 (Rasra Unit) and August 1988 (Jaunpur Unit) after incurring excess expenditure of Rs. 12.71 lakh and Rs. 16.08 lakh over the clients fund respectively. The excess expenditure so incurred by the Company had not been paid by the clients so far (May 1996). The extra expenditure of Rs. 28.79 lakh was mainly due to escalation in cost which was incurred over sanctioned cost by the units without prior settlement of terms for such expenses.

Apart from above unpaid dues, the client during August 1988 and December 1989 confiscated stores and cash valued at Rs. 16.08 lakh from the site office of Jaunpur unit situated within the mill's campus. Even this case was not taken up by the Company at the Government level with the result confiscated stores and cash remained unreturned to the Company so far (May 1996).

In spite of lapse of over seven years, neither any meeting had been held by the Management with the Chairman and Managing Director of the client to settle the heavy dues of Rs. 28.79 lakh alongwith confiscated cash and stores of Rs. 16.08 lakh nor has the Company fixed any responsibility on officers responsible for incurring expenditure in excess of clients fund (May 1996).

2A.7 Dues of tender works

In case of tender works, the Company submits running bills for work done from time to time, claiming tendered items at agreed rates and extra items not included in the bill of the quantity of tender at rates arrived at as per provisions of the contract. Claims for escalation are preferred after obtaining evidences as to the increase in price/cost index as per provisions of concerned agreement. The claims in respect of tender works arise mainly due to retrenchment in quantities and rates claimed, levy of penalties for delayed completion, excess consumption of client's material and deduction for defective works.

As on 31 March 1995, the dues accounted for in the books on the basis of acceptance by clients, aggregated to Rs. 295.10 lakh which included Rs. 4.51 lakh pertaining to four works outstanding for over 10 years after completion of work and Rs. 60.01 lakh pertaining to six works outstanding for over 5 years after completion of work.

2A.7.1 Outstanding claims of tender works

It was noticed in audit that expenditure incurred on tender works by the Company far exceeded the claims accepted and paid by the clients. As a result, the Company had to incur heavy losses in execution of tender works as detailed on the next page:

(Rupees in lakh)

Name of work	Amount of claim	Amount paid by client	Amount of claim under dispute	Loss* incurred on the work
Anapara Pump House	1343.45	1199.32	144.13	166.77
Jayant Coal Fields	107.71	88.02	19.69	30.46
Workshop of Delhi Transport Corporation	246.10	197.91	48.21	18.01
Cement silos, of Cement Corporation of India	265.22	156.53	109.69	48.22
Total			**321.72**	**263.46**

It was noticed in audit that Central Coal Fields, Ranchi awarded (November 1980) construction of residential buildings at Bina and non-residential buildings at Jayant on the basis of item rates tendered. The estimated cost of the work was Rs. 172.70 lakh which was to be completed by July 1983 as per phased schedule of progress of the contract. In case of shortfall in achieving the phased progress by stipulated dates, penalty was payable at 1 *per cent* of the contract value for each day, subject to maximum ceiling of 10 *per cent* of the contract value.

The Company did not obtain details of deduction of Rs. 19.69 lakh made by the client with the result recovery of dues remained outstanding without any pursuance.

During execution of work, the Company failed to achieve the stage-wise progress on stipulated dates and, therefore, the unexecuted works were withdrawn by the client in July 1984 from the Company by terminating the agreement. Against bills for Rs. 107.71 lakh, issued by the Bina Unit of the Company, the client had released payment of Rs. 88.02 lakh only after deducting Rs. 19.69 lakh. It was noticed that the account with the client had not been reconciled so far (May 1996) with a view to identifying the unpaid items and value thereof in respect of each bill.

2A.7.2 Reference of unpaid claims to High Power Committee

The State Government in February 1992 appointed a High Power Committee (HPC) under the Chairmanship of the Principal Secretary, Bureau of Public Enterprises for speedier settlement of disputes over dues between the Public Sector Undertakings and Departments of the

* The loss incurred on tender works relate to works completed prior to switch over to completed contract method of accounting in 1992-93.

State Government so that delay in settlement through Court of law and resultant financial losses to them might be avoided. The decision of the Committee was binding upon both the parties. In case of non-acceptance of decision by any of the party, the appeal was to be preferred before Cabinet Committee of the Government for final decision.

As on 31 March 1996, the Company had total outstanding dues amounting to Rs. 40.40 crore, mostly against various departments of the State Government. It had referred only six cases involving claim of Rs. 3.88 crore to the Committee till March 1996. The table below summarises the position of claims lodged by the Company, claims awarded in favour of the Company and progress of recovery against the award:

(Rupees in lakh)

Name of the work	Year of completion of work	Amount of claim lodged	Month in which award made	Amount awarded in favour of Company	Amount recovered
(i) Obra Thermal Power Station Sonebhadra	1982-83	23.70	September 1992	12.62	-
(ii) Okhala Barrage Ghaziabad	1983-84	97.41	September 1992	82.31	-
(iii) Uptron Control System Lucknow	1989-90	63.97	May 1993	40.30	-
(iv) R&D Block of Uptron Lucknow	1989-90	12.47	May 1993	6.93	3.71
(v) Sakhoti Tanda Sugar Factory	1989-90	15.42	October 1993	5.65	..
(vi) Unchahar Thermal Power Station, Rae Bareli	1989-90	177.00	July 1992	171.78	114.15
Total		387.97		319.59	117.86

In spite of lapse of over 2 to 3 years of the decision of the Committee, major portion of the amount (Rs. 201.73 lakh) remained unpaid by the clients although in no case, appeal had been filed by the departments before the Cabinet Committee. An analysis of delay in release of fund as analysed by Audit, revealed the following:

The Company had not pursued claims aggregating Rs. 201.73 lakh, awarded in its favour by High Power Committee.

2A.7.2.1 Obra Thermal Power Station

(i) The Committee while accepting the Company's claim towards unpaid bills amounting to Rs. 9.47 lakh against the client (Uttar

Pradesh State Electricity Board) also decided that recovery of Rs. 8.02 lakh made by the Board towards excess consumption of Board's cement at the double the issue rate, was not correct. The Committee decided that cost of such cement should be recovered at issue rate (Rs. 18.50 per bag) or the then prevailing market rate whichever was higher. In view of above decision of the Committee, the Obra Unit of the Company was required to ascertain market rate from cement factories for claiming remission in penalty for excess consumption of cement recovered by the Board. The Unit, however, took over two years in collecting the details and the details could be furnished to the client only in January 1995 claiming remission of Rs. 3.15 lakh.

> ***The Company had not fixed any responsibility for excess consumption of material valued at Rs. 11.08 lakh, which was recovered by the client from its bills.***

Even thereafter, the Company through its General Manager/Managing Director never pursued the case at Board's level and therefore, the amount remained unrealised.

(ii) The Company accepted excess consumption of 124 tonnes steel amounting to Rs. 6.21 lakh and 21790 bags cement amounting to Rs. 4.87 lakh. The Company, even after 3 years of acceptance of excess consumption of steel and cement, had not investigated the reasons for excess consumption to fix the responsibility for above.

2A.7.2.2 Okhla Barrage Works

(i) After the Committee set aside the arbitrary reduction in escalation ceiling by the client (Uttar Pradesh Jal Nigam) from 38.5 percent of contract value (Rs. 7.28 crore) as per letter of intent to 24 percent, the Delhi unit of the Company failed to prefer claims of Rs. 50.17 lakh alongwith detailed calculations and supporting documents in terms of provisions of the agreement.

(ii) In respect of two extra items which were allowed in favour of the Company subject to submission of details of expenditure, the Unit furnished details of expenditure of Rs. 4.35 lakh after 11 months of the decision whereas in respect of other extra item involving expenditure of Rs. 20.76 lakh, details could be furnished only after 23 months.

(iii) Payment of Rs. 5.92 lakh allowed by the Committee in favour of the Company for flood protection work, executed by it through its sub-contractors, was not released by the client as the Company failed to furnish the details.

Thus, the payment of Rs. 56.09 lakh was mainly held up due to lapse on the part of the Company whereas the payment of Rs. 25.11 lakh for which belated claims were submitted remained unpaid in absence of any effective pursuance at the Government level.

2A.7.2.3 Delay in referring claims to arbitration/Committee

Before constitution of the Committee, the Company was entitled to settle its dispute by referring the disputes to arbitration in terms of provision in respective agreement. However, the Company did not make effort in this direction as a result of which the dues remained unsettled for a period of 3 to 10 years before reference to the Committee.

In respect of the following tender works involving claims of Rs. 130.15 lakh which were lying unsettled for 7 to 10 years since completion of work, the Company had not yet (March 1996) referred the cases to the Committee although these cases are neither being taken up at top management level nor any recorded reasons for non-reference of the issue to the Committee was on records:

Name of the Work	Year of Completion	Amount of claim withheld
		(Rs. in lakh)
Anpara Pump House	1986-87	144.13
Anpara Road & Drains	1986-87	39.88

Withholding of reference to the Committee had resulted in further delay in settlement of dispute with the clients as discussed below.

(A) Anpara Pump House

The Company in January 1981 was awarded by the Uttar Pradesh State Electricity Board (UPSEB) the work for construction of a Pump House at Anpara at a cost of Rs. 1174 lakh. According to the terms of agreement executed (January 1981) with UPSEB, the date (extended) of completion of work was June 1986. The Company started the work in January 1981 and completed the same in June 1986. The Company raised 52 Running bills for Rs. 1343.46 lakh against which the UPSEB accepted the bills for Rs. 1289.61 lakh but released payment of Rs. 1220.26 lakh only up to December 1986. Thus, Rs. 123.20 lakh remained unpaid which included Rs. 53.85 lakh on account of rejection of escalation claims and Rs. 69.35 lakh in respect of payment withheld by the client due to defective works valued at Rs. 43 lakh. Besides, the UPSEB has also not refunded Rs. 20.93 lakh excess recovered against materials and penalties.

Thus the claims of Company amounting to Rs. 144.13 lakh remained unaccepted and unrecovered for the last ten years.

(B) Anpara Road and Drain Work

In November 1980, the Company executed an agreement with UPSEB for construction of road and drains at Anpara (estimated cost: Rs. 260 lakh) with due date of completion as November 1982. The Company completed the work in September 1986 i.e. 4 years after the due date for which the extension had not been granted by UPSEB so far (March 1996). Against bills for Rs. 272.10 lakh, raised by the Company, UPSEB had accepted and paid only Rs. 232.31 lakh and the balance of Rs. 39.88 lakh had not been paid so far (May 1996). In this connection the following observations are made:

(i) The UPSEB had deducted Rs. 7.08 lakh from the escalation claim for labour and materials. The Company had not made any effort to ascertain the reasons for such deductions.

(ii) The expenditure of Rs. 1.57 lakh incurred by the Company on the extra items, not covered under agreement, was not paid by UPSEB as the items were not approved by them. The circumstances under which the expenditure was incurred on extra items without approval of UPSEB was not on record.

(iii) The Company had not raised so for (May 1996) the final bill to UPSEB. However, the pre-final bill amounting to Rs. 29.00 lakh raised (January 1987) was neither accepted and paid so far (May 1996) nor reasons therefor were ascertained by the Company to decide its further course of action for recovery.

Conclusion

The Company has not evolved a mechanism to ensure avoidable accrual of dues which increased from year to year. The increase in dues was mainly due to failure of the Management to closely monitor the release of fund to construction units vis-à-vis fund received from the clients. The Management also failed to ensure timely submission of RPE and approval thereof by the client as a result the construction units continued to incur expenditure in excess of the sanctioned cost. This was often facilitated by lack of control over expenditure incurred by units through inter unit transfer.

For effective control over dues, the Company should evolve a system whereby release of fund against each work and submission/approval of RPE could be closely monitored. The Company should also analyse regularly the agewise position of dues so that realisation of dues in each case could be pursued effectively and timely.

The matter was reported to the Company and to the Government in June 1996; replies were awaited (June 1996).

Chapter-II

Section-2B
Uttar Pradesh State Mineral Development Corporation Limited

Uttar Pradesh State Mineral Development Corporation Limited

SECTION-2B

UTTAR PRADESH STATE MINERAL DEVELOPMENT CORPORATION LIMITED

HIGHLIGHTS

The Company was incorporated in March 1974 as a wholly owned Government Company with the main object of exploitation and development of mineral resources of the State, promotion of mineral based industries and trading in minor minerals. Pursuant to these objectives, the Company developed mining projects at Dehradun, Lalitpur, Sonebhadra and Allahabad. It also undertook trading in minor minerals (stone ballast, morrum and sand) from time to time.

(Paragraphs 2B.1 to 2B.3)

During five years up to 1994-95, the Company suffered losses during 1991-92, 1992-93 and 1994-95 mainly due to writing off of expenses pertaining to abandoned ballast mining projects, poor management of activities of minor minerals and inadequate monitoring and control of fund.

(Paragraph 2B.6)

The Company had to pay price escalation claims of Rs. 211.96 lakh to the turnkey contractor of silica sand beneficiation plant at Allahabad on account of its failure to provide basic infrastructure in time due to management lapses. This included Rs. 194.66 lakh being extra contractual payments.

(Paragraph 2B.7.1.2(b))

The Company released retention money of Rs. 38.85 lakh to the turnkey contractor before carrying out 'no load' test, though the agreement stipulated its release only after carrying out such test.

(Paragraph 2B.7.1.2(c)

Due to management lapses in not carrying out feasibility studies before undertaking the mining rights and negligence of a unit incharge, the Company had to close down its ballast projects at Moth and Karvi after incurring expenditure of Rs. 113.19 lakh.

(Paragraph 2B.8)

In trading of minor minerals, the Company suffered a loss of Rs. 122.96 lakh at eleven ghats. The main reasons as analysed in audit, were delay in surrender of ghats, inadequate feasibility studies and inadmissible payments.

(Paragraph 2B.9)

Delay in transfer of fund from field units to the main account of the Headquarters resulted in loss of interest of Rs. 8.30 lakh.

(Paragraph 2B.11.1)

2B.1 Introduction

The Company was incorporated on 23 March 1974 as a wholly owned Government Company with the main object of exploitation and development of mineral resources of the State, promotion of mineral based industries either directly or in joint sector and trading in minor minerals (stone ballast, morrum and sand).

2B.2 Objects

The main objects of the Company are to:

- undertake in the State and elsewhere survey, mining and development of all major and minor minerals and setting up of mines and mineral processing units.
- conduct all business directly or indirectly in connection with survey, mining and sale of the products within or outside the country.
- to acquire, purchase, obtain on lease or contract any mines and explore, develop and utilise it.
- to assist, finance, aid and develop mines and minerals activities related directly or indirectly.

2B.3 Activities

In pursuance of above objectives, the company undertook the following activities:

◊ mining of limestone at Lambidhar, Mussoorie*

◊ mining of rockphosphate at Sonrai, Lalitpur

◊ mining of limestone and dolomite at Chopan, Sonebhadra.

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* Closed from January 1996 under the orders of the Supreme Court.

◊ mining of silica sand at Lalapur, Allahabad

◊ trading in minor minerals from time to time

Besides, the Company also promoted three joint sector projects at Banda[#] (float glass), Meerut (sand-lime-brick) and Lalitpur (granite cutting and polishing).

The joint sector project at Manikpur (Banda) and a wholly owned subsidiary (Uttar Pradesh Carbide and Chemicals Limited, Dehradun) are in process of liquidation.

2B.4 Organisational set-up

The overall management of the Company was vested in a Board of Directors consisting of one full time Chairman-cum-Managing Director (CMD) and six part-time directors. The CMD was assisted by a Chief General Manager (Technical), three General Managers - one each for Administration, Projects and Finance, one Chief Marketing Executive, one Company Secretary and four Senior Managers/Managers In-charge of the projects.

2B.5 Scope of Audit

Working of the Company for a period of five years up to March 1995 was reviewed in audit conducted from August 1995 to April 1996 results of which are discussed in succeeding paragraphs.

A review of the working of the Company for a period of three years up to 1983-84 was earlier incorporated in the Report of the Comptroller and Auditor General of India (CAG's report) for the year ended 31 March 1984 (Commercial), Government of Uttar Pradesh. The report had not been discussed by the Committee on Public Undertakings (September 1996).

2B.6 Financial position and working results

Accounts of the Company were in arrears since 1994-95. Financial position and working results of the Company for five years up to 1994-95 are given on the next page:

[#] Presently, a subsidiary Company as the equity shareholding was more than 50 *per cent*.

(Rupees in lakh)

	1990-91	1991-92	1992-93	1993-94	1994-95 (Provisional)
A: Financial position					
1. Liabilities					
(a) Paid-up Capital (including share application money)	4456.38	5040.48	5640.48	5640.48	5640.48
(b) Reserve and surplus	571.30	77.01[-]	273.62	215.07	385.70
(c) Grant in aid	1.40	1.13	1.13	1.13	1.40
(d) Borrowings	258.02	180.02	101.50	311.00[β]	758.28
(e) Trade dues, provisions and other current liabilities	1178.26	2228.78	2524.43	2743.84	2600.06
	6465.36	**7527.42**	**8541.16**	**8911.52**	**9385.92**
2. Assets					
(a) Gross Block	1762.75	1972.06	2051.93	2102.14	2139.67
(b) Less: Depreciation	962.90	1108.34	1358.59	1480.61	1585.58
(c) Net fixed assets	799.85	863.72	693.34	621.53	544.09
(d) Capital work-in-progress	418.75	625.43	1174.00	1404.30	1389.43
(e) Investments	1646.56	2681.05	2756.66	2762.46	2801.61
(f) Current assets, loan and advances.	2593.67	3357.22	3917.16	4123.23	4464.55
(g) Miscellaneous expenses	6.53	--	--	--	143.12
(h) Accumulated losses	--	--	--	--	33.12
	6465.36	**7527.42**	**8541.16**	**8911.52**	**9385.92**
3. Capital employed@	3215.26	1992.16	2080.27	2000.92	2417.17
4. Capital invested@@	5279.17	5279.51	6015.60	6166.55	6505.59
5. Net worth@@@	5021.15	5117.49	5914.10	5855.55	5780.43
B. Working results					
Income—Sales	1495.72	1681.59	2189.31	1622.23[π]	1369.97
-- Other income	227.42	259.43	190.52	50.78[*]	37.15
-- Accretion/decretion (-) in stock	(-) 14.65	53.19	37.88	61.59	(-)64.77
	1708.49	**1994.21**	**2417.76**	**1734.60**	**1342.35**
Cost of operation—Purchase	425.54	262.86	298.84	315.55	--
-- Production/extraction	285.87	375.56	522.83	447.11	632.34
-- Employees remuneration	271.15	320.23	381.60	414.39	421.43
-- Administrative and other expenses	93.86	149.44	177.87	225.12	245.56
-- Interest on loans	32.52	24.75	10.92	3.88	3.68
Provisions—Depreciation	152.25	146.45	244.04[-]	122.02	102.92
-- Expenses written off	0.73	204.24	--	--	0.01
-- Other debits including income tax and prior period/other adjustments	317.27	1004.76	584.83	264.91	60.25
Profit (+)/Loss (-)	129.30	(-) 494.08	196.78	(-) 58.38	(-)123.84
	1708.49	**1994.21**	**2417.71**	**1734.60**	**1342.35**

The Company suffered losses during 1991-92, 1993-94 and 1994-95. Main reasons for losses as analysed in audit were:

- Decrease due to write off of Rs. 658.73 lakh, being the shortfall in value of investment of a subsidiary.

β Increase due to loan (Rs. 251 lakh) from Government.

@ Capital employed represents net fixed assets plus working capital.

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

@@@ Net worth represents paid up capital plus reserves less intangible assets and losses.

π decrease due to fall in market rate of rock phosphate on account of liberlised import policy.

* decrease due to decrease in interest income on deposits.

\- Includes Rs. 109.96 lakh being depreciation pertaining to previous years.

- write off of expenses pertaining to the ballast mining projects during 1991-92;
- poor management of activities relating to minor minerals;
- loss due to short claim of price escalation of lime stone at Lambidhar (Dehradun) and;
- inadequate monitoring and control of fund.

2B.7 Performance of projects

2B.7.1 Silica sand beneficiation project at Lalapur (Allahabad)

The Company decided (April 1984) to establish a Silica Sand Beneficiation Plant at Lalapur (Allahabad) to meet its obligation for long term supplies of silica sand to its joint sector project viz. Continental Float Glass Limited (CFG), New Delhi. The Company obtained (December 1986) mining rights of 33.58 hectares of land. The original cost of Rs. 1615 lakh as approved in August 1990 was subsequently revised in January 1996 to Rs. 2300 lakh due to time and cost over run.

According to the decision (May 1990) of the Board of Directors, the construction work of the project for production of upgraded silica sand was awarded (September 1990) at a total value of Rs 717.77 lakh (excluding taxes and duties, payable as per actual) to Triveni Engineering Works (TEW) Limited, New Delhi on turn key basis. Scope of work included design, engineering, supply of equipment, civil and structural works, erection testing and commissioning of the beneficiation plant comprising of crushing and beneficiation sections at Lalapur (Allahabad).

Irregularities noticed in award and execution of turn-key contract and other works are discussed in succeeding paragraphs.

2B.7.1.1 Absence of system for evaluation of bids in award of contracts

The Company has not prescribed any system for proper evaluation of bids with varying conditions to make them comparable and their independent checking to eliminate chances of errors in award of contracts to lowest technically suitable bidder.

Scrutiny of comparative statement of the above work (computed bid: Rs. 968.82 lakh of Larsen and Toubro, Calcutta (L&T) and

Rs. 799.37 lakh of TEW) vis-à-vis technical specifications and commercial terms (price bid of L&T not made available) revealed that the following factors were not considered to make the two bids comparable:

UPST at the rate of 10 *per cent* (Rs. 38.73 lakh) and works contract tax at the rate of 4 *per cent* on design and Engineering (Rs. 2.19 lakh) quoted (November 1989) by TEW; though such taxes were loaded in case of L&T for Rs. 45.38 lakh and Rs. 2 lakh respectively.

Cost of ramp included in the offer of L&T but excluded by TEW (value as estimated by the technical consultant: Rs. 94 lakh).

Cost difference of structural steel building in case of L&T against reinforced cement concrete building in case of TEW.

Impact of widely varying price escalation formula of the two firms for erection, commissioning and supply of mechanical and electrical equipment. The formulae of L&T was favourable as it excluded profit element in all cases against TEW who quoted price escalation on the total cost including profit element.

The contention of the Management (September 1996) that offer of TEW was lower as there was substantial difference between the two bids would not hold much water when the above mentioned aspects are given due consideration. However, as the price bid of L&T was not made available to Audit, it could not be conclusively ascertained that the decision made by the Company was economical and in its best interest.

2B.7.1.2 Execution of turn key contract

(a) Excess payment

The Company made excess payment of Rs. 6.71 lakh on account of price escalation as detailed below:

(i) According to the agreement with the turn-key contractor, the difference in stockyard price of Steel Authority of India (SAIL) for structural steel on the date of procurement was to be paid over the base price (October 1989) of Rs. 9000 per tonne (worked out by averaging the rates of channel, angles and chequered plates of specified sections). However, the price variation claim of TEW (May 1994) for 3.557 tonnes and 17.190 tonnes of galvanised corrugated (GC) sheets (Rs. 1.88 lakh) was paid (July 1994) over the base price at the rate of Rs. 17625 and Rs. 18157 per tonne instead of the current per tonne average of the three items (Rs. 9776.67 and Rs. 11005). Thus, against the amount of Rs. 0.37 lakh payable, the Company paid Rs. 1.88 lakh resulting in excess payment of Rs. 1.51 lakh (Rs. 0.28 lakh on 3.557 tonnes and Rs. 1.23 lakh on 17.190 tonnes).

The Management stated (April 1996 and September 1996) that the GC sheets can not be placed in the category of channels or plates and its payment as a separate item was proper. The contention of the Management was not tenable as agreement did not provide for payment of price escalation on item to item basis. Moreover, even on the basis of contention of the Management, the excess payment worked out to Rs. 1.39 lakh by taking price of GC sheets at Rs. 15710 per tonne prevailing on the base date.

(ii) The TEW also claimed (February 1994) price escalation of Rs. 4.85 lakh (paid Rs. 4.26 lakh in May 1994) for 40.240 tonnes of steel (GC sheets not included) procured up to 18 May 1992 at a price difference of Rs. 763.32 per tonne and for 185.76 tonnes of steel procured from 19 May onwards at a price difference of Rs. 2183.75 per tonne. But 40.214 tonnes of steel (included in 185.76 tonnes) was in fact procured prior to 18 May 1992 and payment of escalation on this quantity at a price difference of Rs 2183.75 instead of Rs. 763.32 per tonne resulted in excess payment of Rs. 0.57 lakh.

The Management stated (September 1996) that amount would be recovered from running bills of the contractor.

(iii) The agreement also provided for payment of difference in the sale prices of SAIL and of the Uttar Pradesh Cement Corporation (UPCC) prevailing on the date of procurement over the base price of Rs 9000 and Rs 1400 per tonne for steel and cement, respectively, which were inclusive, of excise duty and taxes. The Company, during November 1992 to January 1995, irregularly paid the contractor a sum of Rs 3.77 lakh as reimbursement of excise duty and sales tax.

Further, under a supplementary agreement of February 1992 for supply, commissioning of radial thickener of water recovery plant with the same terms and conditions as for the main project, TEW was incorrectly allowed (November 1993 and May 1994) reimbursement of Rs. 0.86 lakh as excise duty (Rs. 0.54 lakh) and sales tax (Rs. 0.32 lakh) on supply of 4200 bags of cement.

The Management stated (September 1996) that the agreement provided for payment of excise duty and sales tax at actual on submission of documentary evidence. The reply was not tenable as the rates of SAIL and UPCC, taken as base, included element of excise duty and sales tax.

(b) Price escalation due to inordinate delay in providing basic infrastructure

The turnkey contract of September 1990, *inter alia*, provided for making available the inputs viz. (i) water for construction and drinking within October 1990; (ii) power for construction within November 1990 and (iii) handing over of clear and levelled site within June 1991. Against this, water for construction and drinking purposes was made available late by 36 months in October 1993, and power for construction by installation of generator late by 18 months in May 1992.

The Company made an inadmissible price escalation payment of Rs. 194.66 lakh due to incorrect application of base date and reimbursement of expenses not covered under the agreement.

The Committee which considered the matter of price escalation, pointed out (May 1995) that 'no serious efforts were made by the then General Manager (Projects) who was wholly responsible for implementation of this project, to make available the inputs in time which resulted in inordinate delays in the project'.

Thus, due to delays in providing infra-structural facilities, the Company paid (May 1995) the contractor price escalation aggregating to Rs. 211.96 lakh.

A scrutiny of the price escalation payment (Rs. 211.96 lakh), on account of delays in providing infra-structural facilities revealed the following:

According to the agreement, price escalation for supply of mechanical and electrical equipment was to be calculated from the base date (1 October 1989) till the receipt of initial advance (i.e. May 1990). Accordingly, the price escalation was payable up to May 1990. The Company, however, paid price escalation up to 15 November 1992 (being 20 months which was completion period of the project). This resulted in inadmissible payment of Rs. 124.10 lakh.

The Management stated (September 1996) that price escalation was paid under force majeure clause of the agreement as inputs were providing inputs could have caused escalation in erection and commissioning costs but not in the cost of supplies.

The agreement did not stipulate reimbursement of overhead expenses except for price escalation as provided in the price escalation formula. However, the Company made reimbursement of overhead expenses of the contractor to the extent of Rs. 70.56 lakh which was not admissible under the agreement.

The Management stated (September 1996) that since there were considerable delays in completion of work beyond the stipulated period of 20 months (as provided in the contract), payment of overheads was justified. The reply of the Management was not tenable as the agreement did not provide for such payments.

(c) Extra contractual payment

It was provided in the contract that 10 *per cent* (Rs. 71.68 lakh) of the contract price (Rs. 716.77 lakh) was payable as interest free advance within 15 days from the date of agreement, 80 *per cent* progressively as per mutually agreed billing schedule, 5 *per cent* on completion of "no load" test when the plant was ready for commissioning and 5 *per cent* on successful completion of performance test against security deposit or bank guarantee towards warranty/guarantee.

Though the agreement stipulated release of retention money of Rs. 38.85 lakh after carrying out 'no load' test, the Company released it without conducting such test.

Though "no load" test was not carried out (September 1996) and the plant was only 85 *per cent* complete, the Company released 5 *per cent* payment (Rs. 38.85 lakh) in November 1994 which should have been released only after completion of "no load" test to be carried out when the plant was ready for commissioning. The " no load" test has not been carried out as of September 1996.

The Management stated (March 1996) that due to delay in the project for more than two years for various reasons, the liquidity position of TEW had become bad resulting in adverse impact on progress of the work. The reply was not tenable as the payment was not covered by the terms of the agreement.

(d) Inadmissible payment of reinforced cement concrete (RCC)

The break up of value and quantity of different components of work was intimated by TEW after award of work as per agreement for the limited purpose of preparation of running bills. Consequent upon the changes in design of various components of beneficiation plant by Hepworth Minerals and Chemicals (HMC) Limited, England (Technical Consultant), the quantity of RCC, reinforcement steel, sheeting etc. increased. For reinforcement steel, sheeting etc., TEW submitted (April 1994) a claim of Rs. 70.65 lakh for additional works. The claim was found (October 1994) to be incorrect by the HMC. The HMC observed that such a large increase in the rate of reinforcement could only be explained if TEW had made mistakes in their original estimate of quantities. It was not as if more reinforcement had been used to save on RCC because the quantity of RCC used was also much greater than the increase that should have resulted owing to the change of building size. Finally, the committee of the Company after consultation with HMC and TEW agreed (January 1995) for payment of Rs. 55.01 lakh.

However, for RCC work, though the HMC had stated that the quantity of RCC used was much greater than the increase warranted by the change in design, the same analysis was not carried out either by the Company or HMC. An analysis made by Audit revealed that the original quantity of RCC work as intimated by the contractor which was to have been done within contract value, was on much lower side. As a result of which the additional quantity of RCC worked out to be much more than it ought to have been. This resulted in inadmissible payment of Rs. 7.66 lakh on 348.27 cum of RCC (at the rate of Rs. 2200 per cum) which should have been executed by the contractor within the scope of original work.

(e) Extra payment for overburden material used in construction of ramp

The agreement for excavation and raising of overburden and silica sand (ratio 1:4) was executed (August 1995) with Aryan Construction Corporation, Dhanbad at the rate of Rs. 46.51 per tonne and for excess overburden at the rate of Rs. 40 per tonne (with a lead up to 1 km.). The same contractor was awarded (June 1995) the work of excavation and transportation of overburden up to ramp at the adjustable rate of Rs. 40 per tonne.

An analysis of the quantity of overburden removed and transported to ramp and the quantity according to joint measurements of ramp revealed that against the required quantity of 0.87 tonne of overburden, the actual quantity paid for was 1.01 lakh tonnes. This resulted in extra payment for 0.14 tonne of overburden valued at Rs. 5.16 lakh on the basis of conversion factor* of 1.47 and 25 *per cent* compaction.

The Management stated (October 1996) that based on joint measurement of October 1996 of the ramp, the requirement of overburden worked out to 1.12 lakh tonnes based on composite conversion factor of 2.2. The reply of the Management was not correct as the conversion factor works out only to 1.8375 (i.e. 1.47 cum plus 25 *per cent* for compaction thereon) as laid down in the PWD schedule of rates.

(f) Inadmissible payment of price escalation for power connection

On an application from the Company in December 1988, the Uttar Pradesh State Electricity Board sanctioned (January 1991) a connection of 2.5 MVA for the project. According to the estimate prepared (September 1991) by the Board for cost of high tension line of Rs 40.21 lakh and security charges of Rs 7.50 lakh, the Company paid (October 1991) Rs. 47.71 lakh to the Executive Engineer, Electricity Distribution Division (EDD) I, Allahabad in October 1991 and entered into (April 1992) an agreement for the same. Notwithstanding the fact that the agreement did not stipulate for price escalation, the Board demanded (March 1994) a further sum of Rs. 16.39 lakh due to price escalation in cost of construction. The amount was paid (April 1994) on the ground that there was no alternative but to accept the escalation demanded.

Reasons for agreeing to the demand of the Board for payment of cost over run without taking up the matter with the higher authorities of the Board, especially when there was no such provision in the agreement, were not available on record.

The Management stated (September 1996) that since their main aim was to get power early to avoid further delay in commissioning they were compelled to make payment to UPSEB in spite of their numerous protests. The matter relating to refund of excess payment (Rs. 16.39 lakh) and difference in price of steel tubular poles and PCC poles was

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* 1 cubic metre = 1.47 tonnes.

being pursued with UPSEB through Udyog Bandhu and UPSEB had informed (July 1996) that it would look into the matter.

2B.8 Abandoned projects

2B.8.1 Ballast mining project

With a view to eliminating unscrupulous private contractors, the State Government decided in December 1984 that as far as possible purchase of stone ballast, grit and boulders by Public Works Departments (PWD) and State Public Sector undertakings should be made from the Company. The Board, therefore, approved (July 1985) a proposal for setting up of some operations to make available the required material. Three projects, established by the Company at Moth and Karvi to achieve above objectives but subsequently abandoned are discussed in succeeding paragraphs.

> ***The Company suffered a loss of Rs. 113.19 lakh as it undertook three ballast mining projects without prior techno-economic evaluation, which had to be abandoned.***

2B.8.1.1 Moth project

For ascertaining the potential of the available mineral deposits in Moth, a grant of Rs 1.40 lakh was released (1986-87) by the Director of Industries, Kanpur. The Company, however, without such study, obtained (February 1988) two mining rights on lease for ten years (expiry date: January 1998) at Dasna (29.50 acres) and Laraura (33 acres) from the State Government at an annual dead rent of Rs 500 per acre (raised to Rs 1000 from August 1989).

(a) Granite blocks project at Dasna

The project at Dasna for mining of granite slab and tiles could not be started as studies made in April and May 1993 by the mining experts of the Company revealed certain deficiencies viz. lack of uniformity in colour, grain size and texture of granite blocks; impossibility of mining of bigger size of blocks free of unfavourable properties; and lack of demand of the product which even after cutting and polishing was unattractive in colours, having concentration of black spots and presence of quartz veins.

The Manager (mining) of the project recommended (May 1993) for surrender of lease to avoid payment of lease rent, but the Company had not surrendered the mining rights as of March 1996. The Company had also not fixed any responsibility for acquiring mining rights without examining the quality of the product to be mined which resulted in infructuous payment of dead rent of Rs. 2.04 lakh (up to March 1996).

(b) Stone grit and ballast project at Laraura

After obtaining mining rights in February 1988, the Company decided (June 1991) to begin with a pilot project for production of 42000 cum per annum of grit and ballast by installation of plant and machinery available at other projects. Even before obtaining mining rights, the Company deployed work force (9 members) from June/July 1987 who continued to draw salary and allowances without any work. The Company up to January 1993 incurred a total expenditure of Rs. 65.57 lakh (capital: Rs. 17.89 lakh and revenue: Rs. 46.43 lakh) but production of grit was very poor and Company could effect a sale amounting to Rs. 1.82 lakh only. The project has been closed since April 1994.

The Management stated (September 1996) that these persons were posted from pool of surplus labour to carry out preparatory work and no extra expenditure was incurred. The reply was not tenable as there was no justification for posting even the surplus staff without any work.

2B.8.1.2 Infructuous investment in granite stone ballast mining project at Ludhawara, Karvi, Banda

In October 1985, the Company obtained a lease of 29.27 acres for mining of granite stone ballast from the Government for five years (up to 18 October 1990) at an annual dead rent of Rs. 0.15 lakh. Mining work was started from January 1986 which continued for one year only. During this limited operation, the Company mined only 3300 tonnes of ballast valued at Rs. 0.56 lakh.

The Company has written off during 1991-92 the entire capital expenditure of Rs. 43.04 lakh (up to 1990-91) besides charging of Rs. 2.54 lakh to the revenue account of 1991-92. Thus, the total expenditure of Rs. 45.58 lakh incurred on the project proved infructuous.

Against the tenders invited for sale of 3300 tonnes of ballast, the Company received (August 1990) offers of Rs. 0.98 lakh, Rs. 0.90 lakh and Rs. 0.50 lakh, respectively, but the Head Office of the Company failed to finalise the matter within the validity period of the lease. As the mined products cannot be sold after the expiry of lease period, the

District Magistrate, Banda did not allow its sale thereafter. The project was closed from October 1990. However, for security of the ballast mined, the Company incurred an expenditure of Rs. 1.20 lakh (August 1990 to May 1991) which also proved infructuous due to non granting of permission for sale. The value of stone grit (Rs. 0.56 lakh) was written off during 1993-94.

The necessary records, including the file related to investigation by Central Bureau of Investigation in connection with the financial irregularities, called for by Audit in September 1995, were not made available. However, a report (January 1990) of Mining Engineer, Karvi revealed that instead of granting mining rights of the whole granite mining reserve in the area (mining rights of adjoining area granted to private parties), the Government had granted mining rights for a part of the area where the granite reserve was at the north hill top only. The lease area except for a limited balance portion contained earth and coarse sand. The village Ludhawara was situated in the bottom of north eastern part of the mining area. This created problem in blasting and without blasting mining work of such hard and rocky area was not possible. The quantity of ballast available in lease area was limited and taking into account the cost involved in arranging approach road, it was not economical to undertake the activity.

Thus, due to failure in prior techno-economic evaluation of the project before undertaking the mining activity, the Company sustained a loss of Rs. 45.58 lakh which had been written off during 1990-91, without fixing any responsibility therefor.

The Management while admitting managerial failure stated (September 1996) that the project could have been a profitable venture had it been properly managed by the unit incharge.

2B.9 Trading in minor minerals

Besides mining of minerals from its above projects, the Company was also trading in minor minerals (stone ballast including grit and boulders, sand and morrum) from ghats obtained by it from the Government on lease/permit. During 1990-91 to 1994-95, it sold 3.79 lakh cum of stone grit, boulder and ballast valued at Rs. 1656.79 lakh to the Irrigation Department and 24.55 lakh cum of other material (mainly sand and morrum) valued at Rs. 504.37 lakh mainly to wholesale private contractors.

2B.9.1 Trading in morrum and sand

During five years up to 1994-95, the Company had mining right of 15 ghats ranging for a lease period of 1 month to 10 years. Audit scrutiny revealed that except for four ghats, where it earned a profit of Rs. 54.28 lakh, it incurred losses ranging from Rs. 0.03 lakh to Rs. 34.41 lakh (total loss: Rs. 122.96 lakh) at eleven ghats.

Trading activities of some of the ghats, test checked in audit, are discussed below:

(a) Loss in Jajmau and Bhagwatdas ghats

Rights for mining of sand were obtained in February 1987 for a period of 10 years at an annual dead rent of Rs. 1.86 lakh and Rs. 1.11 lakh for Jajmau and Bhagwatdas ghats, respectively. During a period of seven years up to 1993-94, the Company excavated and sold 1.67 lakh cum. of sand (Jajmau: 1.55 lakh cum. during 1987-94 and Bhagwatdas: 0.12 lakh cum. during 1987-93) and incurred net loss of Rs. 9.19 lakh (Jajmau: Rs. 1.55 lakh and Bhagwatdas ghat : Rs. 7.61 lakh). Though the Company was sustaining loss continuously at Jajmau ghat (since 1990-91) and Bhagwatdas ghat (since 1988-89), it did not apply for surrender of mining rights of these ghats till March 1994 and December 1993, respectively.

(b) Loss in Ohtighat, Fatehpur

The Company obtained (March 1990) rights for mining of morrum and sand at Ohtighat (576.08 acres) from April 1990 to March 1991 at a royalty of Rs. 10 lakh payable in four instalments which was paid on due dates. Before obtaining mining rights feasibility report, as required under laid down (December 1992) procedures of the Company, was not prepared. The excavation and sale was entrusted (April 1990) to a contractor of Kanpur for sale of minimum quantity of 1.25 lakh cum. valued at Rs. 12.25 lakh at the rate of Rs. 9.80 per cum for the entire period of lease. The contractor was to remit an amount of Rs. 1.36 lakh per month. The contractor worked only from 23 April to 20 June 1990 and purchased a quantity of 12595 cum. valued at Rs. 1.23 lakh, though he deposited two instalments due (Rs. 2.71 lakh up to May 1990). This was followed by monsoon during which the ghat was closed from 21 June 1990 to 30 September 1990. Thereafter, the Company did not undertake work either departmentally or through the existing contractor or by engaging another contractor for the remaining period of lease due to which the Company suffered a loss of Rs. 7.57 lakh (including Rs. 0.28 lakh on overheads).

The reply of the Management (April 1996) that the contractor engaged in April 1990 did not come forward to undertake further work after monsoon was not tenable as he had made (September 1990) a request to the Company to execute an agreement and had earlier deposited the instalments due.

(c) Inadmissible payment in case of Gola river, plot no. 2, Nainital

The Company was granted (November 1992) lease for mining rights of sand and boulders from December 1992 to June 1993 at a royalty of Rs. 32.39 lakh. The lease was transferred to Uttar Pradesh Carbide and Chemicals Limited, (UPCCL) from 1 April 1993 at a royalty of Rs. 8.46 lakh for the residual period up to June 1993. The Company also paid, as per Government order dated 21 September 1992,10 *per cent* of royalty to the forest department for prevention of erosion at river bank and further payment of 5 *per cent* to District Magistrate (DM) and 2 *per cent* to forest department for meeting office expenses and expenses for prevention of illegal mining. Accordingly, a sum of Rs. 4.86 lakh was paid to forest department and Rs. 0.65 lakh to DM in March 1993. As the provisions of the Uttar Pradesh Minor Mineral (Concessions) Rules, 1963 did not cover such payments, the Government withdrew the orders in May 1993. The Company although made a request for refund of Rs. 5.51 lakh from the respective payees in June 1993, did not pursue the matter thereafter (September 1996).

Further, in spite of the Government order of May 1993, the Company paid Rs. 1 lakh on account of such expenses in April 1994 for plot no. 5, Gola river, Nainital for which lease from October 1993 to June 1994 was granted in September 1993. The Company has not applied for refund thereof as of September 1996.

(d) Avoidable payment of stamp duty

To collect and take away minor forest produce, the Company obtained two mining rights in December 1993 (Hardwar from December 1993 to September 1994) and April 1994 (Gola river from December 1992 to June 1993).

The legal advisor of the Company in July 1993 had already opined that an agreement in respect of a right to collect and take away minor forest produce was not a lease. Therefore, stamp duty at higher rate was not payable except at the rate of Rs. 100 under item 5 (c) of Schedule I-B of Indian Stamps Act. The Company, however, did not take notice of this legal advice and paid Rs. 10.39 lakh (December 1993: Rs. 6.34 lakh for Gola river and May 1994: Rs. 4.05 lakh for Hardwar ghat). This resulted in avoidable payment of Rs. 10.39 lakh.

On a clarification from the State Government in May/June 1995 that the stamp duty payable was at the rate of Rs. 100 only, the Company applied (October 1995, January and July 1996) for refund of the same, which was awaited as of September 1996.

2B.10 Unproductive investment in float glass project

Investment of Rs. 28.19 crore in a joint sector float glass project remained unproductive as the Company failed to ensure proper flow of fund in case of cost over run.

With a view to accelerating industrial development of Bundelkhand region of the State and providing direct and indirect employment to the population of the region, the Central Government issued (October 1983) a letter of intent for establishing a Float Glass project. The Company entered (April 1984) into an agreement with Gulf Development Marine Services, United Arab Emirates and Ahmad Nass of Bahrain for setting up the float glass project in joint sector at Baragarh, Banda. The cost of the project with an annual production capacity of 25 million sq.mts. of float glass was estimated at Rs. 120 crore.

The total equity requirement of Rs. 30 crore was agreed to be met through equity participation of 26, 25 and 49 *per cent* by the Company, the co-promoters and by the public. The Company, however, did not include any clause in the agreement regarding the ratio in which the additional fund would be brought in case of escalation in the project cost. On April 1985, a joint venture company was incorporated as Continental Float Glass Limited (CFGL). According to the terms and conditions of the agreement, the management of the new company was vested with the co-promoters. However, due to non-coming up of the public issue, the CFGL till date (March 1996) continued to be a subsidiary of the Company.

Financial institutions who were financing the project, re-appraised (June 1992) the project cost at Rs. 442.16 crore. They demanded that the promoters' contribution to equity (Rs. 17.02 crore) should be raised to Rs. 97.92 crore. The gulf promoters, however, did not agree to induct additional fund. As such the management of CFGL was withdrawn (October 1992) from the Gulf promoters and entrusted to a newly constituted committee headed by the Managing Director of the Company. The Board of Directors of the Company constituted (January 1993) a committee to select a new co-promoter to secure additional fund to meet out the increased cost of the project.

After a prolonged discussion with the State Government and financial institutions, Haryana Sheet Glass Limited (HSGL) was selected (June 1995) as a co-promoter. A new promoter's agreement was signed in December 1995, according to which HSGL were to bring in Rs. 32.28 crore as equity. The execution of the project which was suspended in June 1992 for want of fund could not, however, be resumed so far (September 1996).

Thus, the Company's investment of Rs. 28.19 crore, (up to March 1995) in the equity of CFGL, remained unproductive (September 1996). Main reason for above, as analysed in audit, was the failure of the Company to ensure proper flow of fund in case of cost overrun, before taking up the venture.

The Management stated (September 1996) that the delay in implementation of the project was due to various reasons beyond control of the Company.

The Management, however, did not comment on the non-inclusion of any terms and conditions in the promoters agreement so as to decide how the cost over run would be met.

2B.11 Other topics of interest

2B.11.1 Heavy retention of fund in collection accounts

Due to delay in timely transfer of fund from field units to the main account of the headquarters, the Company suffered a loss of interest of Rs. 8.30 lakh.

According to the instructions issued by the Company in September 1987, the operating units were required to maintain separate payment and collection account in the banks. Payment account were to be operated for the limited purpose of making payments whereas in collection accounts, cheques and drafts received from customers on account of sale of minerals were deposited. The balances from the collection account were to be transferred to the main account of the Company at Lucknow through bank drafts on weekly basis leaving a maximum balance of Rs. 5000.

It was noticed in audit that the branches of Punjab National Banks at Lalitpur and Mussoorie did not remit the amounts regularly and during the period 1990-91 to 1995-96, the balances not remitted to the headquarters ranged from Rs. 0.11 lakh to Rs. 59.12 lakh. This resulted in loss to the Company to the extent of Rs. 8.30 lakh (Lalitpur: Rs. 6.52 lakh and Mussoorie: Rs. 1.78 lakh) on account of interest (at the minimum rate of 7 *per cent* per annum applicable to term deposits) on balance not transferred from branch accounts to the headquarters accounts.

The Company had neither taken the matter with the banks for timely remittance of all the balances in excess of Rs. 5000 lying in collection accounts nor claimed interest on the amount not remitted according to their instructions. To obviate the above delays, the Management had also not taken steps for timely remittance of balances lying unutilised in the banks through bank drafts.

2B.11.2 Loss in trading of non-beneficiated rockphosphate

The Company, in April 1990, invited tenders for sale of any or all the three specifications of 8500 tonnes of minus half inch size of rockphosphate (being mined at Lalitpur) having phosphorous penta oxide contents of 26 to less than 27, 27 to less than 29 and above 29 *per cent*. The Company while finalising the offers received and negotiating the rates in June 1990, ignored the highest offer of Rs. 1035 per tonne for +29 *per cent* content from a firm of Lucknow on the ground that it had not quoted for all the three specifications and allotted the sale of 2998.4 tonnes of rockphosphate (+29 *per cent* variety) in equal quantities to two firms of Shikohabad and Jullandhar at their identical rate of Rs. 810 per tonne. The Company, thus, suffered a loss of Rs. 6.75 lakh in sale of 2998.4 tonnes of (+29 *per cent* variety) at lower rate of Rs. 810 per tonne during July to December 1990.

2B.11.3 Loss due to short-claim of price escalation

The Company executed (June 1989) an agreement with Tata Iron and Steel Company (TISCO) Limited, Bombay for supply of 2.40 lakh tonnes per annum of limestone from Lambidhar mine to them. The agreement provided for payment of escalation over the rate of Rs. 180 per tonne prevailing on the base date (September 1987) on the basis of increase in the rates of specified items on submission of claims annually with supporting evidence. For working out the adjusted price, the annual average prices of the items were to be worked out by taking monthly indices as published by Reserve Bank of India for the first time in their bulletins of the same month or subsequent months.

The Company, however, incorrectly claimed escalation based on the price of specified items prevailing each year in March (starting from 1988) for supplies subsequent thereto instead of on the basis of average annual increase and applying it for supplies of the period to which the increase pertained. Based on the mean of yearly adjusted prices, the price escalation claimed short during 1989-91 worked out to Rs 6.75 lakh on supply of 1.05 lakh tonnes of limestone. Further, due to delay in finalisation of adjusted prices of 1992-95 the Company as of March 1996 could not prefer its price escalation claims amounting to Rs. 21.06 lakh on supply of 1.31 lakh tonnes of limestone. The amount of Rs. 21.06 lakh did not include loss to the extent of Rs 3.97 lakh due to incorrect method of computation adopted by the Company.

Further, the Company was put to a loss of interest amounting to Rs. 8.41 lakh (up to March 1996) on the amount short claimed (Rs. 6.75 lakh) and amount not claimed (Rs. 25.03 lakh).

On being pointed out by Audit, the Management has lodged the claim with TISCO in October 1996.

Conclusion

The Company, engaged in development of mining projects and trading in minor minerals, failed to exercise financial and management control in execution of silica sand beneficiation project at Allahabad resulting in excess and inadmissible payments.

Lack of pre-feasibility study and management lapses in execution of three ballast mining projects, undertaken to eliminate unscrupulous private contractors, resulted in their abandoning after incurring substantial expenditure. The basic purpose for which these projects were undertaken was, thus, defeated.

The Company also failed to monitor and control its activities relating to minor minerals, transfer of fund and sale of finished mined products resulting in losses.

The matter was reported to the Government in July 1996; replies have not been received as of October 1996.

Chapter-II

Section-2C
Uttar Pradesh Hill Electronics Development Corporation Limited

Uttar Pradesh Hill Electronics Development Corporation Limited

SECTION-2C

UTTAR PRADESH HILL ELECTRONICS CORPORATION LIMITED

HIGHLIGHTS

Uttar Pradesh Hill Electronics Corporation Limited was incorporated on 25 June 1985 with a view to promoting and encouraging development of electronic industry in the hill districts of the State. The paid-up-capital of the Company as on 31 March 1995 was Rs. 795 lakh.

(Paragraphs 2C.1 and 2C.5)

The accumulated losses of the Company up to March 1995 aggregated to Rs. 71.29 lakh mainly due to poor production and sales performance.

(Paragraph 2C.6.2)

The Company suffered a cash loss of Rs. 58.89 lakh in production of black and white TVs due to its failure in controlling overheads and making available a work conducive atmosphere.

(Paragraph 2C.7.1.1)

The Company received Rs. 680.51 lakh as grants-in-aid for implementation of 16 schemes but utilised only Rs. 437.85 lakh on 14 schemes. The Company neither submitted detailed accounts nor refunded the unspent balance to the Government. The interest of Rs. 67.88 lakh earned on this unspent amount was irregularly treated as its own income.

(Paragraph 2C.8.1)

The Company did not receive any return from its investment of Rs. 380.75 lakh in 3 subsidiaries and 12 assisted units. Out of above, 2 subsidiaries and 10 units were lying closed for last 2 to 6 years.

(Paragraph 2C.9)

2C.1 Introduction

With a view to promoting and encouraging development of electronic industry in the hill districts of the State, the Uttar Pradesh Hill

Electronics Corporation Limited (HILTRON) was incorporated on 25 June 1985 as a wholly owned State Government Company.

The Company was engaged in procurement, production, and marketing of electronic goods, imparting computer education and execution of schemes entrusted to it from time to time by the State Government for promoting development of electronic industry in hilly areas of the State. The Company had also promoted co-operative societies and electronic units in joint/assisted sector and floated three subsidiaries.

2C.2 Objectives

The main objectives of the Company are:

◊ to promote development and growth of electronics industry in the hill districts of the State by setting up, on its own or by helping entrepreneurs and prospective entrepreneurs in setting up, new units or to improve existing units by tendering managerial, financial, industrial, technical or other assistance.

◊ to carry on all kinds of business relating to manufacture, assembly, repairing, rendering services of all and every kind and description, buying, selling, importing, exporting, exchanging, altering, hiring, letting on hire and dealing in apparatus, equipment, components and material relating to field of electronic industry.

2C.3 Organisational set-up

The management of the Company is vested in a Board of Directors consisting of not less than three and not more than twelve members. According to the Articles of Associations, the Principal Secretary/Secretary, Department of Hill Development was to be ex-officio chairman of the Company. However, the Additional Chief Secretary of the State Government continued to hold the charge of the chairman since 1989.

The Managing Director is the executive head of the Company who is assisted by an Executive Director, Manager of TV Factory, three Regional Sales Managers at Lucknow, Bhimtal and Muni-ki-Reti and one Assistant Accounts Officer.

A full time qualified Company Secretary had not been appointed since February 1992 as required under section 383-A of the Companies

Act, 1956 although the paid-up capital of the Company was more than Rs. 25 lakh since inception.

2C.4 Scope of audit

The working of the Company for five years up to March 1995 was reviewed during July to October 1995 results of which are discussed in succeeding paragraphs.

2C.5 Capital structure

The Company was incorporated with an authorised capital of Rs. 300 lakh which was increased from time to time and was Rs. 1000 lakh as on 31 March 1995. The paid-up capital of the Company as on 31 March 1995 was Rs. 795 lakh of which Rs. 601 lakh was subscribed by the Government and Rs. 194 lakh by the Uttar Pradesh Electronic Corporation (UPLC) Limited, a wholly owned State Government Company.

2C.6 Financial position and working results

2C.6.1 Financial position

The accounts of the Company were in arrears since 1993- 94, even the provisional figures for 1995-96 were not available with the Company. The financial position of the Company at the end of each of the five years up to 1994-95 is given below:

(Rupees in lakh)

	1990-91	1991-92	1992-93	1993-94	1994-95 (Provisional figures)
(A) LIABILITIES					
(i) Paid-up capital	494.03	494.03	644.03	794.03	794.53
(ii) Investment reserve	1.00	1.00	1.00	1.00	1.00
(iii) Current liabilities (including provisions)	463.32	482.79	432.36	335.21	327.93
	958.35	977.82	1077.39	1130.24	1123.46
(B) ASSETS					
(1)(i) Gross block	23.08	27.08	28.23	31.04	33.26
(ii) Less depreciation	5.74	8.89	11.77	14.45	17.43
(iii) Net fixed assets	17.34	18.19	16.46	16.59	15.83
(2) Investments in subsidiaries and joint sector units	255.49	279.49	279.49	279.49	279.49
(3) Current assets, loans & advances & cash & bank/PLA balance	660.51	644.64	735.51	784.37	756.76
(4) Misc. expenses & Accumulated loss	25.01	35.50	45.93	49.79	71.38
	958.35	977.82	1077.39	1130.24	1123.46
(C) Capital employed	214.53	180.04	319.61	465.75	444.66
(D) Net worth	470.02	459.53	599.10	745.24	722.99

Note:
(1) Capital employed represents net fixed assets plus working capital
(2) Net worth represents paid-up capital plus reserves and surplus less intangible assets
(3) Accounts for 1995-96 were not prepared.

It was noticed that the paid-up capital of the Company was disproportionate to its level of activities. During the five years period up to March 1995, the turnover to equity (excluding equity given for investment in subsidiaries/assisted sector units Rs. 279.49 lakh) ratio ranged between 5.2 and 25.5 *per cent* only.

2C.6.2 Working results

The working results of the Company for the five years up to 1994-95 are given below:

(Rupees in lakh)

	1990-91	1991-92	1992-93	1993-94	1994-95 (Provisional figures)
(A) Expenses					
(i) Purchases	9.52	26.14	77.67	101.28	151.46
(ii) Consumption of components & accessories	9.18	19.49	39.41	44.10	26.62
(iii) Salary, wages & other overheads	18.14	42.16	54.35	66.50	81.13
(iv) Depreciation	2.77	3.16	2.87	2.69	2.98
Total	**39.61**	**90.95**	**174.30**	**214.57**	**262.19**
(B) Income					
(i) Sales	12.41	33.17	86.64	131.20	130.58
Add: Closing stock	9.29	24.68	62.22	86.00	149.04
Less: Opening stock	0.55	7.90	22.84	52.60	84.81
Value of business	21.15	49.95	126.03	164.60	194.81
(ii) Other income	17.79	30.43	37.76	46.02	45.71
(iii) Working loss	0.67	10.57	10.51	3.95	21.67
Total	**39.61**	**90.95**	**174.30**	**214.57**	**262.19**

The Company during the above period had continuously incurred losses. The accumulated losses up to March 1995 aggregated to Rs. 71.29 lakh. Main reason for incurring losses during the above period as analysed in audit was the poor production performance in its TV factory and higher costs than actual sales realisation (Paragraph 7.1 infra).

2C.7 Trading and production activities

2C.7.1 Production performance

The Company carried out its production activities through its television factory at New Tehri, eight co-operative societies and other agencies.

2C.7.1.1 Production of Black & White TV sets at Company's factory

The State Government released (January 1990) a sum of Rs. 80.97 lakh as equity to enable the Company to set up a 14" Black & White (B&W) TV manufacturing unit at New Tehri Town. The Company installed production capacity of 12000 TVs per annum and commenced production from March 1990 with a capital expenditure of Rs. 13.65 lakh incurred on procurement of equipment. Details of projected/actual output, cost of production and selling price per TV set and loss incurred during the five years up to 1994-95 are given in the following table:

The Company suffered a cash loss of Rs. 58.89 lakh in production of black & white TV sets due to its failure in controlling overheads and making available a work conducive atmosphere.

(Cost/price in Rupees)

Sl. No.	Particulars	1990-91	1991-92	1992-93	1993-94	1994-95
1.	Actual output (Nos.)	627	1208	1833	1428	352
	(projected output on the basis of installed capacity)	(12000)	(12000)	(12000)	(12000)	(12000)
2.	Percentage of actual to the projected output	5.2	10.1	15.3	11.9	2.9
3.	Actual cost of production including selling expenses	3346	3927	3028	3010	4405
	(Projected cost)	(1681)	(1681)	(1647)	(1645)	(1645)
4.	Average selling price per set	1645	1645	1738	1800	NIL
	(Projected selling price)	(1835)	(1835)	(1835)	(1833)	NIL
5.	Number of sets sold	293	854	1229	1535	NIL
6.	Loss (Rupees in lakh)	4.98	19.49	15.85	18.57	NIL
7.	Number of employees	32	32	30	27	27

From above it would be seen that percentage of actual output to the projected output ranged between 2.9 and 15.3 *per cent.* As against average projected output of 543 TVs the actual average output worked out to 37 TV sets per employee during the five years up to March 1995. During the period of five years up to March 1995, the Company had suffered a cash loss of Rs. 58.89 lakh. The main reason for this, as analysed by Audit, was excess expenditure on labour, administrative and selling overheads.

It was further noticed that four out of eight members of Public Investment Board while evaluating (January 1989) the project report, doubted the viability of the project and asked the Government to reconsider the project as the margin was very thin and sale price of the product very high. The Government ignored above recommendations and allowed the Company to set up the project without its proper techno - economic evaluation.

The Management admitted (June 1996) that working culture at New Tehri was not conducive to work. The workers used to come from Old Tehri by collectorate buses and go back by the same. Thus, hardly five hours for actual working were available that too when the collectorate was not closed.

2C.7.1.2 Production of Colour Television at Company's factory

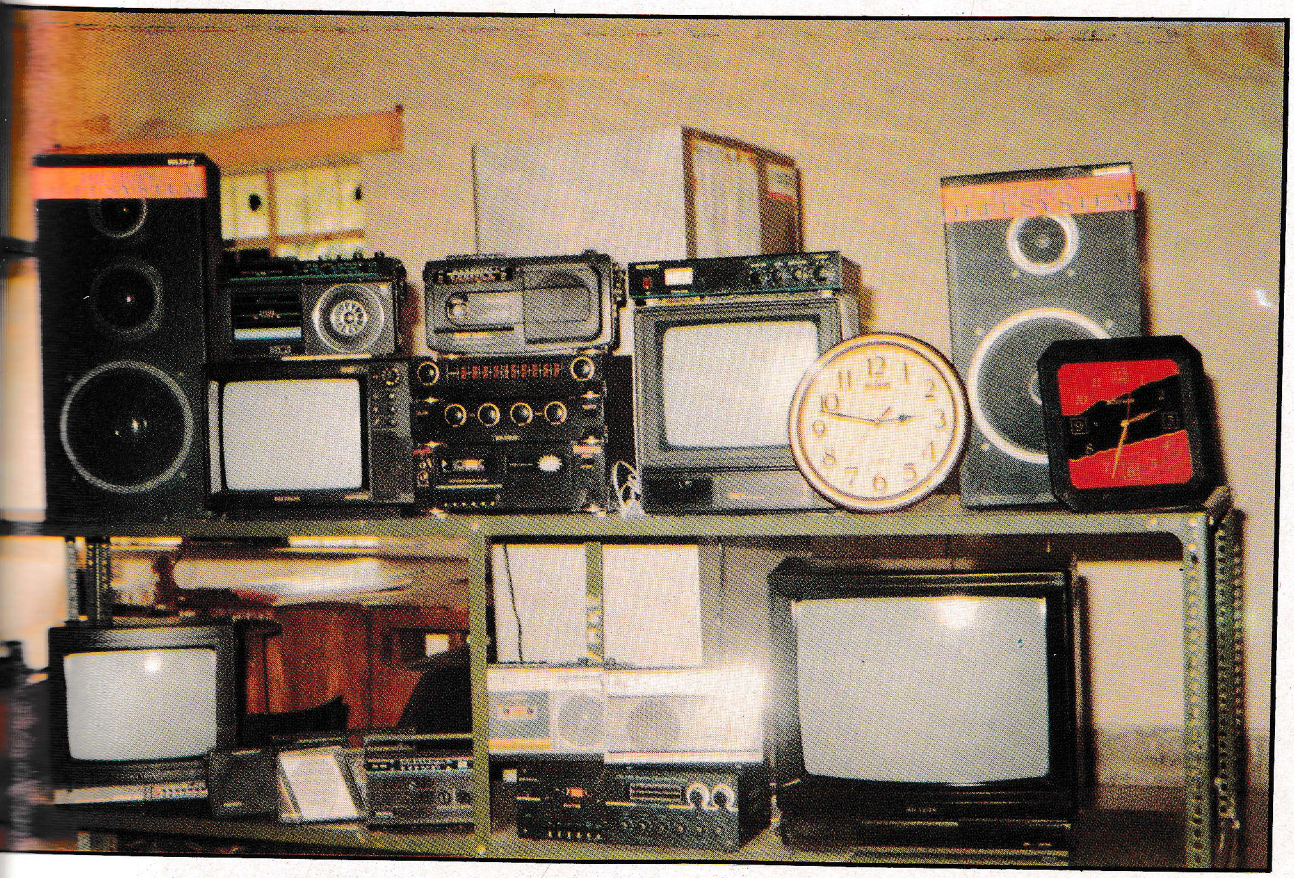
The Company in September 1992 proposed to set up a colour television (CTV) factory at New Tehri with an installed capacity for manufacture of 4500, 5400 and 6000 CTV per annum during first, second and subsequent years respectively after setting up of the factory. The total project cost was estimated at Rs. 344.08 lakh and was to be financed by the State Government. The Government released (January and May 1993) a sum of Rs. 293.84 lakh as equity with the stipulation that the Company would ensure a turnover equivalent to six times of its paid-up capital and a net return of 5 *per cent* on total investment per annum.

The estimated project cost included Rs. 200 lakh towards land and building. However, the Company started production of CTVs from September 1993 in the factory of B/W TV. As against the projected output of 4500, 5400 and 6000 sets, the Company could produce only 183, 233 and 3 sets during 1993-94, 1994-95 and 1995-96 respectively. During these three years, the Company, out of 419 sets produced at a cost of Rs. 37.40 lakh, could sell only 127 sets at a loss of Rs. 2.78 lakh. The remaining balance of equity fund was utilised by the Company for its working capital.

The reasons given for less production of colour TVs were sudden inflow of multinationals and change in Government policy and consequent unstable market.

2C.7.1.3 Production of electronic goods through co-operative societies and other agencies

Besides production of TVs at its own factory, the Company also engaged various co-operative societies and other outside agencies, located in the hill districts of the State for assembly of electronic goods viz. TVs, voltage stablizers, audio sets, clocks, etc. For above, the Company supplied raw material to these co-operative societies and on



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return of finished goods conversion charges as applicable from time time were paid to them.

The Company had not finalised any terms and conditions as regards the maximum value of raw material to be issued, time during which the finished goods were to be returned and penalty to be imposed for delays. It had also not devised a system of internal control to ensure unnecessary blockage of inventory with these agencies.

During audit it was noticed that during the five years period up to March 1996 the Company issued raw material valued at Rs. 264.15 lakh to these agencies. The agencies returned finished goods valued at Rs. 235.51 lakh only. Raw material valued at Rs. 32.18 lakh (including previous balances) was lying at the end of March 1996 with them which was equivalent to 8.2 months' consumption as against norm of 0.25 month's consumption.

The Company had not taken any action so far (March 1996) to ensure early supply of the finished goods or return of the raw material.

It was further noticed that the Company in a meeting held (August 1993) with the representatives of Woman Co-operative Society Binh, Pithoragarh (promoted in February 1990 for production of electronics goods) decided to provide raw material (on job rate basis) in such a way that it was sufficient to fetch them a minimum job rate (conversion charges) of Rs. 0.11 lakh per month up to March 1994. The Company as such paid the society sums aggregating Rs. 2.06 lakh in cash up to March 1996 on account of conversion charges adjustable against the finished goods to be produced by the society from the raw material supplied by the Company. However, the raw material supplied to the society during this period was sufficient to adjust conversion charges to the extent of Rs. 0.26 lakh only, resulting in excess payment of conversion charges amounting to Rs. 1.80 lakh. Chances of recovery were remote as society had no other means of earning. The raw material are not being supplied to society since April 1995 and the Company is not pursuing effectively for recovery of the amount.

2C.7.2 Sales performance

Sales of the Company are effected through a sales and service network comprising eight sales and service centres and 36 dealers under three regional sales offices located at Muni-Ki-Reti, Bhimtal and

Lucknow. Up to the end of the year 1992-93, the Company did not prepare sales budget fixing product wise targets of sales for every region. Practice of preparation of sales budget was introduced only from 1993-94.

The table below summarises the product wise sales from 1990-91 to 1992-93 and achievement against target fixed by the Company during 1993-94 and 1994-95:

(Rupees in lakh)

Sl. No.	Name of product	1990-91	1991-92	1992-93	1993-94			1994-95		
		(Actual sale)			Target sale	Actual sale	Percent of achievement	Target sale	Actual sale	Percent of achievement
1.	B/W & CTVs	9.73	20.67	21.36	516.00	60.56	11.7	397.00	99.28	25.0
2.	Audio systems	--	--	19.34	272.50	50.53	18.5	125.90	3.07	2.4
3.	Voltage stabilizer	2.06	3.12	--	15.00	--	--	6.00	0.62	10.3
4.	Quartz clocks	--	2.77	14.20	36.00	10.00	27.8	3.60	1.94	53.9
5.	Dish antennae	--	--	--	154.00	4.95	3.2	40.60	4.48	11.0
6.	Computer and other misc. items.	0.62	6.61	31.74	18.00	5.16	28.7	7.30	21.19	290.3
	Total	**12.41**	**33.17**	**86.64**	**1011.50**	**131.20**	**12.9**	**580.40**	**130.58**	**22.5**

Following points deserve mention in this connection:

(i) In spite of the fact that rate of growth in sales during 1991-92 and 1992-93 was only 2.6 times of the previous year's sales, the Company fixed sale's targets for 1993.-94 which was 11.6 time of the previous year's sales with the idea of extending the marketing activities covering various electronics products. Percentage of sales to the targets was extremely low during the period 1993-94 and ranged between 3.2 and 28.7 *per cent* only. The increase in overall achievement in the year 1994-95 when compared to previous year was due to reduction of targets by 43 *per cent*. Reasons for low achievement of targets were not on records.

(ii) The Company did not lay down any policy for pricing the product produced in its own factory as also those procured from other sources, for trading. It carried out business by loading material cost of the product by 6 to 10 *per cent* on ad-hoc basis to cover overheads. As against above, the percentage expenditure on labour, selling and administrative overheads to turnover ranged between 40.8 and 143.8 *per cent* during the five years ended March 1995. The excess overheads at the TV factory which could not be recovered due to less production amounted to Rs. 76.65 lakh during the above period.

(iii) The Company in August 1993 secured an order from SIET* for supply and installation of 356 sets of 20" CTV at primary schools of Kumaon and Garhwal regions at the rate of Rs. 10360 per set. The Company did not supply 82 sets in spite of ready inventory of CTVs (October 1996). This deprived the Company of the turnover of over Rs. 8.50 lakh. The reasons given for non-supply was dislocation in production caused by agitation in hills. However it was found that the agitation in the region intensified only during 1994-95.

(iv) According to the Company's policy, credit sales were allowed for a maximum period of one month. However, these orders were not complied with as will be seen from cases cited below:

(a) Debts outstanding above 6 months (Rs. 30.77 lakh as on 31 March 1995) included a sum of Rs. 1.26 lakh which was due against three parties who had tendered payments during August 1993 to April 1994 through cheques which subsequently bounced (March to May 1994). The amount has so far (June 1996) not been recovered from the parties.

(b) Debts amounting Rs. 6.71 lakh, outstanding against two parties for over two years could not be realised for want of reconciliation of accounts.

2C.7.3 Inventory Control

The table on next page indicates the detail of closing stock of components and accessories and work-in-progress at TV factory, (New Tehri) and finished goods at the close of each of the five years up to March 1996.

(Rupees in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
1. **Components**					
(i) Consumption	16.74	29.09	36.78	23.13	6.78
(ii) Closing balance	11.32	4.32	16.68	10.60	10.00
(iii) Closing balance in terms of months' consumption	8.11	1.78	5.44	5.50	17.70

* State Institute of Education and Technology

(Rupees in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
2. Work-in-progress					
(i) Consumption of components	16.74	29.09	36.78	23.13	6.78
(ii) Closing balance	1.84	9.61	4.11	2.51	0.25
(iii) Work-in-progress in terms of month's consumption	1.32	3.96	1.34	1.30	0.44
3. Finished goods					
(i) Sales	33.17	86.64	131.20	130.58	145.10
(ii) Closing balance of finished goods	22.84	52.61	84.80	149.04	165.58
(iii) Finished goods in terms of month's sale	8.26	7.29	7.76	13.70	13.69

The following points deserve mention:

(i) The Company has so far (March 1996) not prescribed any maximum/minimum level of stock holding. However, against the projected stock holding of components and accessories equivalent to one month's consumption, as envisaged in the project report of TV factory, the actual stock holding ranged between 1.78 and 17.70 months' requirement.

(ii) Actual stock holding of finished product ranged between 7.29 and 13.70 months' sale against 0.25 month's sale as envisaged in the project report.

(iii) Closing balance of finished stock as on 31 March 1996 included 297 TV sets and 70 audio sets (value: Rs. 5.79 lakh) and 2559 quartz clocks (value: Rs. 2.50 lakh), lying damaged. Besides, efforts for retrieving 4 colour TVs valued at Rs. 0.36 lakh issued for demonstration in October, 1992 were not initiated (October 1996).

(iv) The Company, in spite of having surplus capacity at its TV factory purchased 2704 Black & White TVs and 101 CTVs valued at Rs. 55.50 lakh from private suppliers during the period 1990-95. Out of these 849 TV sets valued at Rs. 15.33 lakh were lying (March 1996) in stock and 89 TV sets (value Rs. 1.61 lakh) out of this stock were damaged. Realisable value of these sets was not ascertained by the Company.

(v) The Company without assessing the sale potential, purchased dish antennae and accessories valued at Rs. 13.06 lakh from private suppliers during July to November 1993. Out of above, the Company up to March 1994 could sell dish antennae valued at Rs. 4.25 lakh only. The Company, in spite of having stock of dish antennae valued at Rs. 8.81 lakh, made (November 1994) further purchases of dish antennae valued at Rs. 5.94 lakh. The Company could sell dish antennae valued at

Rs. 3.67 lakh only and as on 31 May 1996 balance stock valued at Rs. 11.08 lakh was lying unsold.

2C.8 Implementation of schemes

2C.8.1 Implementation of Government schemes

The Company also executed various schemes for development of the electronic industry in the hills of the State, entrusted to it by the Government from time to time besides production and trading activities. As per Government orders, the Company was allowed to incur expenditure for execution of these schemes but the ownership of the assets so created rested with the Government. The Company was also required to render to the Government complete details of such expenditure and refund the unspent amount to the Government.

The Company received Rs. 680.51 lakh as grants-in-aid for implementation of 16 schemes but utilised only Rs. 437.85 lakh on 14 schemes. The Company neither submitted detailed accounts nor refunded the unspent balance to the Government. The interest of Rs. 67.88 lakh, earned on this unspent amount, was irregularly treated as its own income.

Up to the period ending March 1996, the Company had received Rs. 680.51 lakh as grants-in-aid for implementation of 16 schemes. Out of which expenditure of Rs. 437.85 lakh was incurred on 14 schemes. In respect of two schemes, the Government released grants aggregating Rs. 28.07 lakh in March 1991 and March 1995 but the Company had not taken any step for implementation of these schemes so far (March 1996). The Company has so far (March 1996) neither submitted the detailed accounts nor refunded the unspent balance of Rs. 242.66 lakh to the Government The interest aggregating Rs. 67.88 lakh earned on these fixed deposits during the period 1990-91 to 1994-95 had erroneously been treated by the Company to be its income whereas the same should have been returned to the Government.

During audit it was noticed (October 1995) that the Company could not implement these schemes properly and failed to achieve the objectives of the schemes. Implementation of some of these schemes is discussed in succeeding paragraphs.

2C.8.1.1 Scheme for setting up Electronic Testing and Development Centres (LTDC)

With the objective of providing support to new entrepreneurs for development of prototypes, research and development, tool room facilities etc., the Government in March 1989 entrusted execution of the scheme to the Company. The estimated cost of the scheme comprising establishment of two centres was Rs. 132.78 lakh which was to be met out of non-recurring grant of Rs. 118.84 lakh towards fixed assets and annual recurring grant of Rs. 13.94 lakh for establishment expenses of the centres. The entire grant was released by the Government in phases up to October 1989. The Company had utilised Rs. 110.32 lakh against the scheme which remained partially implemented so far (May 1996). The following points were noticed:

In spite of incurring expenditure of Rs. 118.84 lakh, out of Rs. 132.78 lakh received from the Government, the Company did not provide any service as envisaged in the scheme.

(i) No services were provided by the centres established by the Company as the turnout of the Industries in the area was low and industries which had come up were having their own infrastructure, thus defeating the very purpose of the scheme.

(ii) The Company without approval of the Government utilised Rs. 40.71 lakh over and above the recurring grant of Rs. 13.94 lakh out of unspent balance of non-recurring grant to meet out its establishment expenditure on the scheme up to March 1995.

(iii) The Company also irregularly utilised non-recurring grant in purchase of one air conditioner costing Rs. 1.01 lakh and computer equipment costing Rs. 0.59 lakh not covered in the scheme. Further, Rs. 8 lakh were spent in 1988-89 on purchase of two wave soldering machines and one PCB scanner which had not been installed so far (May 1996).

In spite of incurring an expenditure of Rs. 110.32 lakh the Company did not provide service of any kind to any of the electronic units as envisaged in the scheme.

COMPUTER TRAINING CENTRE

2C.8.1.2 Electronic and Computer Training schemes

The Government approved three schemes for setting up training centres for imparting training in servicing of electronic instruments and in computer operation at Muni-ki-Reti (March 1989), Pithoragarh (May 1991) and Mussoorie (February 1992). The Government up to February 1992 released grants aggregating Rs. 118.70 lakh for implementation of these schemes which *inter-alia* provided for imparting training to 500, 50 and 100 students per year at Muni-ki-Reti, Pithoragarh and Mussoorie respectively.

In spite of spending Rs. 91.53 lakh on implementation of the scheme, the Company could not train even a single student at one centre while at two other centres the achievement was only 3.8 per cent of targets.

The table given below indicates centrewise position of sanctioned cost, actual expenditure and achievement of physical targets:

Name of the centre	Period	Cost Sanctioned (with actual in brackets) Recurring	Non-recurring	Students to be trained (with actual in brackets)
		(Rupees in lakh)		(In numbers)
Mussoorie	1992-93 and 1993-94	13.00 (13.00)	4.80 (4.80)	100 (22)
Muni Ki Reti	1993-94 to 1994-95	16.25 (27.07)	24.65 (24.65)	500 (24)
Pithoragarh	1991-92 to 1994-95	27.50 (11.83)	32.50 (10.18)	50 (Nil)

Thus, it would be seen that against amount of Rs. 22.01 lakh spent in Pithoragarh not a single student was trained whereas in respect of remaining two centres, the number of students trained was only 3.8 *per cent* of the targets fixed in the scheme.

The following points deserve mention:

(i) In Muni Ki Reti centre recurring expenditure on establishment was in excess by Rs. 10.82 lakh over the grant of Rs. 16.25 lakh released by the Government.

(ii) The centre at Pithoragarh was non-functional, and the Mussoorie centre was closed in July 1994 by the Company due to poor response. The investment in fixed assets of these two centres amounted to

Rs. 29.45 lakh which included Rs. 1.22 lakh in respect of a vehicle not provided for in the scheme. This vehicle was however, lifted by a thief in August 1992. The insurance claim lodged in October 1992 was pending for want of final report of police (October 1996).

2C.8.1.3 Scheme for software development centre, Dehradun

With a view to providing assistance to entrepreneurs in marketing of software providing consultancy services in various sectors and development of software, the Company formulated (February 1991) a scheme for establishing Software Development Centres. During the first phase of implementation of the scheme one centre was to be opened at Dehradun and in the second phase two centres at Lucknow and Bhimtal and six literacy centres at six hill districts of the State. The scheme *inter-alia* provided generation of employment for 42 persons and revenue of Rs. 3.19 lakh, Rs. 18.72 lakh and Rs. 28.08 lakh from software centres and Rs. 4.92 lakh, Rs. 6.40 lakh and Rs. 13.91 lakh from literacy centres during first, second and subsequent years of the scheme.

The Government released (March 1991) a grant of Rs. 29.94 lakh for meeting expenses of the scheme during first year against which Company incurred an expenditure of Rs. 13.22 lakh on acquisition of fixed assets up to March 1996 for development of software. Grant of Rs. 25.13 lakh and Rs. 26.80 lakh for meeting expenses for the second and third year of implementation respectively as envisaged in the scheme was neither asked for by the Company nor released by the Government (March 1996). However, in absence of demand for software from Government departments, the scheme failed to generate any employment opportunity and revenue.

Thus, the expenditure so incurred by the Company had failed to deliver the desired results.

2C.8.1.4 Scheme for self employment under Rural Production Unit (RPU) through co-operative societies

The Company proposed (March 1991) a scheme for promoting self employment of 500 rural youths in rural areas of hill districts of the State by promotion of 25 co-operative societies with 20 members each. Government released (March 1991) a grant of Rs. 105.60 lakh (including recurring expenditure of Rs. 6.10 lakh for one year). The co-operative societies were to undertake production of TV sets against raw material issued by the Company. The Company up to March 1995 could promote only three co-operatives with membership of 15 persons each by incurring an expenditure of Rs. 10.25 lakh on salary, wages and other overheads including an expenditure of Rs. 4.41 lakh on printing booklets of "Uttarakhand Vikas Vibhag" which was totally out of ambit of the scheme.. Besides, the Company also advanced (during January 1992 to January 1994) a sum of Rs. 7.40 lakh to these co-operatives as bridge loan. The above loan bearing an interest of 4 *per cent* per annum was refundable within three years period. However, no refund of principal or interest had been made by any of the society so far (May 1996). The balance amount of Rs. 87.95 lakh was lying unutilised with the Company.

Thus, the Company failed to properly implement the scheme and achieve the results for which above amount was released by the Government.

2C.8.2 Establishment of Computer Academy and Learning Centres (CALC)

With a view to meeting the increasing demand for computer trained personnel, the Company launched HILTRON CALC scheme in July 1991. The scheme was aimed at generating minimum revenue of Rs. 50 lakh and imparting skills in computer operation for 10000 personnel per annum. The scheme initially envisaged setting up of 50 centres in various parts of the country on franchise basis and *inter-alia* provided for charging from these centres royalty fee (Rs. 0.50 lakh or 20 *per cent* of course fee whichever was higher per annum per centre) and affiliation fee (Rs. 0.20 lakh per centre per annum). The Company up to May 1996, opened 74 centres at different places.

In absence of any system to watch realisation of its dues, the Company could not recover a sum of Rs. 51.72 lakh from the centres on account of royalty and affiliation fees.

It was noticed in audit that the Company had not evolved a system to ensure timely realisation of its dues from the centres In absence of such a system, the centres defaulted in timely remittance of royalty and affiliation fees. Total amount of royalty and affiliation fees not remitted by centres up to March, 1995 aggregated Rs. 51.72 lakh (royalty Rs. 41.36 lakh and affiliation fees Rs. 10.35 lakh).

Further, against target of training 10000 personnel in the field of computer operation and software development every year, only 6800 students could be trained up to March 1996.

2C.9 Investment in subsidiaries and joint sector units

For development of electronic industry in the hilly areas of the State, the Company had floated three subsidiaries and established 12 industrial units in the joint sector. The criterion for identification of the projects and selection of co-promoters had neither been prescribed by the Board nor the same was available on records. Even the techno-economic evaluation reports in respect of above projects were not available with the Company.

The Company did not receive any return from its investment of Rs. 380.75 lakh in 3 subsidiaries and 12 units. Out of above 2 subsidiaries and 10 units were lying closed for last 2 to 6 years.

The details of investment in equity and loan, accumulated loss, present status, etc. as on 31 March 1995 are tabulated below:

Sl. No.	Name	Date of incorporation	Percentage of equity contribution	Amount invested by the Company in Equity (Rupees	Loan in	Total lakh)	Present status
A.	**Subsidiaries:**						
1.	Kumtron Limited, Almora	25.04.87	51	9.34	15.66	25.00	Company assembled 2481 audio sets and 300 TV sets up to March 1995 and earned conversion charges amounting to Rs. 2.00 lakh. There was no production during 1995-96.
2.	U.P. Hill Quartz Limited, Pithoragarh	18.07.89	51	0.79	7.46	8.25	Closed since March 1991.
3.	U.P. Hill Phones Limited Jeolikot, Nainital	10.08.87	51	1.66	1.71	3.37	Production not started. Company went into voluntary liquidation in June 1991.
B.	**Assisted units**						
1.	Rama Vision, Kichha Rudrapur	07.11.89	17	66.00	..	66.00	Unit running
2.	Naina semi conductor, Haldwani, Nainital	29.07.88	26	55.00	..	55.00	Unit running
3.	Teletronix Limited, Bhimtal, Nainital		15	49.00	66.60	115.60	Production and business activity closed since 1993-94 after this date unit assembled TV for HILTRON on the basis of conversion charges.
4.	Kumtron Limited, Almora		24	24.00	0.31	24.31	-- do --
5.	Eastern Telecom, Kashipur, Nainital	19.01.87	14	7.40	7.35	14.75	Unit closed and refered to BIFR

Sl. No.	Name	Date of incorporation	Percentage of equity contribution	Amount invested by the Company in Equity (Rupees	Loan in	Total lakh)	Present status
6.	Daulat Electronics Limited, Kashipur	19.08.89	13	33.00	..	33.00	refered to BIFR in November 1994
7.	Omni India Limited, Dehradun	19.07.87	10	12.90	..	12.90	Unit closed and taken by PICUP
8.	Vinkas General Carbons Limited, Bhimtal Nainital	27.06.88	14	15.00	..	15.00	Closed in 1989
9.	Satya Electronics Limited, Dehradun	20.09.88	16	5.00	1.05	6.05	Unit lying closed since October 1990
10.	Sai Components, Nainital		15	0.39	0.07	0.46	Unit did not come up; where abouts of promoters not known.
11.	Mandakini Electronics,		NA	..	1.00	1.00	-- do --
12.	Seemanchal Electronics		NA	..	0.06	0.06	-- do—
		Total		279.49	101.27	380.75	

In this connection the following points were noticed:

(i) Out of above, two subsidiaries and ten units in which the Company had invested a sum of Rs. 236.76 lakh were lying closed for last 2 to 6 years.

(ii) The accumulated loss of two subsidiaries and seven units aggregated to Rs. 1775.81 lakh which had far exceeded the amount of Rs. 183.63 lakh invested by the Company.

(iii) Whereabouts of co-promoters of three units viz. Sai Electronics, Mandakani Electronics and Seemanchal Electronics which did not come up at all were not traceable. Action for reccvery of Rs. 1.52 lakh, invested by the Company was not initiated (May 1996).

2C.10 Accounts and internal audit

The Accounts of the Company were in arrears since 1993-94. The Company has neither prepared its accounts manual nor created an Internal Audit Wing. The Company had engaged two firms of Chartered Accountants for conducting internal audit of head office, TV factory and regional sales office/sales and service centres at a remuneration of Rs. 0.16 lakh for the years 1992-93 to 1993-94 and Rs. 0.14 lakh for 1994-95 but the reports of the Internal Auditors had not been placed before the Board so far (March 1996). The Company had also not taken any action to improve the system of internal control as recommended by the Internal Auditors.

11. Other topics of interest

2C.11.1 Nugatory expenditure

With a view to obtaining letter of intent/licence from Government of India for setting up projects of electronic industries in the hills, the Company up to August 1994 incurred an expenditure of Rs. 14.61 lakh on preparation of various Techno Economic Feasibility Reports (TEFRs) and market survey reports through consultants.

Scrutiny of records revealed following lapses/irregularities:

(a) The Company incurred an expenditure of Rs. 8.81 lakh on preparation of TEFR/market surveys during 1986-87 and 1987-88 and obtained letters of intent for setting up units in joint/assisted sector. The Company, however, did not take any action to find co-promoters for these units and letters of intent, so obtained, lapsed. Thus the entire expenditure of Rs. 8.81 lakh incurred on preparation of these TEFR and market surveys proved nugatory.

(b) The Company placed (April 1989) an order on Unique Consultancy Services for preparation of project report, arranging tie up with foreign collaborators and registration with the Director General, Technical Development (DGTD) in respect of U.P. Hill Quartz Project. Payment to consultants was to be released according to the following schedule:

(Rupees in lakh)

At the time of signing agreement	0.85
On filing application for registration with DGTD	0.36
For tie up with foreign collaborators	1.20
For preparation of detailed project report	1.00
Total	**3.41**

Although the consultants failed to arrange the tie-up with foreign collaborators and get the unit registered with DGTD, entire amount of Rs. 3.41 lakh was paid in May 1991. The detailed project report had not been submitted by the consultants till date (May 1996).

The Company without obtaining the report established (July 1989) a subsidiary namely U.P. Hill Quartz Limited at Pithoragarh and invested a sum of Rs. 0.79 lakh in the equity besides incurring an expenditure of Rs. 7.46 lakh towards preliminary and pre-operative expenses. The subsidiary was lying closed (May 1996) since March 1991.

(c) The Company in July, 1994 placed an order on A.F. Ferguson, New Delhi for preparation of corporate plan of HILTRON, covering aspects of objective and role of HILTRON in next 10 years, specific activities that should be undertaken by the Company and organisational structure of the Company required to achieve the desired objects. The Consultants were also asked to prepare a rehabilitation plan for Teletronix (TTX). Total payment for the entire job was fixed at Rs. 2.15 lakh plus out of pocket expenses limited to Rs. 0.20 lakh. An amount of Rs. 0.65 lakh was released in August 1994 as advance as per terms of the agreement which also provided for completion of work within 10 weeks i.e. up to 15 October 1994. The firm neither submitted corporate plan nor rehabilitation plan of TTX till date (April 1996), rendering expenditure of Rs. 0.65 lakh nugatory. Legal notice served (August 1995) on consultants also failed to evoke any response.

2C.11.2 Loss due to purchase at higher rates

The Company obtained (January 1992) an order for supply of 3812 sets of 3 band radio-cum-tape recorders from the Director of Industries on behalf of the State Institute of Education and Technology (SIET) at a firm rate of Rs. 909.92 per set with a discount of 0.5 *per cent*. The quantity for supply was, however, enhanced by SIET to 6854 sets in March 1993 on same terms and conditions. The Company procured (December 1991 to October 1992) 2250 sets at Rs. 810 per set and 4505 sets at Rs. 800 per set in completely knocked down (CKD) form and 98 sets at Rs. 825 per set in ready-made condition from different suppliers of Delhi/Lucknow. The conversion cost of CKD kits into the final product was Rs. 31 per set. It was noticed in audit that while deciding various offers, the Company ignored an offer of Rs. 740 per set (in CKD form) received (June 1993) from a firm of New Delhi for which reasons were not available on record. Non-consideration of above offer without any valid reason on record resulted in an avoidable loss of Rs. 4.33 lakh.

Conclusion

The Company failed to achieve its objective of development of electronic industry in hills of the State and continuously incurred losses, which were mainly attributable to:

- poor production performance in its TV factory;
- excessive expenditure on labour, administrative and selling overheads;

- unproductive investments in subsidiaries and joint sector units without a proper evaluation of the projects;
- failure in proper implementation of and achieving the objective of Government schemes.

The Management should take effective steps to streamline its production and marketing activities, evolve a proper system of techno-economic evaluation of the project before investing its fund and assess feasibility of a scheme, entrusted for implementation to it by the Government.

The matter was reported to the Management in March 1996 and to the Government in June 1996; their replies were awaited (October 1996).

Chapter-III

Section-3A
Tanda Thermal Power Station

Uttar Pradesh State Electricity Board

SECTION-3A

TANDA THERMAL POWER STATION, TANDA

HIGHLIGHTS

The Uttar Pradesh State Electricity Board commissioned, between March 1988 to March 1990, only three out of four thermal units of 110 MW each at Tanda (District Ambedkar Nagar). The commissioning of these units was delayed by 36, 48 and 60 months respectively resulting in cost overrun of Rs. 47591 lakh (originally approved cost Rs. 15925 lakh) mainly due to delays in finalisation of design, supply of plant and equipment and paucity of fund. The work of unit IV, suspended after incurring expenditure of about Rs. 8000 lakh up to February 1992, has not been restarted so far (March 1996).

(Paragraphs 3A.1, 3A.4.1 and 3A.4.2)

Non-commissioning of six HP heaters (Value Rs. 110 lakh) and three HP/LP bye pass systems (Value Rs. 2.26 lakh) resulted in not only non-achievement of desired thermal efficiency but also rendered the entire expenditure (Rs. 112.26 lakh) on its procurement unproductive.

(Paragraph 3A.5.3)

As against prescribed norm of 85 per cent, the plant availability achieved by the project ranged between 35.2 and 51.4 per cent only. The capacity utilisation during available hours was also very low and resulted in shortfall of generation of 1796.13 MU valued at Rs. 21913 lakh when compared to capacity utilisation by all State Electricity Boards.

(Paragraph 3A.6.1)

The failure of the Management to control outages due to internal factors resulted in loss of generation of 3589.54 MU valued at Rs. 43792 lakh.

(Paragraph 3A.6.2)

According to the norms envisaged in the project report, the auxiliary consumption should be 10.5 per cent of energy generated. The actual consumption, however, ranged between 9.08 and 15.72 per cent, resulted in excess consumption of 80.729 MU of energy valued at

Rs. 985 lakh during five years period up to March 1996, except during 1995-96 when it was below the norm.

(Paragraph 3A.6.4)

Cost of generation of electricity at the Power House ranged between 155.17 and 228.86 paise per unit against the projected cost of 91 paise per unit. The high cost of generation was due to excessive consumption of coal, fuel oil and DM water. The value of such excessive consumption worked out by Audit amounted to Rs. 6839 lakh during five years up to 1995-96.

(Paragraphs 3A.8, 3A.8.1, 3A.8.2 and 3A.8.4)

The total expenditure (Rs. 235.51 lakh) incurred on construction of radial collector wells (RCWs), without ensuring its quantity and quality of water to be fetched, became infructuous as these RCWs were abandoned.

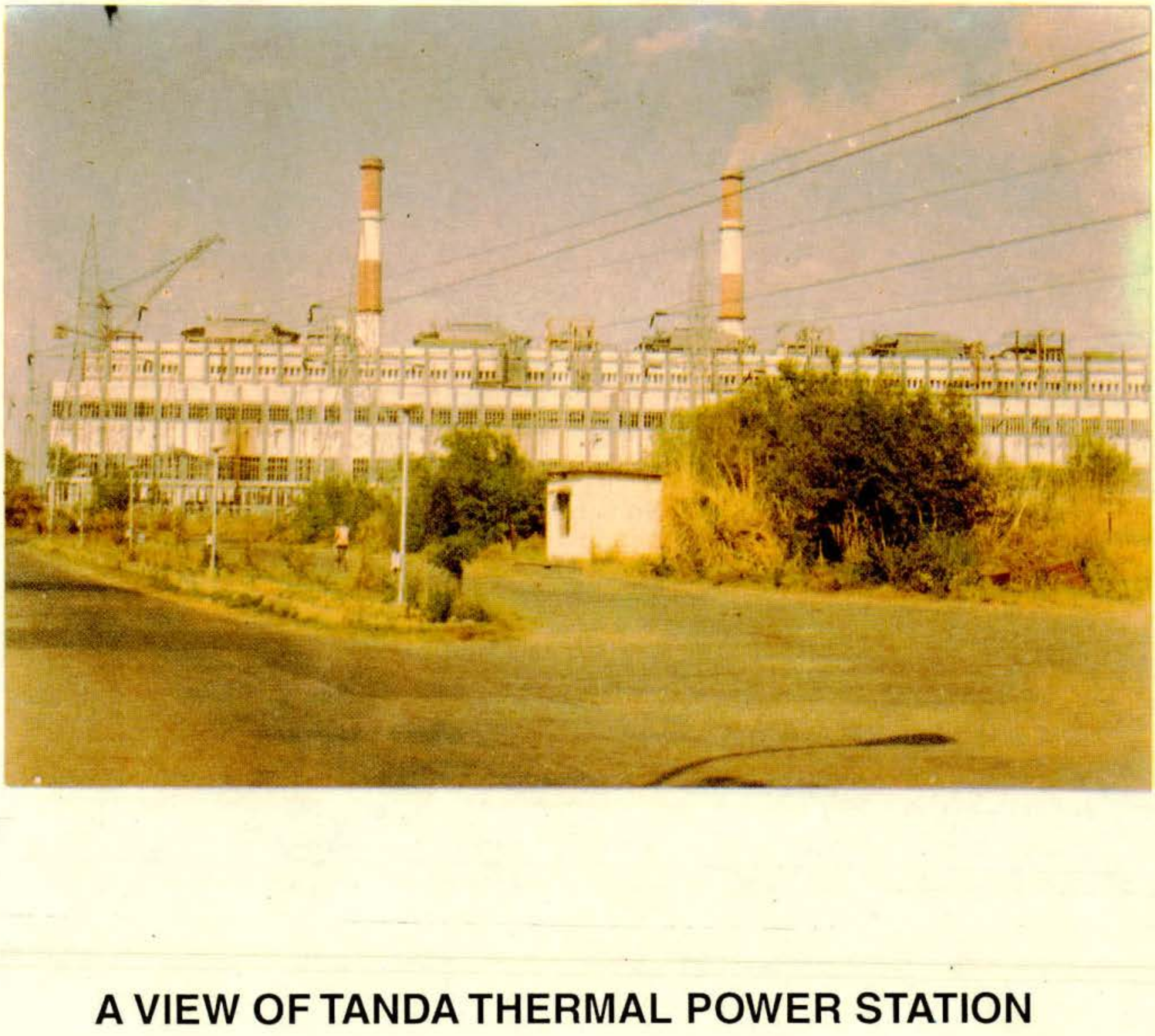
(Paragraph 3A.12.1)

3A.1 Introduction

With a view to meeting the increasing demand of power in the State, the Planning Commission on recommendation of the Central Electricity Authority (CEA) approved (March 1979) a project of the Uttar Pradesh State Electricity Board (UPSEB) for setting up of four thermal power units, each of 110 Mega Watt (MW) capacity at Tanda (District Faizabad now under Ambedkar Nagar). The estimated cost of the project was Rs. 15925 lakh and all the units were scheduled to be commissioned by March 1985. The project cost was revised to Rs. 47591 lakh in August 1991. Units I, II and III were commissioned in March 1988, March 1989 and March 1990 respectively. Unit IV could not be Commissioned by the Board so far (March 1996) due to paucity of fund.

3A.2 Scope of Audit

The installation of various equipment of Unit-IV and the operational performance of the three commissioned units during five years up to March 1995 was reviewed in audit during August to December 1995, and updated up to March 1996 in October 1996 and the results are discussed in succeeding paragraphs.



A VIEW OF TANDA THERMAL POWER STATION

A review on the planning and implementation of the Project with reference to time and cost over runs and execution of major contracts relating to civil, mechanical and electrical works was featured in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1989 (Commercial), Government of Uttar Pradesh but the same had not been discussed by the Committee on Public Undertakings so far (October 1996).

3A.3 Organisational set-up

The overall Management of the Tanda Thermal Power Station (TTPS) is under the control of Member (Generation) of the Board. The General Manager, TTPS is responsible for local Management of the power house and is assisted by seven Superintending Engineers and one Senior Accounts Officer.

3A.4 Time and cost overrun

3A.4.1 Time overrun

The Planning Commission while sanctioning the Project in 1979 fixed the scheduled date for commissioning of all the four units by 1984-85. The progress of the work in respect of Unit No. I and II has already been discussed in the Comptroller and Auditor General's Report for the year ended on 31 March 1989. Unit No. III was commissioned on 28 March 1990. On a trial run of the unit, the main transformer was found damaged in transit. Though the damaged part of the main transformer was replaced by the firm in May/June 1990, due to failure of the Board to make available sufficient control air and cooling water to run all the three units at a time, the unit could not be put on commercial load. The required control air and cooling water to run all the three units was arranged by the end of September 1993 and the unit could be put on commercial load only on 1 October 1993. Thus there was a time overrun of about 8 years from the date as envisaged in the project report and 43 months from the date of commissioning.

The work of Unit-IV was under progress till February 1992 and after 95 *per cent* of the work relating to erection of boiler and 79.8 *per cent* of the work relating to turbo-generator, the Board stopped March 1992) the work due to paucity of fund. A part of loan of Rs. 2700 lakh received in 1993-94 and 1994-95 from Life Insurance Corporation (LIC) for the capital works of the Project of the Board in hand including Tanda but due to financial constraints it was diverted for payment of cost of coal and no fund for the project were arranged. As such the erection work on Unit-IV has not been started so far (March 1996). Further, though the construction of Unit-IV was not abandoned, 90 items pertaining to boiler and turbo generator [including Main Power (M.P.) Rotor] were cannibalised by the Project Management during June 1989 to September 1995 either by transfer to other Power stations or utilisation in other units of the Project. The total value of cannibalised items has, however, not been ascertained by the Project Management so far (July 1996).

In their reply to Audit (November 1995), the Project authorities attributed the delay in commissioning of Unit III and IV to paucity of fund and shortage of staff.

The reply of the Management was not tenable as staff deployed was already in excess of required strength as discussed in paragraph 11 infra. The project faced lack of fund from the very beginning which indicates its poor planning. The Management failed to ensure adequate fund for timely completion and commissioning of the project.

As against stipulated commissioning of all the 4 units by March 1985, only 3 units could be commissioned by October 1993 and work on unit 4 has been stopped since March 1992.

3A.4.2 Cost overrun

The original project cost of Rs. 15925 lakh was revised by the Board in August 1991 to 47591 lakh and sent (August 1991) to the Central Electricity Authority (CEA) for approval. The approval of CEA was, however, still awaited (March 1996). According to the revised estimate, the increase in various items of expenditure ranged between 114 and 764 per cent over the original estimate cost as detailed on the next page:

Inspite of incurring expenditure of Rs. 43435 lakh as against originally estimated cost of Rs. 15925 lakh, the Board could not complete the project.

(Rupees in lakh)

Sl. No.	Particulars	Estimated cost as per original	Revised estimate cost	Increase over the original estimate cost	Percentage of increase	Actual expenditure up to March 1996
1.	Land including preliminary expenses	44	380	336	764	196
2.	Civil works	2275	10618	8343	367	9171
3.	Plant and Machinery including erection and spares	11192	26995	15803	141	24039
4.	Miscellaneous expenditure	1132	2427	1295	114	3746
5.	Overheads	1282	7171	5889	459	6283
Total		**15925**	**47591**	**31666**	**199**	**43435**

It may be seen from the above that the cost of Civil works increased by 367 *per cent* as against increase in cost of Plant and machinery by 141 *per cent* and overhead by 459 *per cent*. The revised project estimate attributed the increase of Rs. 31666 lakh to price escalation (Rs. 14053 lakh), increase in quantities of work (Rs. 8850 lakh), introduction/addition of new items of works (Rs. 3540 lakh) and other reasons (Rs. 5223 lakh).

However, the actual expenditure up to 31 March 1996, according to the financial progress report submitted (August 1996) to the Board amounted to Rs. 43435 lakh. It is further to mention that the construction of Unit No. IV, after incurring expenditure of about Rs. 8000 lakh was suspended in March 1992 (vide Board's order dated 19 February 1992) due to paucity of fund. The erection of incomplete portion of Unit IV had not been started (March 1996) even after lapse of more than three years which has not only deprived the Board of the benefit of investment of Rs. 8000 lakh but also resulted in an interest burden of Rs. 1440 lakh (at the rate of 18 *per cent*) per annum.

3A.5 Installation of equipment

Plant registers in respect of commissioned units no I, II and III had not been closed so far (March 1996). Results of scrutiny of other related records are discussed in the succeeding paragraphs.

3A.5.1 Non-commissioning of auto control loops and analysers

Auto control loops and analysers are vital components for control and instrumentation (C&I) system. Their role is to check unnecessary trippings by ensuring functioning of various plants and machinery within the prescribed parameters during odd conditions. Such control within stipulated time is not possible through manual operation which results in increased number of trippings of units by 20 to 25 *per cent*, rendering them out of generation for about 25 to 50 minutes.

Due to non-installation of auto control loops and analysers, the Board could not control avoidable trippings and suffered loss of generation of 20.03 MU valued at Rs. 244 lakh.

The Thermal Design Engineering (TDE) wing of the Board, placed (March 1987) an order upon Instrumentation Limited, Kota for supply and commissioning of complete C&I package for all the four units at a cost of Rs. 1675 lakh. The supply, erection and commissioning was to match the commissioning schedule of the respective units. The schedule time of completion was extended (December 1993) up to December 1994 due to delay in supply of equipment by the suppliers. It was noticed (December 1995) that all the components of C&I package were supplied by the contractor within stipulated (extended) period. However, auto control loops and analysers (cost Rs. 143.85 lakh) for the three commissioned units had not been commissioned so far (March 1996), and the machines were being run without the required automatic controls. The absence of automation of control system resulted in failure to ensure functioning of plant and machinery within the prescribed parameters. This led to increased number of trippings and avoidable closures of units for 274 hours during the period of five years up to 1995-96, causing thereby loss of generation of 20.03 MU valued at Rs. 244 lakh.

3A.5.2 Non-installation of elevators

The Board placed an order on a firm of New Delhi in March 1982 for design, manufacture, supply, installation, testing and commissioning of 3 outdoor goods-cum-passengers elevator, having lifting capacity of 1768 Kgs. complete in all respect at a cost of Rs. 17.44 lakh (including cost of spares but excluding excise, CST etc. payable at actual) which was later increased to Rs. 29.25 lakh on account of price escalation.

It was noticed in audit that during the period from September 1989 to October 1990, the firm had supplied equipment of all the three elevators valued at Rs. 27.95 lakh. As against this, payment of Rs. 8.41 lakh only was made (November 1995) to the supplier on the ground that they started the erection work of lift No. 1 on 1 July 1990 but stopped it after doing some work. The firm asked (July 1995) the Management to get the lifts installed after paying balance amount or they may be allowed to take back the delivered materials. Thus due to non-release of balance payment, the Board's fund to the extent of Rs. 8.41 lakh not only remained blocked but also the Board was deprived of the benefits of elevators for want of its installations. Besides, the chances of its deterioration in quality due to prolonged storage cannot be ruled out.

The Project Management stated (November 1995) that work of installation of elevators would be restarted as the contractors had agreed (September 1995) to start the work within 15 days of receipt of first instalment and complete it within 9 months at old rate provided their balance payment (Rs. 19.54 lakh) was released in six monthly instalments. The first instalment of Rs. 3 lakh had been paid to the firm in February 1996 but the work of erection had not been taken up so far (July 1996).

3A.5.3 Non-commissioning of High Pressure (H.P.) Heaters and HP/LP bye pass system.

In order to achieve optimum thermal efficiency, the Board placed (March 1978) a supply order upon Bharat Heavy Electrical Limited (BHEL), New Delhi for supply of four 110 MW turbo generator sets alongwith matching boilers and associated auxiliaries including inter connected piping and HP/LP bye pass system at a revised cost of Rs. 91.50 crore. The work of erection and commissioning of these equipment was awarded (July 1983) to English Electric Company, on turnkey basis for Rs. 135 lakh.

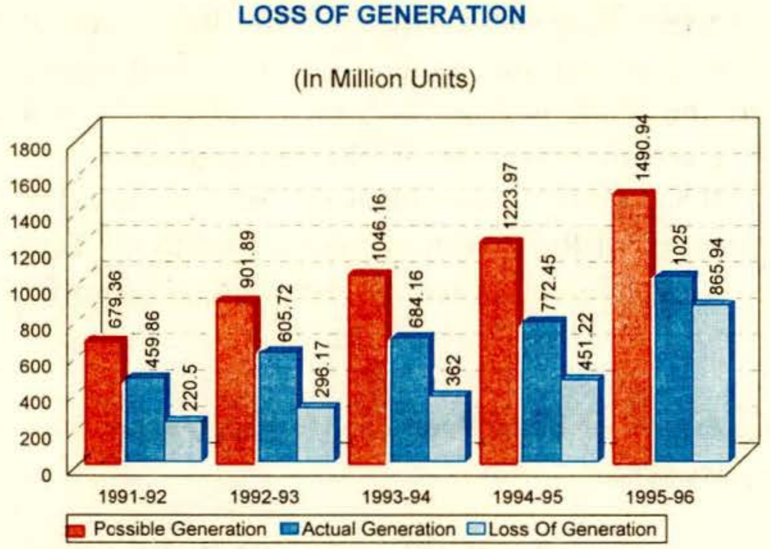
It was noticed (December 1995) that the commissioning of three boilers and turbo generators was completed during the period March 1988 to March 1990. But six number of HP heaters valued at Rs. 110 lakh and three number of HP/LP bye pass systems valued at Rs. 2.26 lakh though received with boiler and turbo generators had not been commissioned so far (March 1996), reasons for which were not available on record. As a result, thermal efficiency was restricted to 21.1 to 29.38 *per cent* only against the desired efficiency of 33 *per cent* (paragraph 8.5

infra). Thus, the very purpose of procurement of HP heaters and HP/LP bye pass system was defeated and the entire amount (Rs. 112 lakh) spent on their procurement was rendered unproductive. The annual incidence of interest on above sum worked out to Rs. 20.16 lakh (at 18 *per cent* per annum).

3A.6 Operational performance

3A.6.1 Plant availability* and capacity utilisation**

A Technical Committee on Power appointed by the State Government recommended (December 1972) in its report that thermal power stations of the Board should aim at achieving 80 *per cent* plant availability within a short time and 85 *per cent* within next two to three years. The position of plant availability and capacity utilisation during five years up to 1995-96 is given below:

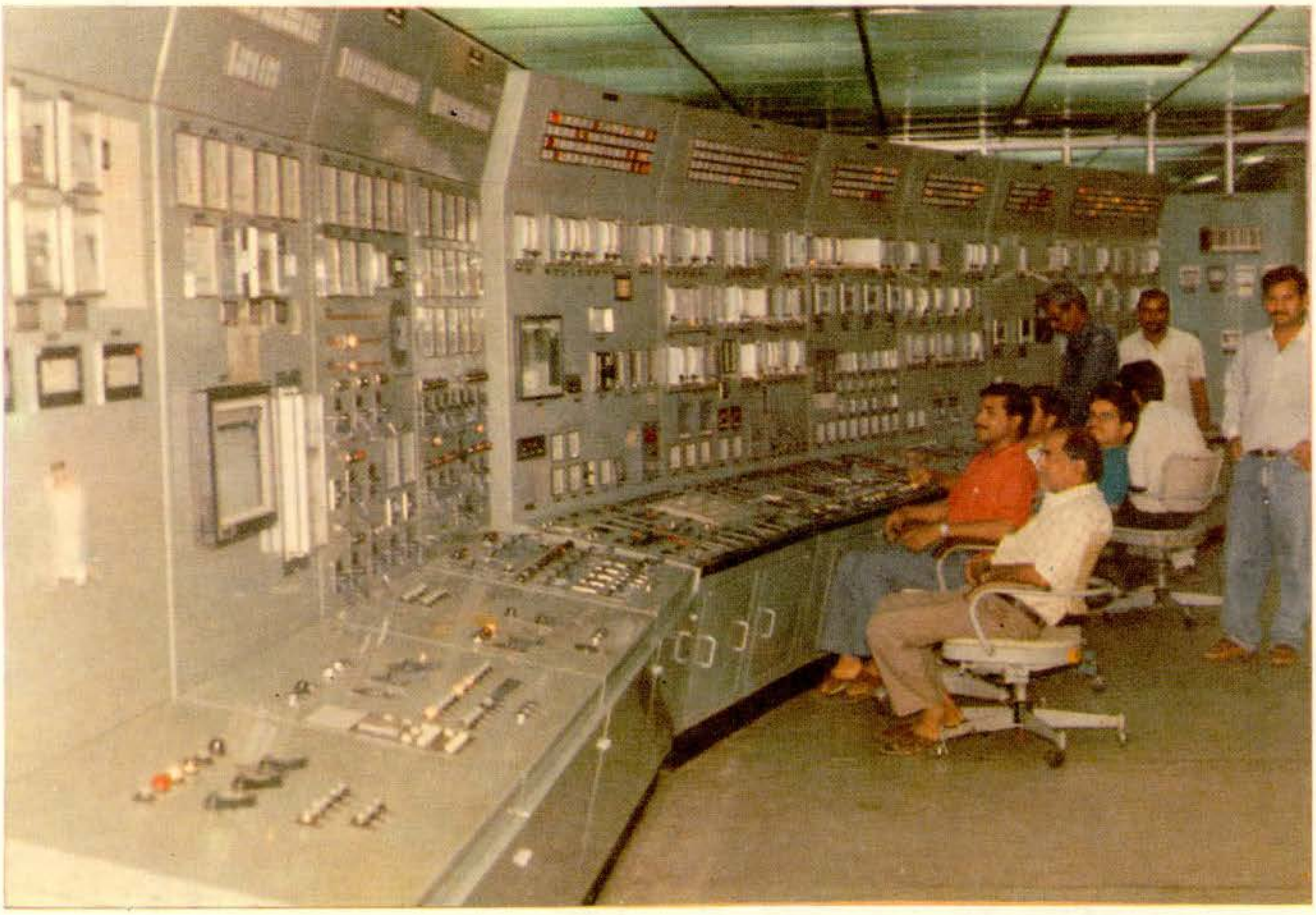


Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
1.	Hours available	17568.00	17520.00	21888.00	26280.00	26352.00
2.	Hours of operation	6176.00	8199.00	9456.00	11127.00	13554.00
3.	Percentage of plant availability	35.2	46.8	43.2	42.3	51.4
4.	Installed generating capacity (In MU)	1932.48	1937.20	2407.68	2890.80	2898.72
5.	Possible generation• (In MU) with reference to					
	(a) Available hours	679.36	901.89	1046.16	1223.97	1490.94
	(b) Actual generation	459.86	605.72	684.16	772.45	1025.00
	(c) Loss of generation	220.50	296.17	362.00	451.52	865.94
6.	Percentage of capacity utilisation	23.8	31.4	28.4	26.7	35.4

* Plant availability is the ratio of actual hours of operation of plant to available hours

** Capacity utilisation is the ratio of installed capacity of generation to actual generation (also known as plant load factor)

• Possible generation represents actual hours multiplied by installed generating capacity in MU



CONTROL ROOM-THE NERVE CENTRE OF THE PROJECT

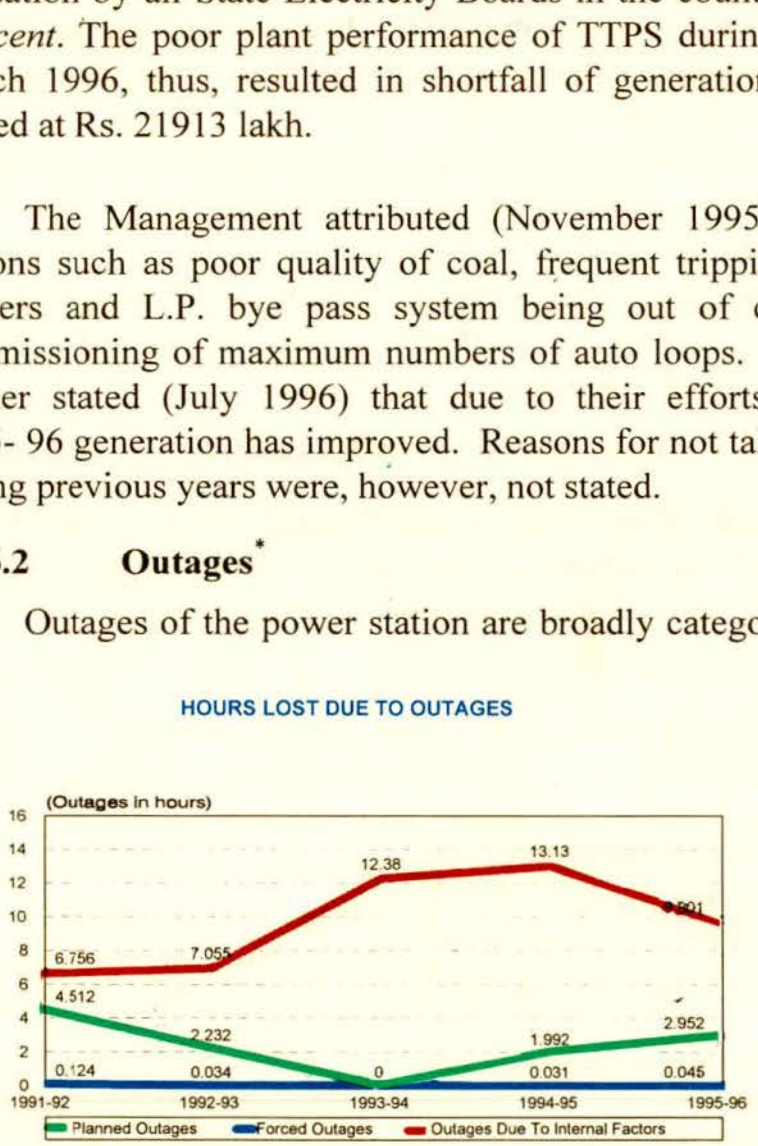
Thus, as against the prescribed plant availability of 85 *per cent*, plant availability achieved by TTPS during five years up to March 1996 ranged between 35.2 and 51.4 *per cent* only. Similarly, during above five years period the capacity utilisation at TTPS ranged between 23.8 and 35.4 *per cent* only whereas the average capacity utilisation by all State Electricity Boards in the country was about 53.5 *per cent*. The poor plant performance of TTPS during five years up to March 1996, thus, resulted in shortfall of generation of 1796.13 MU valued at Rs. 21913 lakh.

Due to poor plant availability and capacity utilisation, there was shortfall in generation of 1796.13 MU valued at Rs. 21913 lakh.

The Management attributed (November 1995) the shortfall to reasons such as poor quality of coal, frequent trippings of units, H.P. Heaters and L.P. bye pass system being out of circuit and non-commissioning of maximum numbers of auto loops. The Management further stated (July 1996) that due to their efforts during the year 1995- 96 generation has improved. Reasons for not taking similar action during previous years were, however, not stated.

3A.6.2 Outages*

Outages of the power station are broadly categorised into planned outages, forced outages and outages due to internal factors. Details of such outages during five years up to 1995-96 are given on the next page:



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* Outages indicate non-operation of power station in hours

(Outages in hours)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
A. Planned outages (over-hauling)	4512	2232	--	1992	2952
B. Forced outages (Grid disturbance)	124	34	52	31	45
C. Outages due to internal factors	6756	7055	12380	13130	9801
Total outages (A+B+C)	**11392**	**9321**	**12432**	**15153**	**12798**

The planned outages were partly controllable by the Management and have been commented upon separately in Para 6.3. Outages due to grid disturbances are beyond control of the Project Management but the outages due to internal factors were controllable. The Management, however, has not devised any plan to follow up the maintenance/overhauling schedule strictly to have an effective control of such outages, consequently outages due to internal factors continued to increase from 6756 hours in 1991-92 to 13130 hours in 1994-95 and constituted 80.4 *per cent* (49122 hours) of the total outages (61096 hours) during five years up to 1995-96. This resulted in loss of generation of 3589.54 MU valued at Rs. 43792 lakh.

3A.6.3 Excessive time allowed for overhauling

The Kulkarni Committee recommended (April 1975) that maintenance of boiler should be done annually within a period of 28 days (672 hours) and of turbo generators once in every three to five years within 45 days (1080 hours).

The failure of the Management to control outages due to internal factors resulted in loss of generation of 3589.454 MU valued at Rs. 43792 lakh.

As against above, actual time taken for maintenance of boilers during May to November 1991 and January to April 1995 and turbo generators of Unit I during April to August 1991, December 1992 to April 1994 and June 1995 to October 1995 was in excess by 5832 hours (243 days) and 4512 hours (188 days) respectively.

This resulted into loss of generation of 456.35 MU valued at Rs. 9227 lakh. Boilers and turbo generators of unit II and III had not been overhauled since their commissioning.

The Management while furnishing reasons for delays during 1992-93 stated (July 1996) that delay was caused due to paucity of fund due to which spares could not be arranged in time. A further scrutiny by Audit revealed that the cost of spares which could not be arranged due to paucity of fund (as stated by the Management) was only Rs. 3.52 lakh whereas the value of generation (258.72 MU) lost due to delay of 2352 hours was Rs. 2794 lakh.

3A.6.4 Auxiliary consumption

Some of the energy generated in a power house is consumed in its auxiliaries and is not available for sale. As against the norm of 10.5 *per cent* as provided in the project report and also fixed by CEA, the actual auxiliary consumption during five years up to March 1996 ranged between 9.08 and 15.7 *per cent* of total generation.

The total excess auxiliary consumption during five years period up to March 1996, was 80.729 MU valued at Rs. 985 lakh except during 1995-96 when it was below the norm.

Auxiliary consumption of 80.79 MU, over the norms, resulted in loss of Rs. 9851 lakh.

However, the Project authorities stated (November 1996) that excess auxiliary consumption was because of commissioning/ recommissioning of one or other unit almost every year during above period. The reply was not tenable in view of the fact that auxiliary consumption in the revised project estimate, prepared in 1991, was fixed after taking into consideration commissioning/ recommissioning of different units as per schedule.

3A.7 Excessive bus bar losses*

The Board suffered a loss of Rs. 1243 lakh due to bus bar losses in excess of the norms by 101.877 MU.

Chief Engineer (Thermal Operation Monitoring) while reviewing the quantum of actual bus bar losses of the thermal projects directed (July 1994) the General Manager, TTPS from time to time that all out efforts viz. recaliberating of meters,

* Bus bar loss indicates the difference between energy received at input points of a transformer and energy actually sent out after transformation (also known as transformation loss)

checking of unmetered supply etc. should be made to contain the bus bar losses within a limit of 0.8 *per cent*.

It was noticed that as against the norm of 0.8 *per cent*, the actual bus bar losses during five years (except during 1991-92) up to 1995-96 ranged between 1 and 7.9 *per cent*.

The extra bus bar loss over the desired norms worked out to 101.877 MU the value of which at the average sale realisation of the Board at 122 paise per unit during the period of five years up to 1995-96 worked out to Rs. 1243 lakh.

The Management in their reply (July 1996) stated that loss of energy was unavoidable due to defective meters and loss during transformation. However, there is no mention of any measures initiated to control bus bar losses to the acceptable limit.

3A.8 Cost of generation

According to the revised project estimate (August 1991), the cost of generation was estimated at 91 paise per unit of saleable energy. The actual cost of generation, however, varied between 155.17 and 228.86 paise per unit during the period 1991-92 to 1995-96 resulting in a deficit of Rs. 20838 lakh over the projected revenue.

Reasons for higher cost of generation had not been analysed by the Board. However, the reasons for higher cost of generation as analysed in audit were partly attributable to excess consumption of coal, oil and other materials.

3A.8.1 Excess consumption of coal

Consumption of coal directly depends upon the calorific value of coal used. On the basis of calorific value of 4700 kcal/kg of coal, boiler efficiency of 86 *per cent* and heat rate of turbine at 2176 kcal/kwh, the revised project report envisaged consumption of coal at 0.537 kg/kwh.

There was an excess consumption of 5.24 lakh tonnes of coal valued at Rs. 4207 lakh over the coal required as envisaged in the project.

The table on the next page indicates a comparison of coal requirement and actual coal consumed during five years up to 1995-96:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
1.	Generation (in MU)	459.860	605.720	684.160	772.450	1025.000
2(a)	Weighted average calorific value of coal received (in kcal/kg)	3617.450	3343.830	3233.880	3168.290	2841.000
(b)	Coal requirement per unit of power generated (in kg)	0.693	0.755	0.780	0.797	0.891
3	Total requirement of coal (in lakh tonnes)	3.21	4.57	5.34	6.16	9.13
4(a)	Coal actually consumed (in lakh tonnes)	4.14	5.64	6.50	7.33	10.04
(b)	Actual coal consumption per unit of power generated (kg/kwh)	0.90	0.93	0.95	0.95	0.98
5	Excess consumption of coal (in lakh tonnes) (4(a) - 3)	0.93	1.07	1.16	1.17	0.91
6	Average cost per tonne (in rupees)	596	703	829	927	939
7	Value of excess coal consumed (Rupees in lakh)	554	752	962	1085	854

Thus, during five years up to 1995-96 there was an excess consumption of 5.24 lakh tonnes of coal valued at Rs. 4207 lakh, reasons for which had neither been analysed nor effective measures to reduce consumption of coal taken by the Board so far (March 1996).

The important (controllable) factors responsible for higher consumption of coal as analysed in audit were as under:

(i) achievement of lesser thermal efficiency than the designed efficiency (Paragraph 8.5)

(ii) non-commissioning of H.P. heaters and H.P./L.P. bye pass system (Paragraph 5.3) and;

(iii) non-commissioning of auto control loops (Paragraph 5.1)

3A.8.2 Excessive consumption of fuel oil

Furnace oil and light diesel oil are required during starting up and flame stabilisation of the boilers. While reviewing the revised estimate of the project, the CEA fixed (October 1991) the norm of fuel oil consumption at 10 ml/kwh.

The excess consumption of fuel oil over the norms of CEA amounted to Rs. 2621 lakh.

During the period of five years up to 1995-96, the excess consumption of fuel oil over the norms prescribed by CEA was 46828 kilolitres valued at Rs. 2621 lakh as detailed on the next page:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
1.	Units generated (In MU)	459.860	605.720	684.160	772.450	1025.000
2.	Fuel oil consumption: (In kilolitres)					
	(a) As per norms	4599	6077	6842	7725	10250
	(b) Actual	16230	13872	16700	20878	14641
	(c) Excess (b - a)	11631	7795	9858	13153	4391
3.	Value of excess fuel oil consumed (Rupees in lakh)	514	409	480	913	305

The Management attributed (July 1996) the reasons for higher fuel oil consumption to outages of coal mills and excessive trippings. But no remedial measures, to check the excess consumption of fuel oil, have been taken by the Management so far (March 1996).

3A.8.3 Excess consumption of turbine oil

According to turbine operation and maintenance manual of the BHEL, the manufacturer of the plant, consumption of turbine oil in turbo generating sets was to be 40 litre per day (equivalent to 1.67 litre) per hour. However, during the five years period up to 1995-96, the average consumption of turbine oil ranged between 1.82 and 2.77 litres per hour. Total excess consumption of turbine oil during this period worked out to 26825 litres valued at Rs. 10.73 lakh. Reasons for consumption of turbine oil in excess over the norms were neither available on record nor analysed by the Management.

3A.8.4 Excess consumption of demineralised (DM) water

Demineralised (DM) water is obtained by eliminating acidic and alkaline minerals from the natural water by using caustic soda lye and hydrochloric acid. The revised project report envisaged the requirement of DM water at 32.5 cub. mtr. per hour which could rise to maximum consumption of 40 cub.mtr. per hour for each unit in operation.

It was noticed in audit that actual consumption of DM water, however, ranged between 40.5 to 53.3 cub.mtr. per hour during four years period up to March 1995 (consumption during 1995-96 being only 31.5 cub.mtr. per hour). The excess consumption of DM water over the maximum prescribed quantity resulted in extra consumption of 136.44 tonnes (value Rs. 6.64 lakh) of caustic soda lye and 276.12 tonnes (value Rs. 4.38 lakh) of hydrochloric acid.

The Management stated (November 1995) that excess consumption of DM water was due to steam leakage from defective boiler tubes, leakage in valves and frequent trippings. The Management, however, did not indicate as to why remedial action could not be taken by it.

3A.8.5 Thermal efficiency*

According to the revised project estimate, the designed heat rate of all the turbines of three commissioned generating units of the power station at boiler efficiency of 86 *per cent* was ascertained at 2176 kcal/kwh and the heat rate at generator efficiency of 0.97 at 2608.487 kcal/kwh. The overall thermal efficiency so achieved was 32.969 *per cent*. However, the actual thermal efficiency of TTPS during five years up to 1995-96 ranged between 21.1 and 29.4 *per cent* only.

Achievement of lower thermal efficiency than the designed efficiency resulted into extra expenditure of Rs. 5530 lakh on extra consumption of coal and oil.

The lower thermal efficiency achieved, resulted in excess input of coal. The value of excess heat input in terms of coal (standard consumption of oil had neither been specified in the project report nor intimated by the Management) during five years up to 1995-96 worked out to Rs. 5530 lakh as per details given below:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
1.	Actual consumption:					
	(a) Coal** (Tonnes)	413874	564178	649820	733782	1004483
	(b) Oil (Kilolitres)	16230	13872	16700	20878	14641
2.	Heat value:					
	(a) Coal (kcal/Kg.)	3617	3344	3234	3168	2841
	(b) Oil (kcal/Litre)	10000	10000	10000	10000	10000
3.	Heat input (M Kcal.):					
	(a) Coal	1496982	1886611	2101518	2324621	2853736
	(b) Oil	162300	138720	167000	208780	146410
	© Total heat input (Mkcal.) (a + b)	1659282	2025331	2268518	2533401	3000146
4.	Gross generation (MU)	459.860	605.720	684.160	742.450	1025.000
5.	Actual heat input per Kwh (kcal.)	3608.233	3343.676	3315.771	3279.696	2926.972
6.	Heat input as per revised project report (kcal./kwh)	2608.487	2608.487	2608.487	2608.487	2608.487
7.	Excess heat input (kcal./kwh) (5 - 6)	999.746	735.189	707.284	671.209	318.485
8.	Thermal efficiency					
(a)	Targeted	32.969	32.969	32.969	32.969	32.969
(b)	Actual	23.83	25.72	25.94	26.22	29.38
9.	Total excess input of heat in kcal. (4 X 7)	459743	445319	483895	518475	326447
10.	Average calorific value of coal (kcal./kg.)	3617	3344	3234	3168	2841

* Thermal efficiency indicates the ratio of input of thermal energy to the output of electric energy.

** Fuel oil is used for heating up of the furnace.

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
11.	Total excess input of heat in terms of coal: (In tonnes) (Row 8 divided by row 9)	127106	133169	149628	163660	114906
12.	Average procurement cost of coal per tonne as per annual account (Rupees)	596	703	829	927	941
13.	Value of excess input of heat in terms of coal (Rupees in lakh)	757.55	936.18	1240.41	1517.13	1078.97

The reasons for lower thermal efficiency as attributed (July 1996) by the Management were inferior quality of coal, H.P. heaters being out of circuits for want of spares, scaling in condenser tubes caused by cooling water, H.P. and L.P. bye pass system being out of circuits for want of spares, non-commissioning of auto control loops resulting into frequent trippings of machines, and secondary air damper control (SADC) system being out of circuit.

The Management has, however, not taken remedial measures to improve thermal efficiency.

3A.9 Procurement of coal

Coal is procured by the Board from Coal India Limited (CIL) as per allotment made by the Ministry of Energy, Government of India. The Board executed (February 1985) an agreement with CIL for supply of coal having calorific value of 3850 kcal/kg for TTPS. The payment of coal was to be made on the basis of quality of coal as determined in joint sampling at loading end.

The following table indicates the average calorific value of coal received during last five years up to 1995-96:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
1.	Desired minimum calorific value (kcal/kg.)	3850	3850	3850	3850	3850
2.	Average calorific value of coal actually received (kcal/kg.)	3617	3344	3234	3168	2841
3.	Actual quantity of coal received (In lakh tonnes)	4.34	6.42	7.72	6.31	10.04
4.	Quantity of coal received in terms of desired calorific value (In lakh tonnes)	4.08	5.58	6.48	5.19	7.40
5.	Short receipt of coal in terms of calorific value (In lakh tonnes)	0.26	0.84	1.24	1.12	2.64
6.	Average procurement cost (Rupees per tonne)	596	703	829	927	939
7.	Value of coal short received in terms of calorific value (Rupees in lakh)	154.96	590.52	1027.96	1038.24	2478.96

It would be evident that the project did not receive the coal of desired calorific value in any year and the value of coal short received in terms of calorific value worked out to Rs. 5291 lakh during the period of five years up to 1995-96. The Board, however, lodged claims for Rs. 2550 lakh only (as the CIL was supplying "E" and "F" grade coal having wide range of calorific values ranging between 3360 and 4200 kcal/kg and 2400 and 3360 kcal. per kg respectively). Against the claims lodged by the Board, the CIL had accepted (March 1996) claims amounting to Rs. 1689 lakh only. Balance claims for Rs. 861 lakh pertaining to statutory charges (cess, royalty and state excise duty) were rejected by CIL on the ground that it was not provided in the agreement.

3A.10 Inventory control

The details of inventory for operation and maintenance of plant excluding fuel stock held by the Project at the close of each of five years up to March 1996 are indicated below:

(Rupees in lakh)

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
(i)	Opening balance	137	206	277	121	338
(ii)	Purchase/receipt	247	277	307	424	504
	(a) Total (i + ii)	**384**	**483**	**584**	**545**	**842**
(iii)	Issue/Transfer	178	206	463	207	183
	(b) Closing balance (a- b)	**206**	**277**	**121**	**338**	**659**
(iv)	Closing stock in terms of month's consumption	13.9	16.1	3.1	19.6	43.2

The inventory holdings increased from 13.9 months' consumption in 1991-92 to 43.2 months' consumption in 1995-96 except during 1993-94 when it was equivalent to 3.1 months' consumption only. The main reason for increase in inventory, as analysed in audit, were:

* the annual physical verification of stock and stores was not done since inception, with the result shortages, surplus / unserviceable / obsolete stores, if any, remained undetected.
* maximum, minimum and reordering levels of stock were not fixed.
* materials had not been classified into critical, non critical, fast and slow moving items.

3A.10.1 Accumulation of surplus steel

The Management of the project had intimated in August 1993 to the Board and other projects/units, the existence of surplus serviceable steel valued at Rs. 690 lakh which were procured during 1978-89. The surplus steel could not be transferred/disposed off so far (December

1995) on which interest burden works out to Rs. 124 lakh per annum (at 18 *per cent*).

3A.10.2 Non-disposal of coal mill rejects

Coal mill rejects (CMR) represents coal pieces up to 20 mm size with caloric value of 1298.06 kcal/kg (i.e. ungraded coal) including stone, shale and other foreign materials which are not pulverised by coal bowl mills. CMR is collected in dewatering tank by automatic CMR disposal system. From there it is collected and transported through contractors for its storage, pending its disposal/sale by the project. During October 1990 to March 1996, a sum of Rs. 19.67 lakh was spent on removal and transportation of 104132 cubic metres of CMR (i.e. 124958 tonne approximately) for its storage. In September 1992, after inviting open tender, a sale contract for sale of 6000 tonne CMR at the rate of Rs. 321 per tonne, excluding sales tax, was finalised in favour of the highest bidder (T.S. Builders). The contractor, however, lifted only 330.50 tonne CMR and thereafter did not turn up. The Project Purchase Committee therefore decided (October 1994) to forfeit the security of the contractor (Rs. 0.97 lakh) and float fresh tender for sale of CMR. The fresh tenders for disposal of balance quantity (1.25 lakh tonnes) of CMR valued at Rs. 401 lakh were invited in August 1996 but it has not been finalised so far (October 1996).

3A.11 Manpower analysis

The Technical Committee on Power recommended (December 1972) that the deployment of manpower should be around 4 per MW of installed capacity. This was further reiterated in December 1992 by the Committee on staffing pattern of thermal power projects.

The following table indicates a comparison of required manpower and actual manpower during the period of five years up to 1995-96:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
(i)	Installed capacity (in MW)	220	220	330	330	330
				(in numbers)		
(ii)	Manpower required	880	880	1320	1320	1320
(iii)	Actual manpower employed	1216	1266	1266	1253	1259
(iv)	Excess manpower employed	336	386	--	--	--

It would be seen from above the actual manpower deployed during 1991-92 and 1992-93 was much in excess than the requirement. Besides, the Management had incurred expenditure on overtime each year which ranged between 28.34 lakh and 46.80 lakh per annum (Total Rs. 186.20 lakh) and also about Rs. 50 lakh per annum on manpower deployed to outside agencies for routine maintenance and other auxiliary works.

3A.12 Other topics of interest

3A.12.1 Infructous expenditure on construction of radial collector well (RCW)

Expenditure of Rs. 235.51 lakh on construction of RCWs proved infructuous as the same could not fetch water of desired quality.

A reference is made to Paragraph 3A.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1989 (Commercial), Government of Uttar Pradesh wherein abandonment of fourth and fifth RCWs, out of proposed construction of five RCWs, approved by the Board in November 1982, due to subsequent arrangement of water from the Irrigation Department was highlighted. Further developments in this regard are discussed below.

Out of these five RCWs, two RCWs were to be constructed in first stage and after watching their performance construction of remaining RCWs was to be taken up. It was noticed that without watching performance of two RCWs already under construction, the construction work of third RCW was started in August 1987. Construction of first two RCWs was completed in August 1987 and January 1990 respectively.

On operation of first RCW it was found that it was giving reduced output of 5 cusecs instead of the designed supply of 9 cusecs and the operation of second RCW was protested by local villagers as it brought down the water level of surrounding area. Consequently the operation of these two RCW was stopped in 1990 (exact date not available) and the construction of 3rd RCW was abandoned in February 1990.

It was further noticed that a committee of engineers of the Board, constituted (June 1991) for study of issues connected with requirement of cooling water for the project, reported (August 1991) that permeability of the strata was not properly studied by the Consultants (Ground Water Consultants, Bombay) which resulted in low water output. It was also found that the quality of water fetched by RCW was not according to their requirement as it was choking the condenser tubes due to scaling.

As such under the orders (August 1994) of the General Manager, TTPS pump sets and other electrical equipment of both the RCWs were dismantled. However, the value of dismantled materials, still lying at project, was not available with the Management.

Thus, the entire expenditure of Rs. 235.51 lakh incurred on construction of these RCWs, less value (indeterminate) of equipment retrieved, became infructous. The Management, however, sent a proposal to the Board in March 1995 for write off of Rs. 120.69 lakh (cost of civil works) only, the sanction of the Board was awaited (December 1995).

3A.12.2 Incomplete construction of residential buildings

The original estimate envisaged construction of 1684 different type of quarters for providing accommodation to the project employees but construction of 1396 quarters only was taken up. However, due to paucity of fund construction of 216 quarters which was taken up during 1988-89 to 1990-91 (estimated cost: Rs. 214.43 lakh) was suspended in April 1992. Details of stage of completion of these quarters and expenditure incurred on it are detailed below:

Residence	Quantity (In number)	Stage of Completion	Expenditure incurred during 1989 to 1992 (Rupees in lakh)
Type II	40	Plinth	5.42
Type IV	12	Plinth	3.80
Type II	12	Super structure	37.84
Type III	12	Super structure	12.99
Type III	24	Roof	19.94
Type IV	8	Roof	14.97
Total	**216**		**94.26**

The construction of above quarters had not been restarted so far (March 1996). Thus, due to improper planning Board's fund to the tune of Rs. 94.26 lakh remained locked up since 1992 on which loss of interest was to the tune of Rs. 16.97 lakh per annum (calculated at the rate of 18 *per cent*).

The Management stated (July 1996) that since the fund for unit IV has been allocated the work would be restarted.

3A.12.3 Construction of overhead tank

On the basis of tender invited by Electricity Civil Maintenance Division of the Project, the work for construction of an overhead tank of

A VIEW OF INCOMPLETE RESIDENTIAL BUILDINGS

680 KL capacity for project colony was awarded (December 1989) to a contractor of Allahabad at a total cost of Rs. 16.70 lakh.

In audit, it was noticed that the contractor after completion of about 40 *per cent* work valued at Rs. 7.28 lakh up to March 1992, left the work on account of non-payment of bills. Though the payment of their bills has been made in June 1993, the construction of overhead tank has not been commenced so far (October 1996).

The Management stated (November 1995) that the work has been suspended due to paucity of fund. Award of work and incurring of expenditure without ensuring availability of fund has, thus, rendered the entire expenditure of Rs. 7.28 lakh on the above work unfruitful.

3A.12.4 Non-utilisation of railway colony

With a view to providing residential facilities for railway staff to be engaged for maintenance of marshalling yard a colony having 52 quarters was constructed by the Railways in 1988-89 as deposit work of the Board at a total cost of Rs. 39.83 lakh.

It was noticed that all the quarters were lying vacant (September 1994). In 1995 possession of only 10 quarters was taken by the project, out of which only 7 quarters were allotted to outside agencies at a rent of Rs. 400 per month. Thus, the unplanned construction of the colony for railway staff without assessing its requirement resulted in unfruitful expenditure of Rs. 39.83 lakh.

3A.12.5 Non-recovery of rent from outside agencies

The Project Management allotted different type of residential quarters to outside agencies viz. contractors, bank employees, police and postal department etc. A test check in audit revealed (December 1995) that rent amounting to Rs. 40.26 lakh pertaining to the period from May 1983 to September 1995 was outstanding against 26 parties. Out of 26 parties, 13 parties have left the Project without paying their dues/rents amounting to Rs. 28.66 lakh. The Management has not taken any action to fix the responsibility against defaulting employees for non-recovery of rent.

The Project Management stated (July 1996) that during the period from 1991-92 to November 1995, a sum of Rs. 12.80 lakh out of Rs. 40.26 lakh has already been recovered. But the party wise details of recovery were not made available to audit.

Conclusion

The Board failed in proper planning, co-ordination, control and monitoring of activities of the Project, resulting in delayed commissioning of three units and non-commissioning of unit IV so far (October 1996). It also failed to achieve desired level of thermal efficiency and arrest cost of generation due to:

- non-commissioning of auto control loops, HP heaters and HP/LP bye pass systems;
- poor plant availability;
- higher consumption of coal, oil and DM water

The matter was reported to the Board in March 1996 and to the Government in May 1996; their replies were awaited (October 1996).

Chapter-III

Section-3B
Distribution Zone, Agra

Uttar Pradesh State Electricity Board

SECTION-3B

UTTAR PRADESH STATE ELECTRICITY BOARD

DISTRIBUTION ZONE, AGRA

HIGHLIGHTS

Agra Distribution Zone is one of thirteen zones into which the Board has been divided with a view to exercising effective control over planning and monitoring of supply and billing of energy and is headed by a Chief Zonal Engineer.

(Paragraph 3B.1)

The revenue deficit of the Zone during the five years up to March 1996 aggregated to Rs. 54721.55 lakh mainly due to excessive line losses, non-assessment/short assessment of energy charges and excessive damage to distribution transformers.

(Paragraph 3B.4)

The transformation capacity of sub-stations of Transmission wing (912.5 MVA) was not matched adequately to the sub-transmission (1040.5 MVA) and distribution system (1767.4 MVA) of the Agra Zone which resulted in interruption in supply, problem of low voltage, excessive break downs and load shedding.

(Paragraph 3B.5)

Non-installation of capacitor banks to the required extent resulted in loss of saving of system losses of 11.16 MU valued at Rs. 150.64 lakh per annum.

(Paragraph 3B.5.1)

Against the norm of 11 per cent distribution losses prescribed by CEA, the actual losses ranged between 17.9 and 22.9 per cent. The quantum of energy lost in excess of the norms worked out to 1362.675

MU valued at Rs. 17100. 35 lakh during the period of five years up to 1995-96.

(Paragraph 3B.5.2)

Damage of distribution transformers in excess of norms worked out to Rs. 5959.27 lakh during the period 1991-92 to 1995-96.

(Paragraph 3B.5.3.1)

Incorrect application of tariff resulted in under charging of revenue to the extent of Rs. 208.20 lakh.

(Paragraph 3B.6.1.3)

In spite of arrears increasing from Rs. 9561.94 lakh in 1991-92 to Rs. 30323.76 lakh in 1995-96, the Management did not even issue recovery certificates amounting to Rs. 4375.34 lakh for recovery as arrears of land revenue.

(Paragraph 3B.6.6)

Failure to take immediate action for dismantling of the redundant lines resulted in theft of line materials valued at Rs. 24.11 lakh.

(Paragraph 3B.9.2)

3B.1 Introduction

For exercising effective control over planning and monitoring of supply and billing of energy in respect of various categories of consumers, the power distribution network of the Board has been divided into 13 zones. Each zone is headed by a Chief Zonal Engineer who is accountable to the respective Area Chief (East, West and Central area) under the overall control of the Member (Distribution) of the Board. Agra Zone is under the control of the Area Chief (West), Meerut.

3B.2 Organisational set-up

Agra Zone covering the districts of Agra, Aligarh, Etah, Mainpuri, Firozabad and Mathura has been divided into six Distribution Circles and one Works Circle; each under the charge of a Superintending Engineer. Each circle is further divided into divisions which are headed by Executive Engineers. The Agra Zone is having 19 Distribution divisions, six Test divisions and one each Secondary Works and

Workshop division. The finance and accounts functions are under the charge of a Deputy Chief Accounts Officer, posted at Agra. The Internal Audit Wing of the Zone, conducting post audit of the transactions of divisions/Circles/Chief Engineer's office is headed by a Deputy Director, with headquarters at Agra.

3B.3 Scope of Audit

Out of 27 divisions of Agra Zone, records of 11 divisions covering the period from 1991-92 to 1995-96 were test checked in audit carried out during August to December 1995. The percentage of capital and maintenance expenditure and assessment of revenue of these 11 divisions to the total capital and maintenance expenditure and assessment of revenue of the zone was 40 and 36 respectively during 1995-96. The results of these test checks are set out in succeeding paragraphs.

3B.4 Working results

Electrical energy is received by the Zone from 132 KV** and 220 KV sub-stations, being managed by Transmission Wing of the Board, and distributed to various categories of consumers through distribution lines of ratings ranging from 220 Volts to 132 KV.

The table below indicates the quantum of energy received and sold, the deficit in assessment and cost of energy during five years up to 1995-96:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
		(in	MU*	)	
(i) Energy received	2569.340	2705.647	2914.809	3300.024	3529.420
(ii) Energy sold	2110.479	2210.019	2323.093	2641.207	2719.651
(iii)Energy loss in excess of norms of 11 *per cent*	176.234	198.007	271.087	295.814	421.533
		(Rupees in	lakh	)	
(iv) Value of energy loss in excess of norms	1405.11	2336.48	3253.04	3993.49	6112.23
(v) Cost of energy received	22096.32	28409.29	34103.27	39270.29	46941.29
(vi)Total expenditure incurred on pay and allowances and maintenance and repair in zone	3734.41	4355.38	4515.16	4759.51	5749.60
(vii) Total cost of energy sold	25830.73	32764.67	38618.43	44029.80	52690.89
(viii) Assessment of revenue	16201.11	23663.45	26993.90	33579.96	38774.55
(ix) Surplus (+)/ deficit(-)	(-)9629.62	(-)9101.22	(-)11624.53	(-)10449.84	(-)13916.34

As compared to the deficit during the year 1991-92 and 1993-94, deficit during the year 1992-93 and 1994-95 was reduced mainly due to upward revision of tariff in January 1992 and July 1994.

** KV indicates kilo volts.

* MU indicates million units (MU).

The main reasons for revenue deficit in the Zone as analysed in audit, were excessive line losses (Para 5.2), excessive damage to distribution transformers (Para 5.3.1), non-assessment/short assessment of energy charges (Para 6.1) etc.

3B.5 System deficiencies

The electrical energy is generated at 11 KV at generating power houses and transmitted after stepping up at a voltage of 400 KV/220 KV/132 KV as per system requirement and again sub-transmitted and distributed to consumers after stepping down the electrical energy to 33 KV/11 KV/440-220 volts. For efficient utilisation of electrical energy the capacity of transmission sub-stations (400/220/132 KV) should be adequately matched with the load requirement of sub-transmission/distribution net work. It was noticed that the sub-transmission and distribution system of the Zone comprised of 153 number of 33 KV sub-stations having transformation capacity of 1040.5 MVA* from which the energy was fed to 6.39 lakh consumers (load : 1609.243 MVA) through 30736 distribution transformers (capacity : 1767.431 MVA). The above energy was received from three 220 KV and sixteen 132 KV sub-stations of Transmission Wing of the Board which had a transformation capacity of 912.5 MVA only. Thus, the transformation capacity of sub-stations of Transmission Wing was not matched adequately to the sub-transmission and distribution system of Agra Zone.

A proper study for improving the sub-transmission and distribution system of Agra Zone had not been conducted by the Zone/Board. However, a study of the sub-transmission and distribution system of Agra city alone was entrusted (July 1989) to a Consultant of Jaipur at a cost of Rs 2.25 lakh for suggesting ways and means to reduce energy losses and interruption in supply and improve voltage conditions and reliability of the supply. The Consultant submitted a report envisaging capital investment of Rs 6924 lakh to bring down the sub-transmission and distribution losses from 38.5 *per cent* to 10 *per cent*, which was approved by Central Electricity Authority (CEA) in July 1993. The Board was, however, unable to implement the recommendations in toto due to paucity of fund and as such asked (February 1994) the Chief Engineer to formulate a scheme after identifying priority works.

* MVA indicates Mega Volt Ampere

The Chief Engineer had not prepared such a scheme so far (May 1996). As a result, the Zone could not redress the areas of concern and had to incur avoidable losses on account of higher line losses and excessive damage to transformers as discussed in succeeding paragraphs.

During discussion, the Chief Zonal Engineer stated (June 1996) that due to mismatch between the transformation capacity of transmission and distribution transformers there were interruptions in supply, problems of low voltage, excessive break downs and load-shedding. It was further stated that due to paucity of fund the system deficiencies could not be redressed.

3B.5.1 Inadequate system compensation

Capacitor banks are required to be installed both at load despatch end as well as at consumer's installation to improve power factor, increase load carrying capacity of the system and reduce technical losses. To ensure the installation as well as proper maintenance of capacitor banks, the Board issued (May 1991) detailed instructions to all the Chief Zonal Engineers wherein the necessity of installation of capacitor banks of correct rating was emphasised as it would improve power factor from 0.7 to 0.9 and load bearing capacity of transformers by 28 *per cent*, reduce line losses (by 40 *per cent*) and number of breakdowns and would also improve the voltage of the system. The Board, further, assessed (July 1993) that installation of 10 sets of capacitor banks of 2.4 MVAR* capacity each would result in saving of 1.19 MU of energy.

Failure to install capacitor banks to the extent required, resulted in loss of saving of system losses of 11.16 MU valued at Rs. 150.64 lakh per annum.

It was noticed (December 1995) in audit that the capacitor banks were either not installed or wherever installed were mostly lying damaged thereby resulting into shortfall in the required capacity as is indicated on next page:

* Mega Volt Ampere Reactive (MVAR).

Name of circle	Number of* sub-stations	Transformation capacity (In MVA)	Capacitor banks				
			Required capacity	Installed capacity	Capacity of defective capacitor bank	Working capacity	Shortfall in capacity
				(	IN	MVAR	)
EDC, Agra	31	277	88.20	47.52	24.77	22.75	65.45
EUDC, Agra	19	175	58.80	6.30	2.10	4.20	54.60
EUDC, Aligarh	7	58	21.00	10.50	2.10	8.40	12.60
EDC, Aligarh	24	174	62.06	32.73	10.57	22.16	39.90
EDC, Mathura	15	107	31.50	16.80	4.20	12.60	18.90
EDC, Mainpuri	18	134	39.90	14.77	8.47	6.30	33.60
Total	114	925	301.46	128.62	52.21	76.41	225.05

Thus, the shortfall in the capacity of capacitor banks was to the extent of 225.05 MVAR which resulted in loss of saving of system losses of 11.16 MU valued at Rs 150.64 lakh per annum.

3B.5.2 Excessive distribution losses

Distribution losses indicate the difference between energy available for sale and the actual sale of energy. Besides, the technical losses in the form of transformation losses and sub-transmission losses, distribution losses also include energy lost due to theft and unauthorised extraction of energy and sale of unaccounted energy due to defective metering equipment. With a view to identifying the areas of high losses, the Technical Committee on Power recommended (1972) that feederwise details of energy received and sold should be maintained to judge the performance of the feeders and in case the actual losses were found to be unduly high, timely action should to be taken.

Failure to keep the distribution losses within norms resulted in loss of 1362.675 MU of energy valued at Rs. 17100.35 lakh during five years period.

An analysis of sub-transmission and distribution losses revealed the following:

(i) In February 1986, CEA recommended that sub-transmission and distribution losses should not be more than 11 *per cent*. As against these norms, the Zonal distribution losses ranged between 17.9 and 22.94 *per*

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* It includes only those sub-stations whose transformation capacity was 5 MVA or more.

cent during the five years period up to March 1996. The overall distribution loss of the Board as a whole during the same period ranged between 14.8 and 16.4 *per cent* only.

It was noticed (December 1995) in audit that out of nineteen distribution divisions of the Zone, distribution losses in eight divisions during five years period up to 1995-96 were continuously higher than the CEA norms and ranged between 16.6 and 50.7 *per cent*:

The quantum of energy lost in excess of the norms worked out to 1362.675 MU valued at Rs 17100.35 lakh during the period of five years ending 1995-96. The Zonal Management had not initiated any action to identify the areas of concern and take corrective measures so far (June 1996).

(ii) Supply to private tubewells (PTW) and state tubewells (STW) was unmetered and according to the tariff of the Board such consumers were to be billed on fixed charges basis. For the purpose of accounting of energy, energy consumed by PTW and STW consumer was required to be booked at the rate of 110 units and 200 units per BHP per month during October to June period and 40 units and 50 units per BHP per month for July to September period respectively. It was, however, noticed in audit that during the period of five years up to 1995-96, the zone in its energy account booked energy consumption 5262.587 MU instead of 2731.353 MU which it should have booked on the basis of above norms. Thus, the zone booked energy consumption in the energy account in excess of prescribed norms to the extent of 2333.086 MU valued at Rs. 28543.97 lakh and 198.148 MU valued at Rs. 2405.80 lakh in respect of PTW and STW consumers respectively. Thus, against the actual percentage of line losses which ranged between 34.6 and 39.93, the percentage exhibited by the Zone ranged between 17.9 and 22.94 and the line losses to the extent of 2531.234 MU valued at Rs. 30949.77 lakh during the period of five years up to 1995-96 were absorbed internally by higher allocation to the unmetered supply category.

3B.5.3.1 Excessive damage of distribution transformers

Distribution transformers (25 KVA to 1000 KVA ratings) are used for stepping down the voltage of supply. The life of distribution transformers was estimated to be 25 years provided preventive maintenance schedule was adhered to and protective devices were available. The Board laid down, in May 1982, that the number of transformers damaged should not be more than 2 *per cent* of installed transformers.

To minimise the damages, the Board recommended (May 1982) various steps to be taken by the field units viz. (i) carry out detailed monitoring including ascertaining reasons for damage; (ii) maintenance of history cards in respect of each transformer; (iii) use of drop out fuses on 11 KV side in case of transformers above 25 KVA ratings; (iv) jointing of LT terminals with crimping tools and copper lugs; and (v) avoidance of pressure or weight over LT terminals, etc.

During the period of 5 years, 12460 transformers, valued at Rs. 5959.27 lakh were damaged in excess of norms.

However, it was noticed (December 1995) in audit that the percentage of transformers damaged to transformers installed always exceeded the norm and ranged between 9.7 and 12.1 *per cent*.

The value of 12460 transformers damaged in excess of norms during the period 1991-92 to 1995-96 worked out to Rs 5959.27 lakh, calculated at the issue rates of the respective years (residual value of damaged transformers indeterminate). It was further noticed in audit that the percentage of damage was very high in Distribution Division I and III, Mathura; Distribution Division, Kasganj; and Urban Distribution Division IV, Agra where it ranged between 3.2 and 53.6 *per cent* during the above period.

The Member (Distribution) while expressing concern over heavy damages of transformers in distribution net work held (November 1991) the Chief Zonal Engineers responsible for not investigating the reasons of failure of transformers and to reduce damages of transformers and prescribed an action plan envisaging installation of fuses by December 1991. However, the Zonal Management had not taken any action to control damage of these transformers so far (March 1996).

During discussions (June 1996), it was stated by the Chief Zonal Engineer that excessive damage of transformers was due to their over loading; improper earthing and non-maintenance of required oil level in the transformers. It was further stated that increase in load could not be compensated by installation of additional transformers due to paucity of fund. The reply was not tenable as against the connected load of 1609.243 MVA, the capacity of distribution transformers was 1767.431 MVA and thus there was no overloading.

3B.5.3.2 Damage of transformer due to overloading

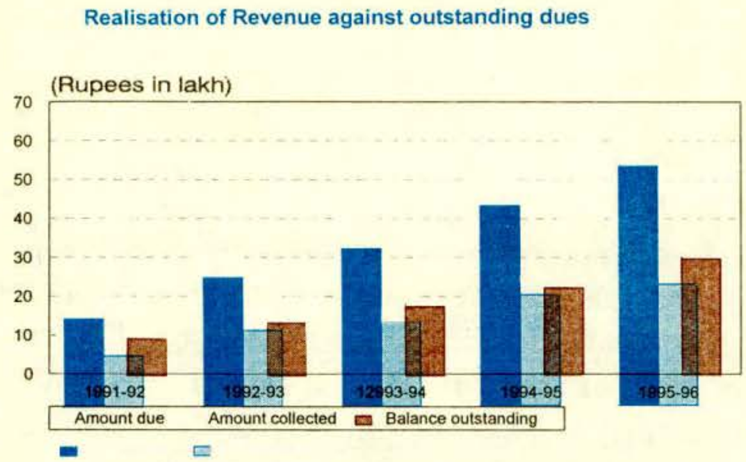
33 KV sub-station, Mant, with total transformation capacity of 4.5 MVA, was meeting the power requirements of adjoining areas falling under EDD-III, Mathura. It was noticed (December 1995) in audit that one 1.5 MVA transformer, installed there, was damaged on 2 December 1993 but instead of making arrangements for shedding of load on 1.5 MVA transformer, the entire load of 4.5 MVA was shifted on 3 MVA transformer, with the result that this transformer (value: Rs. 11.00 lakh) was also damaged on 16 April 1994. The Superintending Engineer, EDC, Mathura directed (April 1994) the Executive Engineer, Electricity Test Division, Mathura to enquire into the circumstances leading to damage of 3 MVA transformer. The enquiry report (undated) indicated that there was excessive load on the transformer. However, responsibility for putting extra load on the transformer was not fixed.

A transformer valued at Rs. 11.00 lakh was damaged due to its overloading.

3B.6 Assessment and realisation of energy charges

Sale of energy is the main source of revenue of the Zone. Assessment/billing and collection/recovery of revenue is regulated with reference to Board's tariff in force from time to time. All categories of consumers were billed on monthly basis except in case of light and fan consumers in whose case billing was done on bi-monthly basis. The bills for all the consumers were prepared at divisional offices and energy dues were collected at the Board's offices by bill collectors in remote villages and at cash counters of the divisional offices.

As against the Board's policy of realising security deposit equivalent to two month's consumption, the outstanding dues were equivalent to 7 to 9 months' consumption.



The details regarding assessment and collection of revenue for the five years up to 1995-96 are as follows:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
		(Rupees	in	lakh)	
Balance outstanding at the beginning of the year	6569.23	9561.94	13581.40	17980.30	22856.26
Revenue assessed during the year	16210.11	23663.45	26993.90	33579.96	38774.55
Total amount due for collection	22779.34	33225.39	40575.30	51560.26	61630.81
Amount collected during the year	13217.40	19643.99	22595.00	28704.00	31307.05
Balance outstanding at the end of the year	9561.94	13581.40	17980.30	22856.26	30323.76
Percentage of collection to total dues	58.02	59.12	55.69	55.67	50.80
Outstanding dues in terms of months' consumption	7	7	8	8	9

While the amount of the revenue realised increased during five years, the percentage of realisation to total dues came down from 58.02 *per cent* in 1991-92 to 50.80 *per cent* in 1995-96. Consequently, the outstanding balances increased significantly from Rs. 9561.94 lakh at the end of March 1992 to Rs. 30323.76 lakh at the end of March 1996 indicating an increase of 317.13 *per cent*. As against the Board's policy of realisation of security deposit equivalent to average two months' consumption, the outstanding dues at the end of each year ranged between 7 and 9 months' consumption.

Deficiencies noticed in audit in respect of assessment and realisation of revenue has been discussed in succeeding paragraphs.

3B.6.1 Non/short assessment of energy charges

A few such cases of non-assessment/short-assessment of revenue by divisional offices, noticed during the course of audit are discussed below.

3B.6.1.1 Non-raising of bills

(a) During the period 1976-77 to 1992-93, RIU proposed assessment of Rs. 767.72 lakh in respect of 18 divisions of the Zone but the divisions raised bills for Rs. 511.17 lakh only up to March 1995. Again, out of the bills raised for Rs. 511.17 lakh, divisions could realise only Rs. 300.82 lakh. Reasons for non-raising of bills/short realisation of bills raised were not available on record.

(b) With a view to checking the pilferage of energy, raids under the provisions of Electricity (Supply) Act, 1948 are conducted at the consumers' premises by departmental officers as well as vigilance cell of the Board. Assessment proposed by the raid parties are to be scrutinised and billed at divisional level. It was noticed that during the year 1993-94 out of 19 Distribution divisions, raids were conducted in only 16 divisions against 1541 consumers. Out of the assessment of Rs. 143.88 lakh raised by the divisions against 1279 consumers, the divisions could realise only Rs. 23.88 lakh up to March 1995. For the realisation of remaining amount of Rs. 120 lakh action has not been taken so far (December 1995).

3B.6.1.2 Non-billing of electricity charges

Bills, in respect of electrified villages and Harijan Basties, were raised centrally against the Director Panchayat Raj, Lucknow by the Chief Engineer (Commercial), Lucknow on the basis of 10 street light points of 40 Watt for each village and 2 light points for each Basti. The system was decentralised in March 1990 when it was decided that all the dues in respect of electrified villages and *Harijan Basties* should be realised from respective Gram Pradhans at divisional level. Electricity facility was not to be provided to the defaulting villages and *Basties*.

Test check of records of three divisions revealed that the revised procedure had not been implemented with the result billing to the extent of Rs. 136.52 lakh (including Electricity Duty of Rs. 12.41 lakh) had not been done.

Executive Engineer of EDD Agra stated in reply that the connections have not been energised so far (August 1995). The reply was not correct factually as up to April 1990 WMCR* in respect of 349 villages and 297 Harijan Basties were being adjusted regularly. However, all the three Divisional Officers also stated that no agreement was executed with the Gram Pradhan. The reply was not tenable as while decentralising the assessment and realisation of revenue, the Board has nowhere provided for execution of fresh agreements with the Gram Pradhans.

3B.6.1.3 Application of incorrect tariff/Board's orders

According to the procedure prescribed by the Board in January 1986, supply of power made to a large and heavy power consumer having Arc/induction furnace(s) of load equivalent to or more than 60 *per cent* of the contracted load and the capacity of furnace being more than 400 KVA, the consumer was to be billed under rate schedule HV-I of the tariff. The scrutiny of bills of large and heavy power consumers revealed (September 1995) the following:

Incorrect application of tariff against various consumers resulted in undercharge of Rs. 208.20 lakh.

(i) In July 1987 an agreement was executed by EDD-III, Mathura with Precision S.G. Iron Foundary, Mathura for contracted load of 1250 KVA. The consumer was having an Induction Furnace of 869 KVA (69.6 *per cent* of total load) capacity. As such the consumer was required to be billed under rate schedule HV-I. However, the bills were raised by the division under rate schedule HV-2. The incorrect application of tariff, thus, resulted in under-charge of Rs. 25.41 lakh between April 1992 to January 1996. In reply it was stated (July 1996) by the division that agreement was executed under HV-2 rate schedule as the 33 KV line giving supply to the consumer was passing through rural area and the period of energy supply to consumer could not be assured. The reply is not convincing as neither these facts were on record nor any such provision exists in the Board's orders of January 1986.

(ii) In September 1988, an agreement for 617 KVA load was executed by EUDD-III, Agra with Basant Industries, Agra who had two furnaces of total 375 HP (281 KW) load. The premises of the consumer was

* WMCR indicates Work Miscellaneous Credit Remittance through which concerned units are asked to adjust accounts on the basis of cash received centrally.

checked by a Special Raid Party on 8 August 1993 and it was found that the consumer had in fact three furnaces, having a total load of 675 KW. Similarly, Atul Engineering Udyog was sanctioned a load of 907 KVA vide an agreement executed in May 1992. It was noticed in audit that the consumer was having two arc furnaces of 350 and 450 BHP which was also established during a raid, conducted by above raid party in August 1993. The consumers, however, were billed under rate schedule HV-2, instead of HV-1 as provided in Board's orders. The incorrect application of tariff, thus, resulted in under charge of these consumers by Rs. 18.10 lakh for the period from February 1993 to March 1996.

(iii) Rate Schedule LMV-5 of Board's tariff is applicable to all power consumers getting supply as per rural schedule for private tubewells/pumping sets for irrigation purposes. Checking of records of the EUDD-II, III Agra and EDD-II Mathura revealed that the consumers though getting supply from Urban feeders were billed under rate schedule LMV-5 instead of rate schedule LMV-6 applicable to consumers getting supply from urban feeders with the result consumers were under-charged to the extent of Rs. 163.30 lakh during the period from April 1992 to March 1996.

(iv) A load of 100 KW was released to Sagari Leathers (P) Limited, Agra in December 1993. According to the tariff of the Board, the consumer was to be billed under rate schedule HV-2. However, the energy bills for the period December 1993 to January 1995 were issued by EUDD-IV, Agra under rate schedule LMV-2 and from February 1995 onwards under rate schedule HV-2. As the consumer was covered under rate schedule HV-2 from the date of release of the load, application of incorrect tariff up to January 1995, resulted in under charge of revenue to the extent of Rs. 1.39 lakh.

3B.6.2 Theft of energy

Ratan Industries, Agra (load 771 KVA) were getting supply from a mixed feeder up to 7 December 1993. From 8 December 1993, two consumers (Ratan Industries and P.P. Singhal) were given supply from an independent 11 KV TV Tower feeder.

The line loss of the feeder which was only 9.9 *per cent* in December 1993 rose to 50.3 *per cent* in January 1994. In view of high percentage of line loss a checking party was deputed to check the installation of Ratan Industries on 15 January 1994, but the consumer did not allow the party to check the installation. When the line loss of the feeder increased to 71.3 *per cent* the installation of the consumer was checked on 29 July 1994 by vigilance party of the Board. The party after the raid suspected tampering of seals and locks. The connection of the consumer was disconnected and a bill for Rs. 47.78 lakh for the period 31 January 1994 to 29 July 1994 was issued to the consumer on 30 July 1994 assessing the consumption as per Board's orders applicable in cases of dishonest abstraction of energy. However, a committee constituted by the Chief Zonal Engineer found (January 1995) that the case of dishonest abstraction of energy could not be established against the consumer. However, no steps for analysing reasons of energy loss of 470559 units (excluding 5 *per cent* normal line loss) valued at Rs. 6.82 lakh (excluding fuel surcharge and establishment surcharge) on above independent feeder and fixing responsibility had been taken by the Zonal Chief Engineer so far (September 1996).

3B.6.3 Loss due to non-execution of agreement

Agra Electric Supply Company was a licensee of the Board, engaged in supply of electricity in the city. The Company was, however, taken over by the Board in December 1973. With the change in the status of supply, the Board should have executed fresh agreements with the consumers of the ex-licensee.

Hotel Clark Shiraz, having a load of 750 KVA was a consumer of the ex-licensee since October 1962. The consumer had executed (October 1962) an agreement with the ex-licensee for 20 years which could have been terminated earlier also by giving a notice of six months. According to the agreement, the consumer was entitled to varying rebates depending upon the energy consumed. The consumer was also entitled for adjustment in monthly energy bills on account of service connection charges amounting to Rs. 3.63 lakh deposited by him.

Due to failure of the Management to execute fresh agreement with a consumer of the ex-licensee, the Board was put to a loss of Rs. 46.71 lakh.

The Board, however, did not execute a fresh agreement with the consumer on take over of the ex-licensee and continued to raise bills up to 11 October 1974 on the basis of the agreement with the ex-licensee. However, on revision of Board's tariff applicable from 12 October 1974, the Division started billing in accordance with the new tariff. The consumer made payments of these energy bills under protest on the ground that the Board was not entitled to bill the consumer at enhanced rates. The consumer served (February 1977) a notice for appointment of an arbitrator but the case was finally decided by the Supreme Court in October 1988 in favour of the consumer on the ground that in absence of any revised agreement with the consumer, the Board was not entitled to bill the consumer at revised rates. The Board was asked to refund a sum of Rs. 35.64 lakh (inclusive of amount of award Rs. 12.98 lakh, cost of petition Rs. 0.80 lakh and Rs. 21.86 lakh as interest up to October 1988) to the consumer for the period May 1978 to October 1988.

The Board, however, adjusted a sum of Rs. 25.81 lakh only during the period May to October 1994 from the monthly energy bills of the consumer. As such, the consumer claimed (March 1995) a further amount of Rs. 20.90 lakh on account of unadjusted amount and interest thereon up to March 1995. The Chief Engineer of the Zone directed (September 1995) the Executive Engineer of the Division to submit the case after ascertaining actual amount payable to the consumer as directed by the Apex Court. The amount has so far (May 1996) been not paid to the consumer.

It was further noticed that though the Chief Engineer (Commercial) had directed (August 1976) all the field units to enter fresh agreements with the consumers of ex-licensees but the Division executed the agreement with the consumer only in October 1986. Responsibility for the delayed execution of Board's orders has not been fixed so far (May 1996).

3B.6.4 Loss due to defective meter

The meter installed at Railway Station, Firozabad (Light and Fan) became defective from September 1992 and the energy bills were raised by EDD Firozabad based on minimum charges of Rs. 700 per month up to June 1993. According to the Conditions of Supply (1984), in case of defective meter, the assessment of energy consumption was to be made on the basis of average consumption of three preceding months when the meter was recording consumption correctly. The average monthly consumption of above consumer during June to August 1992 was 7145 units and thus the consumer should have been assessed for energy consumption of 7145 units per month for the period September 1992 to June 1993 instead of Rs. 700 per month. Thus, the incorrect application of Board's order resulted in undercharge of revenue to the extent of Rs. 1.51 lakh.

3B.6.5 Non-realisation of security

In January/March 1994, the Board decided to realise initial security from Government/Semi-Government and other consumers who were earlier exempted from payment of security. The security was to be realised by issuing a notice of 30 days and in case of default the connection was liable to be disconnected.

Scrutiny of records of two divisions revealed that the bills for security amounting to Rs. 43.20 lakh were not raised on State Tubewells, Street light and Public water works and Sewage and Pumping consumers (June 1996).

Reasons for non-raising the bills for security were not available on record.

3B.6.6 Growth of arrears

The table below indicates the cumulative arrears of revenue due from each category of consumers for the period 1991-92 to 1995-96:

Category of consumers	1991-92	1992-93	1993-94	1994-95	1995-96
	(	Rupees	in		lakh)
(A) Non- Government					
(i) Domestic &	1790.45	3062.00	4292.90	6093.81	8407.09
commercial		(71.02)	(139.77)	(240.35)	(369.55)
(ii) Small &	497.99	684.85	936.72	1308.97	1915.25
Medium		(37.52)	(88.10)	(162.85)	(284.60)
(iii) Large and	204.56	289.48	331.96	378.89	352.54
heavy power		(41.51)	(62.28)	(85.22)	(72.34)
(iv) Private	2225.61	2903.79	3471.52	3291.79	4979.68
Tubules		(30.47)	(55.98)	(47.90)	(123.74)
(v) Ex-licensee & Board's	22.17	22.37	22.87	26.75	26.76
employees		(0.90)	(3.16)	(20.66)	(20.70)
Sub-total	**4740.78**	**6962.49**	**9055.97**	**11100.21**	**15681.32**
(B) Government					
(vi) Public	550.18	947.10	1218.19	1670.96	2080.82
lighting		(72.14)	(121.42)	(203.71)	(278.21)
(vii) Water	3074.88	4306.17	5755.87	7516.57	8822.47
works		(40.04)	(87.19)	(144.45)	(186.92)
(viii) State	325.36	208.99	305.57	302.85	606.21
tubewells					(86.32)
(ix) World bank	654.26	1138.48	1610.60	2248.97	3098.33
tubewells		(74.01)	(146.17)	(243.74)	(373.56)
(x) Railways	213.76	13.93	26.18	15.08	29.06
(xi) Pump Canals	2.72	4.24	7.92	1.62	5.55
		(55.88)	(191.18)		(104.04)
Sub-total	**4821.16**	**6618.91**	**8924.33**	**11756.05**	**14642.44**
Grand total	**9561.94**	**13581.40**	**17980.30**	**22856.26**	**30323.76**
		(42.04)	**(88.04)**	**(139.03)**	**(217.13)**

NOTE: Figures in bracket indicate percentage of increase over 1991-92.

An analysis of growth of arrears revealed the following:

(i) Maximum increase in the amount of arrear was in case of domestic and commercial consumers which increased by 369.55 *per cent* up to 1995-96 over and above the amount during 1991-92 but no effective steps were taken to check the fast growth of arrears of Government as well as Non-government consumers.

(ii) According to the provision in para 19 of the condition of supply of the Board, if the payment was not made within seven days of the due date mentioned in bill, the consumer was liable to be disconnected. But in majority of the cases of defaults in payment disconnection was not done at all which attributed to be the main reason for continuous increase in the revenue arrears. The percentage of disconnection not made ranged between 65.58 and 77.94 during five years ending 1995-96.

(iii) Unpaid electricity dues are recoverable as arrears of land revenue under the Uttar Pradesh Government Electrical Undertakings (Dues Recovery) Act, 1958 as modified from time to time provided a demand notice under Section 3 of the Act has been issued for deposit of the dues. In case of default, thereof, a recovery certificate under Section 5 is to be issued to the District Collector for recovery of the dues. It was noticed in audit that against demand notices for Rs. 7523.17 lakh issued under section 3, the recovery certificates under section 5 for recovery of arrears as land revenue were issued for Rs. 3147.83 lakh only at the end of March 1996. Reasons for non issue of recovery certificates for balance dues amounting to Rs. 4375.34 lakh were not available on record.

In spite of increasing arrears of electricity dues, the zone did not issue recovery certificates for dues amounting to Rs. 4375.34 lakh.

(iv) During test check of records of four distribution divisions, it was noticed that the recovery certificates involving an amount of Rs. 29.98 lakh in 244 cases were returned by the District Authorities on the grounds of incomplete and incorrect address (Rs. 11.35 lakh) and non-traceability of the person/property at the given address (Rs. 18.63 lakh). As the divisions failed to provide correct addresses, trace the persons/property and fulfilment of other requirements, the recovery of the same was doubtful.

3B.7 Damage of transformers due to improper maintenance

A test check of records of EUDD-III, Agra revealed (September 1995) that two 5 MVA power transformers and other equipment (value: Rs 31.02 lakh) installed at 33 KV sub-station, Foundry Nagar, Agra were damaged on 29 April 1993 due to fire. Superintending Engineer, EDC, Agra was appointed (April 1993) as an Enquiry Officer by the Chief Engineer of the Zone and was asked to (i) enquire into the reasons of fire and damage, (ii) assess the loss/damage, (iii) fix the responsibility, and (iv) suggest remedial measures to avoid re-occurrence of such happenings in future.

A perusal of enquiry report submitted to Chief Engineer in June 1993 revealed that there was crack in the bushing leading to seepage of transformer oil and over current and earth fault in various phases of transformers. Neither the value of loss due to fire was reported nor any responsibility for improper maintenance was fixed by the Enquiry Officer.

3B.8 Non-disposal of old un-economical transformers

According to the procedure prescribed by the Board, the damaged un-economical transformers were to be handed over to stores organisation after de-assembling the same by concerned divisions. It was noticed in audit (December 1995) that 49 number old un-economical damaged transformers of 125 to 1000 KVA capacity (value: Rs. 13.54 lakh) were lying indisposed off in repair workshop of Electricity Urban Distribution Division-III, Agra for more than last 15 years. It was further noticed that in June/July 1995 all the parts of seven transformers (125 to 500 KVA rating) and the HT and LT coils of five transformers (value: Rs. 2.04 lakh) were stolen for which FIR was lodged with the Police, but no follow up action was taken. Departmental enquiry was not conducted in the matter till date (November 1995). Thus, due to non-disposal of above transformers for such a long period besides blocking of fund, the materials valued at Rs. 2.04 lakh were also stolen resulting in loss to the Board. Similarly, 74 damaged transformers of various capacity (value: Rs. 4.54 lakh) which were beyond economic repair were lying undisposed off (November 1995) at different repair shops of the Workshop Division of the Zone since their creation in 1987.

Non-disposal of these transformers could lead to total loss of whatever scrap value was realisable.

3B.9 Theft/non-return of Board's assets

3B.9.1 Reorganisation plan of distribution wing envisaged priority attention to weak areas which included control over Board's assets. According to the orders of the Board, issued in December 1975 the cases of individual thefts involving losses up to Rs. 6000 were required to be investigated by sub-divisional officers and exceeding Rs. 6000 by the Executive Engineers incharge of the divisions. The Executive Engineers were also required to investigate independently 10 *per cent* of the cases falling under the sub-divisional officer's purview including some cases of repeated thefts at the same locations.

It was noticed in audit of 6 divisions that theft of transformers (value Rs. 17.72 lakh) and conductors (value Rs. 68.09 lakh) during the period from February 1990 to August 1995 occurred.

Except for lodging an FIR with the Police no follow up action was taken by the officers concerned as ordered by the Board. In case of E.D.D., Firozabad, the cases were not even entered in the register of thefts after December 1993.

3B.9.2 Theft of line material

Due to delay in dismantling of redundant lines, the Board had to suffer an avoidable loss of Rs. 24.11 lakh due to theft of material.

(i) On commissioning of 132 KV sub-station at Kosi-kalan in August/September 1993 the existing 19.036 kms. long 33 KV line between 33 KV sub-station Chhata and Chhati Kala tapping point having 164 number of rail supports and 59.011 Kms. of ACSR* Dog/Racoon conductor and other accessories, became redundant. The Divisional officer of EDD-III, Mathura did not take prompt action for dismantling of line to avoid possible theft of line materials. As a result, 5.803 kms. conductor valued at Rs. 1.39 lakh was stolen during the period January to March 1994. However, after occurrence of the theft, the Executive Engineer without framing an estimate, awarded (June 1994) the work of dismantling of line material except the rail support, cross arms and clamps at a consolidated cost of Rs. 0.28 lakh. The work of dismantling of conductor etc. was completed in June 1994. The value of line material not covered under the agreement, worked out to Rs. 12.16 lakh, for the safety of which, there is no provision. In reply it was stated (June 1996) by division that the rail supports etc. were not dismantled for want of approval from Zonal Committee.

(ii) On commissioning of 132 KV sub-station, Sadabad in March 1983, the 33 KV Sadabad-Hathras line (17 Kms) became redundant. In January 1992, the Executive Engineer, EDD I, Mathura prepared an

* Aluminium Coated Steel Reinforced.

estimate for dismantling the materials available on line (value: Rs. 11.06 lakh) which was approved by Superintending Engineer in February 1992. Scrutiny of estimate revealed that 39.5 Kms ACSR Dog/Ferret conductor and other accessories (value: Rs. 4.31 lakh) were missing from the line at the time of survey for which no departmental enquiry has been conducted. The work of dismantling of line awarded to a firm of Mathura in July 1992 was completed in September 1992. Thus, delay in dismantling of redundant line resulted in theft of materials valued at Rs. 4.35 lakh. The thefts were neither reported to police nor had been investigated departmentally.

(iii) Superintending Engineer, EDC, Mainpuri sanctioned (May 1994) an estimate for dismantling of 33 KV Kuraoli-Malawan line under the jurisdiction of EDD, Mainpuri which was lying redundant for the last 15 years (exact date not available) due to feeding of 33 KV supply to 33 KV sub-station, Malawan from 132 KV sub-station, Etah. A test check of records revealed that against the line material worth Rs. 30.65 lakh receivable from dismantling of line, the actual material available on the site as per survey made in January 1994 was worth Rs. 12.28 lakh only. Material worth Rs. 18.37 lakh was missing on account of thefts (details not available).

The Divisional Officer stated (April 1996) that the dismantling in earlier period could not be done for want of permission of higher authorities.

3B.9.3 Non-return of transformers

The damaged transformers, sent by the Distribution Divisions to various private firms for repair, are required to be returned after repair to the Stores Division. On the basis of the firm's acknowledgement, duly verified by the store keeper of the Stores Division, the Distribution Divisions raise advice of transfer debit (ATD) to Stores Division for acceptance and accountal in their records.

A test check revealed that during the period November 1989 to March 1990, 113 damaged distribution transformers of 25 to 160 KVA rating (value : Rs. 38.20 lakh) were issued by a Junior Engineer of EDD-I, Mathura to two firms of Mathura for repairing. The Junior Engineer did not indicate the contract against which the transformers were handed over to the firm due to which the firm's acknowledgement were not verified by the Assistant Store Keeper, Stores Division, Agra. In absence of the required verification, EDD-I, Mathura could not raise any ATD against the Store Division, Agra, so far (September 1996). With the passage of time, possibility of misappropriation of the transformers by the repairer firms could not be ruled out.

On being pointed out by Audit, the Divisional Officer has booked a miscellaneous advance of Rs. 38.20 lakh against the concerned Junior Engineer in April 1996. The recovery/adjustment of the advance was, however, awaited (September 1996).

3B.9.4 Non-disposal of surplus stock

The Board in September 1983 decided to close down the 10 MW* Steam Power Station, Mainpuri with immediate effect. However, the power house was closed down *w.e.f.* 24 October 1983.

A test check in audit revealed (December 1995) that the value of inventory at the time of closure of power house was ascertained at Rs. 48.08 lakh, out of which material worth Rs. 11.18 lakh was transferred to various divisions, during the period November 1983 to October 1991 and coal valued at Rs. 8.32 lakh was auctioned in June 1988 for Rs. 4.32 lakh. But for the remaining inventory valued at Rs. 28.58 lakh, no action for disposal was taken till May 1996 leaving the inventory to wear and tear with the passage of time.

3B.10 Improper maintenance of controlling records

(i) In order to ascertain correct accountal of material against sanctioned estimates and adjustment of advances made various records at division level *viz.* stock accounts, works register, miscellaneous advance register, purchase suspense register etc. are required to be maintained, posted and closed at prescribed intervals. It was noticed that the controlling records were either not maintained by the Division or improperly maintained.

(ii) With a view to minimise the balance of Miscellaneous advances, the Board issued (November 1981) detailed procedure which *inter-alia* provided for initiation of disciplinary/criminal proceedings against delinquent employees, for which the Divisional Officers were personally responsible.

It was noticed in audit that as on 31 March 1996 the total amount of Miscellaneous advance against the employees amounting to Rs. 357.27 lakh was lying unadjusted for more than 5 to 20 years.

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* Mega Watt.

Conclusion

During the period of five years up to March 1996, the Zone continuously suffered revenue deficit. The main reasons for this, as analysed in audit were:

- ◊ non-installation of adequate capacitor banks and consequent line losses in excess of the prescribed norms;
- ◊ excessive damages to distribution transformers due to overloading, improper earthing and non-maintenance of oil level;
- ◊ short/non-assessment of revenue.

The Zonal Management should take effective steps to minimise line losses and damages to transformers and ensure timely and correct assessment of revenue. The Management should also take effective steps to realise its outstanding dues which were continuously increasing year after year. This would enable the Board to utilise this fund for improvement of the distribution net-work.

The matter was reported to the Board and the Government in June 1996; their reply has not been received (October 1996).

Chapter-III

Section-3C
Hydel Power Stations of Rihand and Obra

Uttar Pradesh State Electricity Board

SECTION-3C

HYDEL POWER STATIONS OF RIHAND AND OBRA

HIGHLIGHTS

With a view to providing cheap electric power for the full scale development of the eastern districts of the State, the Board commissioned six generating units of 50 MW each (Total cost: Rs. 51.52 crore) at Rihand (Pipri) during the period February 1962 to April 1965 and three generating units of 33 MW each (Total cost: Rs. 24.24 crore) at Obra during the period May 1970 to April 1971.

(Paragraph 3C.1)

Due to achievement of lower plant availability than the norms there was a shortfall of generation of 11287 MU valued at Rs. 1362.02 crore.

(Paragraph 3C.4.1)

Time taken by the Management for overhauling was in excess by 16139 hours over the norms which resulted in loss of generation of 724.3 MU valued at Rs. 91.18 crore.

(Paragraph 3C.4.2)

The quantum of excess energy lost at bus bar over the norms was 140.589 MU valued at Rs. 15.25 crore.

(Paragraph 3C.4.3)

Besides expenditure of Rs. 607.37 lakh on excess manpower at HOPS, the Board also incurred Rs. 16.93 lakh on day to day work executed through contractors and Rs. 117.74 lakh on account of overtime.

(Paragraph 3C.7)

The Board suffered a loss of Rs. 206.84 lakh due to irregular waival of late payment surcharge recoverable from a Chemical Factory of Renukoot.

(Paragraph 3C.9.1)

The Board could not realise a sum of Rs. 294.54 crore as it did not settle the rate of water charge realisable from NTPC before starting supply of water in February 1982.

(Paragraph 3C.9.3)

3C.1 Introduction

With a view to providing reasonably cheap electric power for the full scale development of the Eastern Districts of the State, the Uttar Pradesh State Electricity Board (UPSEB) commissioned six generating units of 50 Mega Watt (MW) each (Total cost: Rs. 51.52 crore) at Rihand (Pipri) during the period February 1962 to April 1965 and three generating units of 33 MW each (Total cost: Rs. 24.24 crore) at Obra during the period May 1970 to April 1971. Power generated at these power stations was to be utilised for meeting demand of large and heavy industries, railways, agriculture areas and state tube-wells of the eastern region of the State. The water required for generation is drawn from a reservoir at Rihand which is purely a power purpose reservoir with Obra utilising water from its tail race. The water level of the reservoir is required to be maintained at 830 feet level to enable the National Thermal Power Corporation (NTPC) to meet the requirements of their power houses situated in the adjoining area.

Presently, these hydro electric units provide power to two large industries viz. Hindustan Aluminium Company Limited and Kanoria Chemicals Limited, small industrial loads of the adjoining area and Board's colonies at Rihand and Obra. Besides, the project also provides support for meeting peak hours load demand and for starting the thermal power stations of UPSEB and NTPC in case of a grid failure.

3C.2 Organisational set-up

The overall management of the two power stations is vested in the General Manager, Thermal and Hydro Electric Projects, Obra who is assisted by one Superintending Engineer. The local management of Rihand Power Station (RPS) is vested in three Executive Engineers and that of Obra Hydro Electric Power Station (HOPS) in two Executive Engineers. The accounting functions are carried out under the supervision of the Controller of Finance and Chief Accounts Officer of Obra Thermal Power Station.

3C.3 Scope of Audit

The activities of the project for five years up to 1994-95 were reviewed during August to October 1995 and updated up to March 1996 during September 1996, results of which are discussed subsequently.

Working of the Board's hydro power projects (including Rihand and Obra) was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1979 (Commercial), Government of Uttar Pradesh. The Report was discussed by the Committee on Public Undertakings during the period 28 April 1986 to 20 November 1988 but their recommendations were awaited (September 1996).

3C.4 Operational performance

3C.4.1 Plant availability* and capacity utilisation**

A Technical Committee on Power appointed by the State Government stressed (December 1972) upon the necessity of paying greater attention to the availability of generating units like Rihand so that the maximum generating capacity should be available at any point of time. Based on the recommendations of the Committee to restrict time for overhauling to two weeks, the hydro generating units were supposed to achieve plant availability of 96 *per cent*. The position of plant availability and capacity utilisation during the five years up to 1995-96 is given below:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
(i) Hours available	79056	78840	78840	78840	79056
(ii) Hours of operation	53108	16727	30373	51830	30712
(iii) Hours of outages*	6027	12229	4926	10144	15487
(iv) Percentage of plant availability	**67.2**	**21.2**	**38.5**	**65.7**	**38.8**
(v) Installed generating capacity (MU)***	3504.82	3495.24	3495.24	3495.24	3504.82
(vi) Energy generated (MU)	1718.61	540.92	996.51	1912.57	1039.41
(vii) Shortfall in generation (v)-(vi) (MU)	**1786.21**	**2954.32**	**2498.73**	**1582.67**	**2465.41**
(viii) Percentage of capacity utilisation	**49.1**	**15.5**	**28.5**	**54.7**	**29.7**
(ix) Gap between demand and supply of Board as a whole (MU)	3818	3507	3913	4404	3003
(x) Range of water level available at Rihand (Feet)	838-880	838-854	839-870	840-880	838-871

* Plant availability is the ratio of hours of operation of the plant to the available hours in a year

** Capacity utilisation is the ratio of actual generation to the installed generating capacity.

* Hours of outages do not include reserve outages, a period during which the plant though available, is not run due to system compulsions.

*** MU represents million units.

It would be seen from above that as against the expected plant availability of 96 *per cent*, the actual plant availability during the five years period up to 1995-96 ranged between 21.2 and 67.2 *per cent* only. As a result, there was a shortfall of generation of 11287 MU valued at Rs. 1362.02 crore. This resulted in:

- failure of the Board in meeting the gap between overall demand and supply of the electrical energy in the State, which ranged between 3003 and 4404 MU during these five years.
- increase in cost of the energy generated ranging from 5.70 and 21.10 paise per unit and 9.20 and 30.90 paise per unit at RPS and HOPS respectively.

Reasons for shortfall in generation as analysed in audit were:

(a) Failure of the project to utilise the water to the maximum possible extent resulted in shortfall of generation aggregating 1617.23 MU (RPS 1185.85 MU and HOPS 431.38 MU) during five years up to 1995-96 valued at Rs. 193.82 crore.

(b) HOPS, which runs in conjunction with RPS was designed in such a way that water discharged from RPS after firm generation of 919.8 MU could generate 279 MU per annum at HOPS. During the period of five years up to 1995-96 the generation at HOPS was 1645.808 MU. According to the project report, the water which generated 1645.808 MU at HOPS could have been discharged from RPS only after generation of 5431.166 MU. However, in audit it was noticed that actual generation at RPS during this period was only 4562.211 MU. The shortfall in generation at RPS, therefore, aggregated to 868.955 MU valued at Rs. 101.89 crore at the average sales price per unit in respective years.

The shortfall in generation in RPS was attributed (October 1995) by the Management to deposit of boulders and earth in the tail race of the reservoir during earlier spilling periods thereby resulting in higher discharge of water for Obra. The Board has not taken any corrective measures so far (September 1996).

(c) Failure of the Board to control the outages* as discussed in paragraph 4.2 infra.

* Outages indicate non-operation of units of a power station.

3C.4.2 Outages

As against the recommendation of the Committee to restrict the outages on account of overhauling (i.e. planned outages) of the hydro generating units to two weeks only per annum the actual outages were much more as indicated in the table given below:

Due to excessive time taken in overhauling and maintenance the Board suffered a loss of generation of 724.3 MU valued at Rs. 91.18 crore.

(In hours)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
Rihand Power Station					
Planned outages	3909	3950	1028	4132	7349
Prescribed outages	2016	2016	2016	2016	2016
Extra outages	**1893**	**1934**	--	**2116**	**5333**
Obra Power House					
Planned outages	629	5488	63	19	1391
Prescribed outages	1008	1008	1008	1008	1008
Extra outages	--	**4480**	--	--	**383**
Total extra planned outages	1893	6414	--	2116	5716

The actual time taken by the Management for overhauling was, thus, higher by 16139 hours during five years up to 1995-96, thereby, resulting in loss of generation of 724.3 MU valued at Rs. 91.18 crore.

Some of such cases test checked in audit are discussed below.

3C.4.2(i) In case of Machine No 1 of HOPS where such works were undertaken during 1992-93, the contractor took 4852 hours in capital overhauling against the 2880 hours stipulated in the agreement of August 1991. Delay in dewatering by 912 hours by the project and contractor's failure to arrange his technical manpower delayed the overhauling work. Against lost of generation of 65.08 valued at Rs. 767.90 lakh, due to above delay the Management levied a penalty of Rs. 0.88 lakh on the contractor but so far (October 1996) had not fixed any responsibility for delay of 912 hours in dewatering.

3C.4.2(ii) Annual maintenance of machine No 1 of RPS was carried out during February 1993 for 541 hours. It was noticed that the machine developed air leakage in January 1993 which was attended to for 502 hours in same month. The time for attending the air leakage (502 hours) could have been avoided by preponing the annual maintenance during January 1993.

3C4.3 Excessive bus bar losses*

According to the norms fixed (July 1991) by the Central Electricity Authority (CEA) bus bar losses should not exceed 0.5 to 1 *per cent*. Chief Engineer (Commercial) while reviewing the quantum of bus bar losses from time to time directed (July 1994) the General Manager, Thermal Power Station, Obra under whose jurisdiction hydel power projects are also being managed, that all out efforts viz. recalibrating meters, checking of unmetered supply etc. should be made to contain the bus bar losses within the limit of 0.8 *per cent*.

The Board suffered a loss of Rs. 15.25 crore due to loss of 140.589 MU at bus bar over the norms of CEA.

It was noticed that against the permissible limit of 0.8 *per cent*, the bus bar losses of RPS and HOPS ranged between 0.6 and 2.2 *per cent* and 0.9 to 3.1 *per cent*, respectively, during the period of five years up to 1995-96 as detailed below:

	Rihand Power Station					Obra Power Station				
Year	Energy available (MU)	Energy sent out (MU)	Loss percentage	Loss as per permissible limit (MU)	Loss in excess of permissible limit (MU)	Energy available (MU)	Energy sent out (MU)	Loss percentage	Loss as per permissible limit (MU)	Loss in excess of permissible limit (MU)
1991-92	1827.288	1786.752	2.2	14.618	25.918	1120.584	1086.172	3.1	8.965	25.447
1992-93	1300.727	1290.949	0.8	10.406	--	859.301	833.777	3.0	6.874	18.650
1993-94	1527.694	1494.697	2.2	12.221	20.776	987.638	957.049	3.1	7.901	22.688
1994-95	1940.886	1928.750	0.6	15.327	--	1234.968	1205.730	2.4	9.879	19.359
1995-96	1439.593	1420.918	1.3	11.516	7.159	923.699	915.718	0.9	7.389	0.592
Total					53.853					86.736

The quantum of energy lost at bus bar in excess of norms, thus, aggregated to 140.589 MU valued at Rs. 15.25 crore (RPS: Rs. 5.60 crore and HOPS: Rs. 9.65 crore) during the five years up to 1995-96.

The Board so far (September 1996) has not analysed reasons for excess bus bar losses.

* Bus bar losses indicate the difference between the energy received at the input points of the transformers and energy actually sent out after transformation (also known as transformation loss).

3C.5 Renovation

The Board in February 1985 approved the estimates for renovation of RPS and HOPS at a cost of Rs. 292.66 lakh which was revised to Rs. 551.38 lakh in September 1987 due to cost escalation (Rs. 15.73 lakh) and additional items not earlier provided for (Rs 242.99 lakh). The Board which took up the implementation of scheme in May 1987 had incurred Rs. 300 lakh up to March 1995 and the work which was scheduled to be completed in March 1990 was still in progress (September 1996) for want of sufficient fund.

During scrutiny of contracts relating to renovation work following irregularities were noticed in audit:

3C.5.1 Defective supply of air compressor

For the replacement of old air compressor of circuit breakers of 132 KV bus bar (RPS) a supply order was placed (September 1993) upon Shree Engineering Works, Calcutta for Rs. 17.75 lakh including cost of accessories and erection and commissioning charges. The supplier was also required to undertake service/commissioning of one existing compressor of the project free of cost. The supply of equipment was received in May 1994 and payment of Rs. 17.21 lakh including taxes but excluding the erection and commissioning charges of Rs. 0.85 lakh and deducting bank guarantee of Rs. 0.35 lakh was released up to August 1994. The Management, however, did not deduct 10 *per cent* security amounting to Rs. 1.67 lakh which was payable after seven days of successful erection and commissioning as stipulated in the agreement. It was noticed that the equipment became defective from the third day of its commissioning i.e. 17 May 1994. The supplier, however, did not rectify the defects. The service/commissioning of the existing compressor was also not done by the supplier which was got repaired and commissioned through another agency at a cost of Rs. 0.25 lakh.

Thus, the Board could not forfeit the amount of security (Rs. 1.67 lakh) for supply of defective equipment. The Board had further to incur an expenditure of Rs. 2.35 lakh in October 1995 on rectification of defects from a firm of Ahmdabad. Even after rectification the compressor functioned only for 2190 hours (September 1996) since its installation against required functioning of 9000 hours during May 1994 to September 1996 at the rate of 10 hours per day. The requirement of the project was being met by utilising one out of four compressors lying in stock. Thus, the entire expenditure of Rs. 19.56 lakh incurred on procurement and repair of above compressor has remained unproductive (September 1996).

3C.5.2 Avoidable expenditure on procurement of slip rings

The slip ring assembly of machine no.1 of HOPS started giving trouble in March 1991. For its rectification engineers of Bharat Heavy Electricals Limited (BHEL) visited the power station in April 1991. However, they made temporary arrangement to keep the machine in running condition but suggested to replace it by new assembly. Accordingly, a supply order was placed upon BHEL in January 1992 for supply of two slip rings within a period of 12 months and an advance of Rs. 0.23 lakh against the price of Rs. 2.72 lakh was released in February 1992. While carrying out capital overhauling during the period March to October 1992, the same slip rings were utilised after being repaired departmentally without incurring any expenditure. The slip rings were received as late as in August 1995 and were lying (November 1995) unutilised. Release order for payment of Rs. 2.49 lakh was sent by the Management to the Controller of Fund, UPSEB in June 1995.

3C.6 Inventory control

Separate stores are maintained for RPS and HOPS but all the purchases for these stores are made by the same purchase committee stationed at Obra. The opening balance, receipt, issue and closing balance of both the stores as per accounts for the five years up to 1994-95 (the Tools and Plant registers and stock registers were not being posted since October 1975 and October 1976 respectively) are indicated below:

Year	Name of Power Station	Opening balance	Receipts during the the year	Issue during the year	Closing balance	Inventory holding in terms of months consumption
		(	Rupees	in	lakh)	
1990-91	RPS	59.85	122.68	118.94	63.59	6
	HOPS	49.58	37.94	37.86	49.66	16
1991-92	RPS	63.59	27.30	26.58	64.31	29
	HOPS	49.66	41.72	45.65	45.73	12
1992-93	RPS	64.31	46.02	18.57	91.76	59
	HOPS	45.77	53.12	59.25	39.60	8
1993-94	RPS	91.76	75.56	64.38	102.94	19
	HOPS	39.60	32.43	36.16	35.87	12
1994-95	RPS	102.94	60.65	64.15	99.44	19
	HOPS	35.87	79.36	78.52	36.71	6

In test check of records, the following points were noticed:

(a) The Board has not prescribed any maximum/minimum limit of inventory holding. But as it would be evident from the above table, except in 1990-91 in case of RPS and in 1994-95 in case of HOPS, the inventory holding always exceeded six months' consumption and ranged between 8 and 59 months' consumption. Justification for such huge inventory holding was not available on record.

(b) Physical verification of stores at the close of each financial year was not being carried out with the result the position of shortages, surplus/unserviceable/obsolete stores and pilferage if any, thus, remained undetected.

3C.7 Manpower analysis

The Technical Committee on power fixed (December 1972) the norm of deployment of manpower at 1.45 per MW of installed capacity. It was noticed that in case of HOPS, the actual manpower was much more than the prescribed norm as indicated in the table given below:

Year	Installed capacity	Manpower			Expenditure on excess manpower
		Required	Actual	Excess	
	(In MW)	(In	number)		(Rupees in lakh)
1990-91	99	144	353	209	94.05
1991-92	99	144	353	209	104.50
1992-93	99	144	354	210	119.70
1993-94	99	144	352	208	143.52
1994-95	99	144	352	208	145.63
				Total	607.37

In spite of the deployment of excess manpower at HOPS, work of routine nature viz. cleaning and minor repairing of equipment, dismantling of pumps, shifting of drums, painting etc. were executed through private contractors at a cost of Rs. 16.93 lakh during the period of five years up to 1994-95. In addition, payment of Rs. 117.74 lakh on account of overtime was also made to the employees during the five years up to 1994-95.

It was stated (May 1996) by the Management that due to administrative reasons the employees on promotion could not be sent to other places and were absorbed at the project itself. The Board neither took steps for transfer of surplus manpower nor analysed reasons for getting the routine work done through private contractors and payment of overtime, especially in view of surplus manpower available.

3C.8 Unfruitful expenditure on augmentation of distribution system

> ***The execution of work and placement of orders for augmentation of distribution system, without prior approval of the Board, resulted in unfruitful expenditure of Rs. 17.02 lakh.***

The power to the project colony and auxiliaries of thermal power stations at Obra was being managed through an existing 10 MVA transformer, installed at 132 KV Dalla sub-station which faced frequent trippings/break downs. With a view to ensuring reliable and stable supply to the project colony and auxiliaries of thermal power stations at Obra, a scheme for augmentation of distribution net work at an estimated cost of Rs. 29.50 lakh was approved by the Board in February 1985. According to the scheme, supply of power was to be made by installing an additional 10 MVA 132/33 KV transformer and making an extension of existing switchyard at Obra Hydel Power Station. As the original estimate did not stipulate cost of foundation, erection of equipment and cables, a revised estimate for Rs. 44.23 lakh was submitted to the Board in September 1987 for its approval. The revised estimate has not been approved by the Board so far (May 1996). However, in anticipation of the sanction of the revised scheme, the General Manager accorded (February 1987) administrative approval and as such the work was taken up from February 1987. An expenditure of Rs. 9.57 lakh was incurred during the period November 1987 to September 1989 out of fund received from the Board for renovation work. The remaining work could not be completed as the Board has not yet approved (May 1996) the scheme and released fund.

Further, two supply orders were placed (August 1988 and July 1989) by the Superintending Engineer, Sub-station Design Circle, Lucknow for supply of SF-6 circuit breakers with supporting structures, terminal connectors and unit compressor and two numbers manually operated circuit breakers. The equipment received in February and August 1990 at a cost of Rs. 5.21 lakh and Rs. 2.24 lakh, respectively, were lying unutilised as of October 1996.

The expenditure of Rs. 17.02 lakh incurred on above works without prior approval of schemes had, thus, remained unfruitful so far (October 1996).

3C.9 Other topics of interest

3C.9.1 Loss due to belated issue of bills

The Board entered into an agreement with Kanoria Chemicals Limited, Renukoot in September 1964 for supply of power at connected load of 6.5 MW for 25 years at the rate of 2.5 paise per unit with the condition that rates could be revised after 16 years. The Board introduced (May 1983) rate schedule HV-2 (in its tariff) applicable to power consumers. Accordingly, the Executive Engineer, Electricity Generation Division, Pipri of Rihand Power Project issued (April 1987) revised bills for the period 20 May 1983 to 31 March 1987 as per provision of rate schedule HV-2. The consumer instead of making the payment, moved (April 1987) the High Court of Allahabad against the applicability of above rate schedule. The case was finally decided by the Supreme Court in January 1992 in favour of the Board.

The Board suffered a loss of Rs. 206.84 lakh due to irregular waival of late payment surcharge.

After the decision of the Supreme Court, the Division belatedly issued the bills for Rs. 395.43 lakh for the period May 1983 to March 1989 (bills for subsequent period were paid according to the Rate Schedule HV-2) in November 1992 which was paid by the consumer in February 1995. It was noticed that besides the delay of 10 months in issue of bills, the Division did not levy late payment surcharge for the period January 1992 to February 1995 which amounted to Rs. 295.75 lakh. However, on negotiation basis the Division accepted (February/March 1995) late payment surcharge of Rs. 88.91 lakh in lumpsum. Reasons for waival of late payment surcharge amounting to Rs. 206.84 lakh were, however, not available on record.

In reply the Management stated (October 1996) that the surcharge amounting to Rs. 88.91 lakh was accepted on lump-sum basis with a view to settle the old pending dispute. However, the action taken by the Board was not covered under any existing rules and regulations.

3C.9.2 Undue favour to a bulk power consumer

The Board executed (February 1988) an agreement with Hindustan Aluminium Corporation Limited (HINDALCO), Renukoot for supply of 70 MW power from Rihand Power Project. Subsequently, a fresh agreement was executed in June 1995 which was effective retrospectively from 30 June 1990 for a period of five years. According to these agreements, the consumer was required to pay the monthly energy charges as applicable from time to time failing which the consumer was liable for disconnection after 15 days. In case of any dispute, the consumer was required to pay the bills under protest subject to adjustment on settlement of the dispute.

It was noticed (August 1995) that instead of issuing bills for excess demand drawn by the consumer on monthly basis, the Division issued (October 1994) a single bill of Rs. 48.40 lakh for the period December 1990 to October 1993. The consumer disputed (October 1994) the payment of the bill on the ground that demand charges levied were not in accordance with the agreement of 1988 and did not make any payment so far (September 1996). The Chief Engineer (Commercial) intimated (July 1995) the project that the Board has decided not to take any punitive action till the matter was decided. It was also intimated that details of the Board's decision may be ascertained after a month. The Board has not taken a final decision so far (September 1996).

It was, however, not clear in audit as to how the consumer could protest on the basis of a non-existent agreement (of 1988) and how did the Board accept it and suspend the recovery.

3C.9.3 Non-recovery of water charges from NTPC

> ***The Board could not realise a sum of Rs. 294.54 crore as it did not settle the rate of water charge realisable before starting supply of water in February 1982.***

To meet the water requirement of NTPC for their power projects at Singarauli, Rihand and Vindhyachal the Board is maintaining water level of reservoir at 830 feet. The Board started supplying water to NTPC without executing any agreement for payment of water charges. However, on the basis of standard norms fixed by Central Electricity Authority for use of water at the rate of 0.1 cusec per MW, the Board had been issuing bills (since January 1992) for water charges which aggregated to Rs. 294.54 crore for the period February 1982 to March 1996. NTPC, however, did not agree to CEA norms though the same norm was adopted in preparation of feasibility report of their own plant i.e. Singrauli Super Thermal Power Station (SSTPS) and stated (April 1993) that the norm adopted in feasibility report of SSTPS was for planning purpose only and not for the purpose of payment of water charges. The deadlock was still unresolved (September 1996) and the bills for Rs. 294.54 crore remained unpaid (October 1996).

Conclusion

The plant availability both at RPS and HOPS was much below the prescribed norms. The low plant availability resulted in increase in cost of generation per unit as well as in failure to meet the gap between demand and supply of energy. The main reasons of this as analysed in audit were:

- failure of the Management to utilise available water;
- excessive time taken in overhauling of machines;
- excessive bus bar losses;
- delay in completion of renovation work;
- lack of effective inventory control system; and
- deployment of excess manpower.

To achieve its objective of providing cheap electric power the Management needs to take remedial steps in the above areas.

The matter was reported to the Government in May 1996; their replies were awaited (October 1996).

Chapter-III

Section-3D
Fund Management

Uttar Pradesh State Road Transport Corporation

SECTION-3D

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

FUND MANAGEMENT

HIGHLIGHTS

The main source of fund inflow of the Corporation is revenue from sale of bus tickets, capital contributions from the State and the Central Government and loans from the financial institutions and the State Government. Its outflow of fund comprises mainly of expenditure on establishment, operation and maintenance of buses, interest on loans, repayment of loans and acquisition of assets.

(Paragraph 3D.1)

The deficit of the Corporation has increased from Rs. 2303 lakh in 1991-92 to Rs. 2957 lakh in 1995-96 mainly due to lack of budgetory control and defeciencies in generation and utilisation of fund.

(Paragraph 3D.4)

The Corporation had paid Rs. 384.42 lakh and incurred further liability of Rs. 80.93 lakh due to default in repayment of loans. The Corporation also paid penalty of Rs. 103.96 lakh and Rs. 44.78 lakh due to delay in depositing passenger tax and Employees Provident Fund respectively.

(Paragraph 3D.4.1)

The Corporation's expenditure on spare parts and fuel over the budgeted expenditure was Rs. 2257.19 lakh and Rs. 3687.36 lakh respectively.

(Paragraph 3D.5.1.2)

The Corporation suffered a loss of prospective revenue of Rs. 26195.35 lakh due to excessive curtailment of scheduled trips.

(Paragraph 3D.6.1)

Delay in handing over of bus chassis for fabrication of bus bodies resulted in loss of prospective earning amounting to Rs. 198.38 lakh.

(Paragraph 3D.6.2)

Due to non-obtaining of insurance cover for its buses, the corporation had to suffer an avoidable loss of Rs. 393.63 lakh on account of accident claims.

(Paragraph 3D.8)

3D.1 Introduction

Up to May 1972, the Corporation was a departmentally managed undertaking and was transacting through Government treasuries whose accounts were compiled by the Office of the Accountant General.

The Uttar Pradesh State Road Transport Corporation was established on 1 June 1972 under the Road Transport Corporation Act, 1950. The Corporation is required to provide an efficient, adequate, economical and properly co-ordinated system of road transport service in the State. The Corporation is operating its fleet through 108 depots working under 18 regional offices. The regional offices are the primary accounting units which render accounts to the headquarter office every month.

Main source of fund of the Corporation is revenue from sale of bus tickets, capital contributions from the State and the Central Government, loans from the financial institutions and the State Government, and miscellaneous income from auction of stalls and overaged buses, advertisement, taxi operation etc. These fund are utilised mainly for expenditure on establishment, operation and maintenance of buses, interest on loans, repayment of loans and acquisition of assets.

3D.2. Scope of Audit

The objective of the present review, conducted during July to October 1995, is to identify the deficiencies and system lapses in generation and management of financial resources during the last five years up to 1995-96.

Cash management of the Corporation was reviewed previously in the report of the Comptroller and Auditor General of India for the year 1979-80 (Commercial), Government of Uttar Pradesh. The report was discussed by the Committee on Public Undertakings in July 1984 but their recommendations have not been received till date (September 1996).

3D.3 Organisational set-up

Generation and Management of financial resources is vested with the Managing Director who is assisted by Joint Managing Director, Chief General Manager (Operations), Chief General Manager (Technical) and Chief Accounts Officer at the Headquarters, Regional Managers and Assistant Regional Managers (Finance) at regional level and Assistant Regional Managers (Operations) and Depot Accountants at depot level.

3D.4 Sources and application of fund

The table below indicates the Corporation's inflow and outflow of fund (based on annual accounts) for the last five years up to 1995-96:

(Rupees in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
1. Sources of fund					
(a) Capital receipts					
(I) Capital contribution from State Government	1530	--	--	--	--
(ii) Loans from Financial Institution	2837	3265	3096	4121	4406
Total capital receipts	4367	3265	3096	4121	4406
(b) Revenue receipts					
(i) Traffic income	33785	39124	43301	44602	48748
(ii) Other income	1168	904	1142	1189	1488
Total revenue receipts	34953	40028	44443	45791	50236
Total	**39320**	**43293**	**47539**	**49912**	**54642**
2. Applications of fund					
(a) Capital expenditure					
(i) Creation of assets	3085	5241	3705	4976	5277
(ii) Repayment of loans	2630	2108	2620	2664	3042
Total capital expenditure	**5715**	**7349**	**6325**	**7640**	8319
(b) Revenue expenditure					
(i) Current year expenditure	34594	38412	41603	46000	49280
(ii) Previous year income(-)/ expenditure (+)	(+)1304	(+)453	(-)878	(+)64	--
Total revenue expenditure	**35908**	**38865**	**40725**	**46064**	48280
Total	**41623**	**46216**	**47050**	**53704**	57599
3. Deficit (-)/surplus (+)					
(a) Capital	(-)1348	(-)4084	(-)3229	(-)3519	(-)3913
(b) Revenue	(-)955	(+)1163	(+)3718	(-)273	(+)956
Total deficit(-)/ surplus (+)	**(-)2303**	**(-)2921**	**(+)489**	**(-)3792**	**(-)2957**

In this connection, following observations are made:

(i) The continuous deficit during above five years period (except during 1993-94), resulted in :

(a) Increase in outstanding liabilities from Rs. 6522.81 lakh in 1991-92 to Rs. 16525.53 lakh in 1995-96.

(b) Capital receipts amounting to Rs. 1282 lakh were utilised during 1991-92 for repayment of loans, thereby adversely affecting the fleet expansion programme of the Corporation.

(c) The Corporation paid penal interest amounting to Rs. 384.42 lakh due to default in repayment of loans during 1990-91 to 1994-95 and had liability of Rs. 80.93 lakh for penal interest for the default made in 1995-96. A penalty of Rs. 103.96 lakh and Rs. 44.78 lakh due to failure in timely deposit of passenger tax and employees' provident fund respectively during April 1990 to March 1995 was also levied.

(ii) Reasons for above deficit as analysed in audit, were attributable mainly to:

(a) lack of budgetary control (Paragraph 5)

(b) deficiencies in generation of fund (Paragraph 6)

(c) deficiencies in utilisation of fund (Paragraph 7)

3D.5 Lack of effective Budgetary Control system

3D.5.1 Abnormal delay in approval of the budget by the Government

According to the U.P. State Road Transport Corporation Regulations, 1972 the annual budget for the following year should be submitted by the Corporation to the State Government by 15 December for its approval and the Government after making amendments and changes as considered necessary, should approve the budget before 15 January each year.

As against the time of one month provided for approval of the budget by the State Government, the time actually taken by the Government ranged between 3 and 24 months. While the budget for 1992-93 was approved by the Government after expiry of the financial year, the budget for 1993-94 was approved at the fag end of the financial year. Approval of Government for budget of 1995-96 was still awaited (June 1996). Such delays in approval of budgets deprived the Corporation of an opportunity to properly plan and co-ordinate its activities well in advance. The shortfall in budgeted receipts of the Corporation far exceeded the savings in budgeted expenditure (except during the year 1994-95) and ranged between Rs. 5.65 crore and

Rs. 31.99 crore during the four years period ending March 1994. As discussed below, some of the reasons for above, as analysed in audit, were accountal of receipts which were actually not due to the Corporation and estimation of operational cost on much lower side.

3D.5.1.1 Inclusion of inadmissible capital contribution

According to Section 23 of the Road Transport Corporation Act 1950, the capital required by the Corporation for the purpose of carrying on its activities is to be contributed by the Central and the State Government proportionately as per agreed terms. In June 1988, the Central Government (Ministry of Surface Transport) decided to provide such assistance to only those corporations which were not incurring any loss.

The table below summarises the budgeted and actual capital assistance from the Central and the State Governments during the last five years up to 1995-96.

(Rupees in crore)

	1991-92	1992-93	1993-94	1994-95	1995-96
State Government					
Budgeted	15.00	15.00	--	15.00	--
Actual	15.00	--	--	--	--
Shortfall	--	15.00	--	15.00	--
Central Government					
Budgeted	7.50	7.50	--	--	--
Actual	--	--	--	--	--
Shortfall	7.50	7.50	--	--	--
Overall shortfall	7.50	22.50	--	15.00	--

From the above it would be seen that capital contribution from the Central Government aggregating Rs. 15 crore during the year 1991-92 to 1992-93 was not admissible to the Corporation as it was incurring losses every year since 1977-78 but Corporation included it in the budget. No reason for the same was furnished by the Corporation (September 1996). Budgeted capital contributions from the State Government aggregating Rs. 30 crore during the year 1992-93 and 1994-95 were not paid by the Government, thereby adversely affecting the budget estimations.

3D.5.1.2 High operating cost

Availability of resources generated for use by the Corporation for its activities depends on economy in various activities of its operations. It was, however, observed in audit that the Corporation failed to achieve the required economy. Its expenditure on spare parts and fuel far exceeded the expenditure provided in the annual budgets as discussed below.

Table below indicates the budgeted and actual expenditure on spare parts and fuel during the last five years up to 1995-96:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
Spare parts					
Actual earning Kms. (In lakh)	6288	6194	6461	6006	5859
Budget provision (Rupees per Km.)	0.744	0.729	0.910	0-.940	0.950
Actual expenditure (Rupees per Km.)	0.812	0.885	0.919	1.032	0.992
		(Rupees	In	lakh)	
Budgeted expenditure on actual earning Kms.	4678.27	4515.43	5875.51	5645.64	5556.05
Actual expenditure	5106.99	5484.37	5940.86	6195.68	5814.19
Excess over budgeted	428.72	968.94	61.35	550.04	248.14
Fuel					
Actual earning Kms. (In lakh)	6288	6194	6461	6006	5859
Budgeted Provision (Rupess per Km.)	1.35	1.274	1.56	1.73	1.73
Actual Expenditure (Rupees per Km.)	1.33	1.479	1.63	1.89	1.92
		(Rupees	In	lakh)	
Budgeted Expenditure on actual earning Kms.	8488.80	7891.16	10079.16	10390.38	10136..07
Actual Expenditure	8375.92	9161.05	10558.07	11352.35	11225.54
Excess over budgeted	(-)112.88	1269.89	478.91	961.97	1089.47

It would be seen from above that there was excess expenditure of Rs. 2257.19 lakh on spare parts and Rs. 3687.36 lakh on fuel over the budget provisions during 1991-92 to 1995-96. A region-wise analysis revealed as under:

Particulars	1991-92		1992-93		1993-94		1994-95		1995-96	
	Spare	Fuel	Spare	Fuel	Spare	Fuel	Spare	Fuel	Spare	Fuel
No. of Regions—within budget	--	6	12	3	--	10	3	3	--	8
--10% excess over budget	3	5	--	3	3	14	8	11	6	8
--beyond 10% excess over budget	9	1	15	15	5	1	7	7	4	10

Reasons for excess expenditure in the Regions had not been analysed by the Corporation. The Management however stated (August 1996) that it had adopted economy measures by resorting to purchase of new major assemblies and by replacing the old fleet by new fleet during 1994-95 and 1995-96 to reduce expenditure on fuel and spare parts.

But the measures adopted by the Corporation did not achieve the economy as per km. expenditure on spare parts increased from Re. 0.92

in 1993-94 to Rs. 1.03 and Re. 0.99 during 1994-95 and 1995-96 respectively. Per Km. expenditure on fuel increased from Rs. 1.63 in 1993-94 to Rs. 1.89 and Rs. 1.92 in 1994-95 and 1995-96 respectively.

3D.6 Generation of fund

Revenue from sale of passenger tickets, the main source of income of the Corporation, depends mainly on fare structure and fleet utilisation. The fund generation also depends on skillful planning/co-ordination in execution of expansion programmes. The Corporation had, however, failed in controlling the curtailment of scheduled trips and properly planning its fleet expansion programmes as discussed in succeeding paragraphs.

3D.6.1 Shortfall in earning kilometres

The scheduled earning kilometres of the Corporation are worked out on the basis of 90 *per cent* fleet utilisation. The table below summarises the scheduled and actual earning kilometres for the last five years up to 1995-96:

(In lakh kms.)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
Scheduled Kms.	7865	8168	8398	8370	8870
Actual Kms.	6288	6194	6461	6006	6356
Curtailed Kms.	1577	1974	1937	2364	2514
Percentage of curtailment to scheduled Kms.	20.05	24.17	23.07	28.24	28.34

The percentage of curtailment to scheduled earning kilometres ranged between 20 and 28 per cent during the above five years when compared to percentage of 9.5 and 7.7 for the years 1992-93 and 1993-94 in respect of 15 out of 20 other SRTCs for which data was available. The main reason for high curtailment of scheduled trips was failure of Corporation's workshops to provide road worthy buses within scheduled time frame which alone accounted for 6455 lakh kms out of total curtailment of 10366 lakh kms during the last five years up to 1995-96.

Due to excessive curtailment of scheduled trips, the Corporation has suffered loss of prospective revenue amounting to Rs. 26195.35 lakh.

The Corporation during the five year period upto 1995-96 had suffered a loss of prospective revenue aggregating Rs. 26195.35 lakh (operational expenses excluded) due to curtailment of 6199 lakh earning kilometres (10 per cent curtailment of schedule trips (4167 km) not being included). No action plan to control the curtailment of the scheduled earning kilometres has been drawn by the Corporation so far (September 1996).

3D.6.2 Delay in handing over of chassis to fabricators of bus body

Purchase of chassis and fabrications of bus bodies was financed by the Corporation through fund obtained from IDBI under its bills rediscounting scheme at 16.62 per cent interest per annum. The Corporation purchased 491 chassis from Tata and Leyland during December 1994 to August 1995. The deliveries of chassis were taken in Central Workshop, Kanpur which handed over 340 chassis to the fabricators within 15 days and remaining 151 chassis after 15 to 122 days of their receipt at the Central Workshop as detailed below:

Delay in handing over of bus chassis for fabrication resulted in loss of prospective earning amounting to Rs. 198.38 lakh.

Number of days of delay in handing over chassis	Number of chassis involved	Reasons of delay
16 to 30	70	Non-matching of supply of chassis to fabricators with that of fabricators fabrication schedule.
31 to 122	81	Delay in obtaining approval of the Board for award of work and also due to delay in placing repeat orders

The delay in handing over of chassis to fabricator had resulted in delay in fabrication of bus bodies and loss of prospective revenue amounting to Rs. 198.38 lakh (after deducting operational expenses) on 8353 bus days lost.

3D.7 Utilisation of fund

3D.7.1 Transfer of fund

The Corporation was operating one Collection Account with State Bank of India (SBI) and one Collection cum Operation Account with Central Bank of India (CBI) at Lucknow. The Corporation was availing cash credit facility of Rs. 600 lakh (Rs. 450 lakh up to September 1994) from Central Bank.

Revenue collected at all the 108 depots of the Corporation was required to be remitted in local branches of SBI or CBI. According to the instructions given to banks the balances of 96 depot bank accounts were required to be transferred bi-weekly to the respective regional bank accounts to meet the fund requirements of respective regional offices and depots. Balances in banks of remaining 12 depots, called attached depots, were required to be transferred bi-weekly to the Headquarter's collection account to enable the Headquarter to meet its requirement of fund.

3D.7.1.1 From Depot Bank Account to Regional Bank Account

A test check of records of 13 depots out of 96 depots revealed that in 2503 cases fund amounting to Rs. 6058.09 lakh transferred from Depot Bank Accounts were credited in Regional Bank Accounts after a delay of 1 to 165 days (after allowing 3 days for transfer) during the period from 1990-91 to 1994-95.

Although abnormal delay in credit of amounts in Regional Bank Accounts did not result in loss of interest on cash credit (as no cash credit facility was sanctioned by the bankers of the regions) it certainly affected the liquidity of the regions.

The Management stated (December 1995) that instructions had since been issued to banks and Regional Managers of the Corporation for ensuring prompt credit of fund in Regional Bank Account by way of daily monitoring of such transfers.

3D.7.1.2 Transfer from attached depot bank account to Headquarter's collection account

Audit scrutiny of records of fund telegraphically transferred to headquarters collection account during 1991-92 to 1994-95 by 5 attached depots, (out of 12 such depots) revealed that there were delays from 1 to 179 days (after allowing four days for transfer) in credit of amounts in Headquarter's bank account in 1125 cases involving Rs.4181.18 lakh out of 2046 cases involving Rs. 7961.86 lakh during the period from 1991-92 to 1994-95.

Absence of procedure of obtaining daily information from depots in respect of fund transferred to Headquarters bank account and lack of monitoring over transfer of fund to the Headquarters office of the Corporation not only resulted in loss of interest (Rs. 20.24 lakh) on cash credit account (CBI) but also caused liquidity crunch in the Corporation.

The Management stated (December 1995) that the instructions had since been issued to all Branch Managers of SBI and CBI with a copy to their Chief Zonal Managers for ensuring prompt credit of account and to all Regional Managers for directing the Depot Managers of attached depots to send daily information to Headquarter's office of the Corporation in respect of fund transferred by them to Headquarter's bank accounts. It was further stated (September 1996) that w.e.f. 15 January 1996 system of direct transfer of fund by banks of attached depots to banks at Headquarter's office of the Corporation had been withdrawn and the fund were transferred by the attached depots weekly through bank drafts to avoid delays in credit in Headquarter's account.

3D.7.1.3 Transfer from main Collection Account (SBI) to Cash Credit Account (CBI)

The Corporation at its headquarters office is keeping its bank accounts in SBI and CBI. The fund received from depots/regions in SBI were not directly used for meeting expenses. These fund were first transferred by the Corporation through advices issued to SBI for transfer of fund to CBI and then utilised through CBI. The Corporation is availing cash credit facility up to a limit of Rs. 600 lakh (Rs. 450 lakh up to September 1994).

It was noticed in audit that during the period from April 1990 to December 1994, the fund were received in SBI on 1058 dates but headquarters office of the Corporation issued advice for transfer of fund from SBI to CBI on 612 dates. This indicates that headquarter office was not daily reviewing its overdraft position in CBI and was keeping fund unutilised in SBI. A test check of records revealed that fund aggregating Rs. 3908.50 lakh (cases of Rs. 1 lakh and above), available in SBI for transfer to CBI on 361 dates, were transferred by the Corporation after delays ranging between 1 and 20 days. Due to above delays, the Corporation had to suffer an avoidable loss of Rs. 7.73 lakh on account of interest paid by it for availing cash credit during the period, 1990-91 to 1994-95. Management stated (September 1996) that w.e.f. 15 January 1996 the fund from depots were being received weekly through bank drafts and credited in headquarter bank account promptly.

3D.7.2 Write off of amount lying with treasuries

Even after its incorporation in June 1972, the Corporation continued its fund operation through the State Government treasuries up to May 1975 as was being done by erstwhile U.P. Government Roadways. After discontinuance of account with treasuries, the balances lying with them were to be taken back by the Corporation. The Corporation, however, could not submit details in respect of Rs. 22.52 lakh deposited into the treasuries in respect of 4 Regions and workshop. In absence of these details, the amount could not be refunded to the Corporation. However, without carrying out any detailed investigation and fixing responsibility for the lapse, the Corporation during 1991-92 to 1994-95 had written off the entire amount.

3D.7.3 Unaccounted investment

The Corporation had to write off a sum of Rs. 22.52 lakh, lying in treasuries since June 1975, due to its failure in submitting the details.

The Corporation could not withdraw a sum of Rs. 80.16 lakh, lying in the treasuries since May 1972, as it could not reconcile its account with the Government treasuries..

The Corporation was departmentally managed undertaking up to May 1972 and was depositing auction money of condemned vehicles in Government treasuries under head "Depreciation Reserve Fund Investment" (DRF). A Committee was appointed by the State Government in November 1972 for valuation of assets and liabilities of the erstwhile U.P. Government Roadways which were transferred to the Corporation. The DRF as on 31 May 1972 was evaluated by the Committee to be Rs. 428.70 lakh. The above valuation was, however, subject to reconciliation with the accounts complied by the Office of the Accountant General. The Corporation could withdraw only an amount of Rs. 348.54 lakh during 1973-74. The balance amount of Rs. 80.16 lakh could not be drawn from the treasury as the Corporation failed to reconcile the amount due to it with the books of accounts complied in the Office of the Accountant General till date (June 1996). The Corporation had not drawn any plan of action to expedite the reconciliation. Thus, due to lack of effective efforts in reconciling the figures, Corporation's fund amounting to Rs. 80.16 lakh have remained locked up for more than 20 years.

3D.7.4 Delay in realisation of receivables

An important aspect of fund management is to ensure prompt recovery of receivables. Details of receivables against the Central / State Government departments and others for hiring charges of buses and taxis and repair and fuel charges of Government vehicles at the end of each of the five years up to 1995-96 are tabulated below:

(Rupees in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
(i) Central & State Government Departments	1034.22	1095.85	1073.79	1262.68	1012.14
(ii) Private parties	258.18	23.57	288.91	293.18	275.58
(iii) Others	0.30	8.59	9.09	14.18	15.74
(iv) Total	**1292.70**	**1336.01**	**1371.79**	**1570.74**	**1343.46**

In spite of the fact the Corporation had to pay interest of Rs. 225.60 lakh during the year 1991-92 to 1995-96 on cash credit availed from CBI, it did not take effective steps to recover its receivables which grew from Rs. 1292.70 lakh in 1991-92 to Rs. 1303.46 lakh in 1995-96.

In this connection it was noticed that the Board of the Corporation in May 1990 had resolved that vehicles may be chartered to Central / State Government departments only after taking deposit of 75 *per cent* amount of estimated hiring charges. However, in case of 4 Central and 11 State Government departments, test checked in audit, it was noticed that as against the hiring charges amounting to Rs. 263.46 lakh, Rs. 331.84 lakh, and Rs. 273.37 lakh, vehicles were rented on hire during three years up to March 1996 without realising any advance deposit as required under these orders. The age-wise analysis of debtors was not available with the Corporation. Analysis of debtors worth Rs. 1303.04 lakh as on 31 March 1996 revealed that debtors worth Rs. 853.68 lakh were more than two years old as worked out by audit from the available data. The notable cases of outstanding dues are given below:

Region	Party	Amount (Rs. in lakh)	Period	Remarks
All regions	Indian National Congress	275.51	February 1989 to August 1989	Dues in respect of buse provided for rallies of th party. Requisitions of th party not available with the Corporation. Legal action not initiated due to non- availability of required evidence for filing the suit.

Eight regions	Jail Department	17.29	April 1988 to August 1992	Due to lack of timely pursuance, the payment could not be received. Dues worth Rs. 9.35 lakh were yet to be acknowledged by the department (June 1996).
Nine regions	Various Departments	41.02	Prior to 1972	No details available since the corporation is unable to submit the duplicate copies of bills. Action for writing off of the dues was in process since August 1993 but had not made much progress (June 1996).
Car section, Lucknow	Yuva Kalyan Parishad	2.46	1985 to 1989	Duplicate Bills for taxies hired for Rs. 1.41 lakh demanded by the Parishad in May 1994 were sent in August 1995. Realisation was awaited in (June 1996).

In respect of the dues of Rs. 275.51 lakh against Indian National Congress, the Ashwasan Samiti of the Vidhan Sabha had resolved (July 1995) that the recovery proceeding against the officers responsible for sending buses without any proper requisition may be initiated and results thereof reported to the Samiti within one month. Corporation in its report to Government has informed (September 1995) that buses were given by the field officers on the verbal instructions of Chief Minister/Transport Minister. Ashwasan Samiti had not met to discuss the issue after July 1996 due to dissolution of Vidhan Sabha.

3D.8 Other topics of interest

3D.8.1 Loss due to non-coverage of Corporation's buses by insurance policy

According to section 146(3) of the Motor Vehicle Act 1988 all vehicles are required to be insured (unless exempted by the Central/State Government) to cover compensation payable to third party on account of death, injury or damages caused by accident. In addition, the compensation is also payable to third party under section 166 of the Act as a result of any award given by the Motor Accident Claim Tribunals (MACT) constituted under the Act.

Due to non-obtaining of insurance cover for its buses, the Corporation had to suffer an avoidable loss of Rs. 393.63 lakh on account of accident claims.

The Corporation had not insured its buses due to exemption granted (July 1975) by the State Government. The Corporation met the accident claims together with passengers' accident claims out of its own fund.

During 1984-85 when the expenditure on accident claims increased from Rs. 41.94 lakh (1983-84) to Rs. 65.16 lakh, the Corporation considered insurance of buses and obtained (April 1985) premium rates from insurance companies. However, no decision was taken at that time for insurance of buses against third party and passengers' risks. In July 1989 the Corporation again obtained premium rates. The matter was, however, postponed due to expected hike in premium rates to be effective from August 1989. The Corporation requested the insurance companies to formulate a special type of policy which could be affordable by a corporation maintaining large number of buses. No such special type of policy has been framed by the Insurance Company so far (June 1996).

A test check of records revealed that during the period from 1985-86 to 1995-96, the Corporation had paid a sum of Rs. 3689.62 lakh to meet various accident claims/tribunal awards whereas the insurance premium payable during the same period on its buses worked out to be Rs. 3295.99 lakh only. Besides 3740 number of cases as on 31 March 1996 were pending for finalisation with MACT, the liability for which was indeterminate.

The Management stated (December 1995) that insurance of vehicle at this stage would lead to double financial burden viz. payment of premium to Insurance Companies and payment of 3565 claims pending with MACT and the Corporation would not be able to bear it at the present stage of financial crisis. The reply is not tenable as huge amounts have been paid in the past to meet the accident claims.

Conclusion

The Corporation in spite of 23 years of its existence has failed to evolve an efficient system for optimum generation and utilisation of its financial resources. The generation of fund was affected due to lack of control over curtailment of earning kilometres and lack of proper planning for fleet expansion. The utilisation of available fund was also not optimum as its bank operations were not commensurate with its needs and sincere efforts were lacking in realisation of fund lying with treasuries and dues from out side parties/Government departments. The budgetary control system was also not effective as there were inordinate delays in approval of the annual budgets by the Government and also because the budgets were not framed on the basis of realistic estimations.

The matter was reported to the Government in May 1996; replies were awaited (October 1996).

Chapter-IV

Section-4A
Miscellaneous Topics of Interest

Government Companies

SECTION - 4A

Government Companies
The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited

4A.1 Loss in Renunciation of shares

The Company during June 1989 to December 1991 invested Rs. 497.97 lakh in equity shares of Rs. 10 each in Pashupati Acrylon Limited - a joint sector unit of New Delhi.

In October 1993 the unit offered to the Company 1991880 Right Shares at par. Without prior approval of Disinvestment Committee, headed by Principal Secretary to State Government, the Company decided not to subscribe to the right shares and renounced (November 1993) the same in favour of the Co-promotor of the unit at par against the prevailing rates of Rs. 13 to Rs. 14 per share. When the matter was placed before the Committee in November 1994 it remarked that the Company in future should endeavour to realise the margin premium in such cases.

The Company lost an opportunity to earn a revenue of Rs. 29.87 lakh as it renounced a Rights offer without making any effort to realise the premium.

Due to renunciation of Rights offer without making any effort to realise the margin/premium, the Company lost an opportunity to earn a revenue of Rs. 29.87 lakh (at Rs. 1.50 per share each) even if the margin/premium of Rs. 3 per share was equally shared between the Company and the Co-promotor.

The matter was reported to the Company in February 1996 and to the Government in May 1996. The Company, in its reply, stated (June 1996) that the narrow gap of Rs. 3.00 to Rs. 4.00 per share between the market price and issue price for rights shares was not an attractive margin for making an investment in the rights offer. The Company further stated that these prices were likely to fall after expiry of the Rights issue.

The reply was not tenable as the prices of these shares after expiry of the issue in fact ranged between Rs. 13 and Rs. 16 up to February 1994.

Reply of the Government was awaited (October 1996).

4A.2 Undue benefit to co-promoter

The Company in July 1982 executed an agreement with Harig India Limited, New Delhi for setting up a Joint Sector unit namely Harig Crank Shafts Limited and subscribed Rs. 258.75 lakh towards the share capital of the unit. The agreement inter alia provided that the Company, if it desired to part with or transfer its share holdings or any part thereof would give first option to the co-promoters and in the event of acceptance of the offer by them, the co-promoter will make full payment of the price thereof within six months of the date of offer. The actual transfer of shares was subject to payment of purchase consideration. However, the agreement did not provide for payment of interest or rebate to the co-promoters in case they made payment before the expiry of six months.

The Company offered (February 1995) to transfer 726800 shares (face value of each share: Rs. 10) to the co-promoters at Rs. 27.5166 per share being highest price (arrived at the average price of share ruling on the stock exchange/exchanges on which the shares are quoted for the preceding three months of such offer) as per the agreement. The Co-promoters accepted the offer and made full payment of Rs. 199.99 lakh in March 1995 when the shares were delivered to them. The Company without any provision in the agreement, paid (July 1995) the co-promoters a sum of Rs. 11.67 lakh towards interest at the rate of 15 per cent per annum on the ground that the payment was made 142 days before the expiry of six months from the date of offer. This resulted in undue benefit to the co-promoters to the extent of Rs. 11.67 lakh.

The Company suffered a loss of Rs. 11.67 lakh as it allowed an inadmissible discount on disinvestment of shares.

In reply the Management stated (January 1996) that the modality for disinvestment was discussed with the co-promoters in March 1995 and the Company in principle had agreed to pay interest on account of early payment of repurchase consideration. The reply was not tenable as no record of discussion was kept by the Company and the decision to pay interest was not in consonance with the provisions of the agreement. Further, the early payment by the co-promoters facilitated early transfer of shares.

The matter was reported to the Company in December 1995 and to the Government in May 1996; their replies were awaited.

Uttar Pradesh State Sugar Corporation Limited

4A.3 Damages for delayed payment of Provident Fund

Under the Employees' Provident Fund and Miscellaneous Provisions Act 1952, an employer is required to deposit with the Regional Provident Fund (RPF) Commissioner, employees' monthly contributions alongwith employers' shares to the Provident Fund within 15 days of the close of each month, failing which damages were leviable by the RPF Commissioner.

Bhatni Unit of the Company failed to deposit the Provident Fund (PF) share of Rs. 70.26 lakh pertaining to period from August 1976 to June 1987 within the prescribed 15 days and there was delay ranging from 6 to 1628 days in deposit of the dues. Consequently, the RPF Commissioner, Kanpur levied (February 1994) damages of Rs. 21.52 lakh at the rates up to 100 per cent of defaulted payments. The unit's requests for waiver of the damages during April 1994 to December 1995 on the grounds of financial constraints faced by the sick unit were not accepted by the RPF Commissioner. The unit accordingly made interim payment of Rs. 6.00 lakh in March 1995 and payment of balance amount was under process. Thus, the delayed deposits of the Provident Fund dues resulted in avoidable payment of damages of Rs. 6.00 lakh with further liability of Rs. 15.52 lakh on this account.

The Management stated (July 1996) that the company could not deposit PF dues due to paucity of fund. The reply was not tenable as even if the company had deposited these dues by taking loan at 18 per cent rate of interest to meet the statutory liability it would have been beneficial to the company.

4A.4 Loss due to non-reduction of load

As per Rate Schedule of Uttar Pradesh State Electricity Board, applicable to large and heavy power consumers, demand charges at 75 per cent of contracted load or the actual demand, whichever is higher, is leviable alongwith the charges for energy consumed.

The Barabanki Unit of the Company, which had a contracted demand of 852 KVA and was billed under the above rate schedule of the Board, assessed in September 1989 that its sanctioned load was on higher side and it can be reduced by 100 KVA. However, the unit did not approach the Board for reduction of load to avail the benefit of the reduced minimum demand charges. It was noticed in audit that the actual demand of the unit during the period April 1990 to September 1994 ranged between 60 KVA and 740 KVA only.

The unit subsequently got its load reduced to 600 KVA in October 1994. The failure of the unit in getting its load reduced in time resulted in its having to pay minimum demand charges on 75 per cent of excess load (100 KVA) retained by it which resulted in extra expenditure of Rs. 4.11 lakh for the period from October 1989 to September 1994.

The matter was reported to the Company in February 1996 and to the Government in April 1996; replies have not been received.

4A.5 Avoidable loss of Interest

Board of Directors of the Company approved in February 1990, expansion programme of Betalpur Unit in Deoria District from 914 TCD Capacity to 2500 TCD at a cost of Rs. 2750 lakh. For execution of the programme, 49 acres additional land was required for which the Company was advised in February 1990 by the Director of land acquisition to obtain approval of Land Utilisation Board for use of agricultural land and also to submit the proposal for land acquisition along with the estimated cost of land (Rs. 78.50 lakh). The Company, however, without obtaining approval of Land Utilisation Board, deposited the estimated cost in July 1990 with District Magistrate, Deoria. Although, the proposal for acquisition of land was submitted to the Government in July 1990, neither approval from Land Utilisation Board was obtained nor notice under Section (4) of the Land Acquisition Act was issued by the Land Acquisition Officer till March 1994. In April 1994, the Company, decided to abandon the expansion programme owing to paucity of fund and policy of privatisation of sugar mills. The Company as such was returned (August 1994) Rs. 70.65 lakh only after adjustment of Rs. 7.85 lakh towards administrative expenses by the Land Acquisition Officer.

Thus, the deposit of estimated cost without obtaining approval of the Land Utilisation Board and assessing future fund availability not only resulted in loss of Rs. 7.85 lakh but also in blockage of Rs. 78.50 lakh from June 1990 to August 1994, on which the Company suffered loss of interest of Rs. 54.49 lakh at the rate of 17 percent per annum during above period.

The matter was reported to the company in February 1995 and to the Government in May 1996; their replies were awaited.

4A.6 Locking of funds

The Company entered into an agreement (August 1989) with a firm (Sumac International Pvt. Ltd.), of New Delhi for supply of plant and equipment valued at Rs. 1780 lakh for modernisation-cum-capacity expansion of its sugar factory at Rohankala (Muzaffar Nagar) from 1300 to 2500 TCD (Tonnes Crushed Daily). The terms of agreement *inter-alia* provided for completion of supply by November 1990 and release of 20 *per cent* advance amounting to Rs. 356 lakh by the Company to the firm on which interest at the rate of 16.5. *per cent* per annum was payable in case the firm did not supply the plant and equipment within the stipulated date.

The company during August 1989 to January 1990 released advance of Rs. 356 lakh to the firm which supplied plant and equipment valued at Rs. 211.09 lakh only up to June 1991 after which no further supply was made by the firm. The payment against supply was made through letter of credit (LC) after adjustment of advance of Rs. 42.22 lakh only. With the issue of directives by the State Government (September 1995) to close the project and terminate the contract, the Company has issued notice (September 1995) to the supplier/contractor to stop further supplies and refund the balance amount of advnace alongwith interest at the prevailing bank rate.

The Company however, failed to pursue the matter vigorously due to which a huge balance of Rs. 313.78 lakh together with interest of Rs. 276.13 lakh is still lying unrecovered.

The matter was reported to the Company in September 1995 and to the Government in June 1996; their replies were awaited (June 1996).

4A.7 Avoidable payment of energy charges

According to tariff of Uttar Pradesh State Electricity Board (UPSEB), industrial consumers having contracted load of more than 75 KW (88 KVA) are billed for energy charges for actual power consumption as well as demand charges for the contracted/actual loads.

The tariff also provided that if the maximum demand of the consumer in any month exceeds the contracted load, such excess demand shall be charged at an additional rate over the normal rate of demand charges as fixed from time to time. Only energy charges are payable in case of connections for domestic consumption.

The Hardoi Sugar Factory of the Company had a combined connection for power used for industrial as well as domestic purposes with contracted load of 135 KVA during July 1991 to March 1993. The factory was, accordingly, billed for demand charges for the combined actual loads of 136 to 172 KVA whereas energy charges were billed for the power consumed for industrial and domestic purposes separately on the basis of a sub-meter installed to record domestic consumption. The domestic load of 80 KW was segregated through a separate connection with load in March 1993. The actual demand against the industrial load after release of separate domestic load remained within the contracted limit of 135 KVA from April 1993 onwards. Thus, non-segregation of the load through a separate connection for domestic consumption of power during July 1991 to March 1993 resulted in avoidable payment of Rs. 2.88 lakh towards additional demand charges for the load in excess of the contracted load.

The matter was reported to the Company in October 1995 and to Government in June 1996; their replies have not been received (October 1996).

Chhata Sugar Company Limited

4A.8 Extra Expenditure on purchase of Boiling House Plant

The Company awarded a contract (March 1990) to Alpa Engineers and Fabricators Limited of Lucknow for designing, manufacture and supply of machinery and equipment of boiling house plant for its modernisation as well as expansion of the capacity of the sugar factory at Chhata (Mathura) from 1250 to 2500 TCD (Tonne crushed daily). The contract stipulated lump sum firm price of Rs. 354.35 lakh which included duties, taxes, transport and insurance etc. The supply was to be completed by 31 July 1990.

The firm could supply machinery and equipment valued at Rs. 254.27 lakh only which included equipment valued at Rs. 194.50 lakh and materials valued at Rs. 59.77 lakh. In view of the failure of the firm to complete the supplies, another contract was awarded (October 1991) to Shri Rajendra Udyog of Meerut for Rs. 371 lakh for supply of remaining machinery and equipment. The extra cost was recoverable from the original supplier under the contract. The firm of Meerut completed the supplies in April 1993 at Rs. 364. 50 lakh.

Thus, the supplies of the required machinery and equipment were completed (February 1996) at a total cost of Rs. 618.77 lakh as against Rs. 354.35 lakh as stipulated in the contract awarded to the firm of Lucknow. This resulted in extra expenditure of Rs. 264.42 lakh which was recoverable from the firm of Lucknow in addition to Rs. 17.71 lakh towards penalty for the delay in the supplies under the contract of March 1990. No recovery could, however, be effected as the bank guarantee for Rs. 36.55 lakh furnished (January 1990) by the firm towards performance guarantee was declared (March 1993) fake by the bank concerned. No responsibility had been fixed by the Company for not ascertaining the genuineness of the bank guarantee. Reasons for exhorbitantly higher price of Rs. 364.50 lakh paid to the firm of Meerut towards the value of the remaining machinery and equipment were not available on record.

The matter was reported to the Company in April 1996 and to the Government in July 1996; their replies were awaited (October 1996).

4A.9 Excess Payment

In October 1991, the Company for the modernisation-cum-expansion of its sugar plant at Chatta, awarded the work of designing, manufacturing and supply of machinery and equipment of the entire boiling house to a firm Shri Rajendra Udyog of Meerut at a total cost of Rs. 371 lakh. The firm in December 1991 requested the Company to get the sub-work of insulation and lagging of equipment and pipe line done through other agencies at the agreed cost of Rs. 2 lakh.

Accordingly, the Company in December 1991 awarded the sub-work to a contractor Prateek Insulation of Meerut at Rs. 9.75 to

Rs. 11.25 per square foot depending on the thickness of the pipe line according to the measurements recorded in the Measurement Book and duly approved by the concerned department of the Company.

During test check in audit it was noticed (October 1994) that for the sub-work the Contractor of Meerut was paid Rs. 7.92 lakh (Rs. 1.00 lakh as advance for materials and Rs. 6.92 lakh against work) during December 1991 to April 1992 on the basis of bills, verified by the Assistant Engineer and the Chief Engineer of the Company without recording the measurements of the work done and ascertaining the reasons for excess payment over Rs. 2 lakh (as agreed with the firm of Meerut). In an enquiry the Executive Director, Deputy Chief Engineer and Deputy Chief Chemist of the Company found in December 1992, the value of the work done by the sub-Contractor to be at Rs. 2.50 lakh only.

Thus, release of the payment without measurements of the work done by the sub-Contractor and also ignoring the limit of Rs. 2 lakh for the work resulted in excess payment of Rs. 5.42 lakh.

The legal notice sent to the firm was returned by the postal department with the remark that no such firm was existing.

Although administrative action has been taken against the officers responsible for the lapse, no recovery has been effected and the loss has not been made good.

The matter was reported to the Company in February 1996 and the Government in April 1996; replies were awaited.

Uttar Pradesh State Cement Corporation Limited

4A.10 Loss due to rejection of credit by Excise Department

Rule 57 T of the Central Excise Rules 1944 as amended up to March 1994 provided that the manufacturers of cement (finished exciseable goods) were eligible to credit of excise duty paid on the capital goods used by the manufacturer in their factory w.e.f. March 1994. The credit was admissible only from the date of filing of the declaration with the Excise Department by the manufacturer.

During test check in audit it was noticed (December 1995) that the Company filed a declaration under Rule 37(T) with Excise Department on 25 February 1995, instead of March 1994 for availing credit of excise duty of Rs. 4.60 lakh paid on capital goods purchased during 1 March

1994 to 24 February 1995. The Excise Department, in July 1995 rejected the same on the grounds that declaration was submitted late and, thus, the claim relating to the period prior to submission of declaration was not admissible.

The Company did not take any action to fix up the responsibility for late submission of declaration. The delayed submission of declaration with the Excise Department resulted in loss of Rs. 4.60 lakh to the Company.

The matter was reported to Company and Government in April 1996; their replies were awaited.

4A.11 Avoidable payment

Rate schedule HV-2 of Uttar Pradesh State Electricity Board (UPSEB) tariff provides that demand charges based on actual demand or 75 per cent of the contracted demand whichever is higher shall be charged from large and heavy power consumers alongwith energy charges at the rates prescribed in the tariff. Further, para 10 B of the Conditions of Supply of Energy of UPSEB provides that application for reduction of load shall be allowed provided the consumer submits revised B&L form, executes fresh agreement and deposits additional amount of security at the current rates.

The Churk unit of the Corporation executed an agreement (February 1982) with UPSEB for supply of 10,000 KVA load. The actual monthly load utilised by the unit during April 1990 to October 1995, however, ranged between 3351 and 7040 KVA only. The unit was billed and payments were made by the unit for 7500 KVA (being 75 per cent of the contracted demand) per month as per the provisions of above Rate Schedule.

It was noticed (December 1995) that the unit applied for reduction of contracted load from 10,000 KVA to 8000 KVA in February 1990. The applied reduction of the load was agreed to (February 1991) by UPSEB and the unit was asked to pay additional security charges amounting to Rs. 13.13 lakh in four monthly instalments. The first monthly instalment of

The Company suffered an avoidable loss of Rs. 83.59 lakh as it did not get its electrical load reduced which was far in excess of its requirement.

Rs. 3.50 lakh was deposited in February 1992. As the subsequent three monthly instalments were not deposited by the unit, UPSEB did not reduce the contracted load and the Company continued to pay for the load of 10,000 KVA, incurring excess expenditure of Rs. 83.59 lakh.

Thus, non-payment of the last three instalments of additional security amounting to Rs. 9.63 lakh resulted in avoidable expenditure of Rs. 83.59 lakh. The contracted load had not been reduced so far (June 1996).

The matter was reported to the Company in April 1996 and to the Government in May 1996; their replies were awaited.

4A.12 Loss due to slippage in coal

The Company for loading, weighment, joint-sampling and quality assurance for the supplies of coal made by collieries appoints coal handling and joint sampling agents by executing agreements with them. In January 1992, the Company accepted the lowest tender of a firm of Calcutta for appointment as handling and sampling agent. No agreement was, however, executed with the firm, and a letter of intent was issued (January 1992) for appointment of the firm for a period of one year from February 1992. According to general terms of the tender the agent was required to draw coal samples jointly with coal producers and submit the test report to the Company for lodging the claim for slippage in quality with coal producers. In case the sampling was not done by the agent and the quality of coal was found inferior, the difference in cost paid to the collieries was recoverable from the agent.

The agent, during February 1992 to November 1992, transported 46668.90 MT coal from Central Coal field Limited (CCL) without carrying joint sampling with the colliery. The Company tested the coal in its laboratory and found slippage in quality of coal. As against B and C grade coal to be supplied by CCL, the coal received was of D to F grade. The difference in cost was worked out to be Rs. 118.42 lakh. The Company had never made any attempt to deduct the difference in cost of coal received and paid for from the bills of the agent. The Company had also never lodged any claim with the CCL, reasons for which were not available on record. The Company, in

> ***The Company suffered a loss of Rs. 117.91 lakh as it accepted coal of inferior grades without being subjected to test by the handling agent.***

November 1992, terminated the appointment of the agent and withheld the payment of their bills for Rs. 0.26 lakh and security of Rs. 0.25 lakh.

Responsibility for loss of Rs. 117.91 lakh so sustained had not been fixed by the Company so far (May 1996).

The matter was reported to the Company in May 1996 and to the Government in July 1996; their replies were awaited.

The Indian Turpentine and Rosin Company Limited

4A.13 Avoidable loss

The Company in March 1990, insured assets in its Rubber and Emulsifier Plant valued at Rs. 113 lakh. In November 1990 a fire broke out in the plant and the Company in December 1990, lodged a claim for Rs. 17.50 lakh with the insurance company which was revised to Rs. 8.12 lakh in August 1992. The claims included Building (Rs. 1.06 lakh), Plant and Machinery (Rs. 3.04 lakh), Raw materials including chemicals (Rs. 3.24 lakh), stock in process (Rs. 0.97 lakh) and fire fighting equipment (Rs. 0.30 lakh). The Insurance Company accepted the claim for Rs. 4.88 lakh only as full and final settlement in August 1992 and rejected the entire claim of Rs. 3.24 lakh towards loss of raw materials and chemicals which were stored in the process block of the plant and not in the insured godown.

The Company could have avoided the loss of Rs. 3.24 lakh had it stored the chemicals and raw materials in the insured godowns or insured the chemicals and raw materials kept in the process block. The Company has so far (April 1996), not identified and fixed the responsibility against the defaulting official/officer.

The Company in its reply (June 1996) admitted the fact that if the due care was exercised by the officer, this loss could have been saved. It was further stated that the concerned officer had been warned to be aware in future.

The matter was reported to the Government in April 1996; the reply was awaited (October 1996).

Uttra Pradesh State Yarn Company Limited

4A.14 Loss due to excess production of hard waste

The process of production of yarn from the cotton is accompanied by generation of soft waste, invisible waste and hard waste. According to the norms fixed by the Company, the quantity of hard waste should not exceed 1 per cent of the cotton used.

It was noticed (September 1995) in audit that at Meja unit of the Company, generation of hard waste during 1994-95 from 3954725 kgs of cotton was 58787 kgs which was 1.49 per cent of the cotton used. The excess generation of hard waste over the norms was, thus, 19240 kgs valued at Rs. 11.22 lakh.

The Management stated (March 1996) that the norms were fixed ten years back and unless the machines, which have outlived their standard life of 10 to 11 years undergo renovation, it was very difficult to achieve the norms. The reply of the Management was not tenable as generation of hard waste during 1992-93 and 1993-94 was 0.64 and 0.80 *per cent* respectively which was well within the norms and even during 1995-96 it reduced to 1.16 per cent from 1.49 in 1994-95.

The Company suffered a loss of Rs. 11.22 lakh as it failed to control generation of hard waste during production of yarn.

The matter was reported to Company in April 1996 and to Government in May 1996. The Management in its reply (July 1996) stated that to economise the mixing cost, the Company had to use inferior cotton mix for producing different counts which resulted in higher percentage of hard waste. The reply was, however, not supported with any evidence/documents to show that by mixing of inferior cotton the Company had saved money as compared to the value of extra hardwaste produced.

The reply of the Government was awaited (September 1996).

4A.15 Avoidable Loss

According to the Notification of March 1990 issued by Textile Commissioner (Ministry of Textile), Bombay, commencing from April 1990 to March 1995 every producer of yarn was required to pack not less than fifty per cent of yarn produced in each quarterly period in hank form. In case of not having sufficient reeling capacity, the short-fall in packing of yarn in hank form during a particular quarter was to be met through other producers.

During six quarters commencing from October 1993 to March 1995, there was a short-fall of 8.15 lakh kgs of hank yarn even though the Company had sufficient reeling capacity. This shortage was fulfilled by the Company through other two yarn producers at a cost of Rs. 27.72 lakh by purchasing Hank-Yarn obligation at rates ranging from Rs. 1.30 to Rs. 4.75 per kg.

In reply the Management while accepting the findings of the audit, stated (April 1996) that the Company preferred packing of yarn in Cone form and not in hank form as the former was saleable on better prices and thus, made profit. The reply was not tenable as by packing yarn in cone form, the Company earned profit of Rs. 3.03 lakh in three quarters only against loss of Rs. 12.51 lakh in other three quarters. This was due to the fact that the extra cost of packing of yarn in cone form and the price paid for transfer of obligation of producing hank yarn were more than the difference in average selling price of yarn in cone and hank forms.

Thus, in spite of having sufficient reeling capacity, the decision of the Company to fulfil the hank yarn obligation through other producers resulted in an avoidable loss of Rs. 9.48 lakh.

The matter was reported to Company (January 1996) and Government in June 1996; their replies were awaited.

Uttar Pradesh State Spinning Mills Company Limited

4A.16 Loss in export of cotton yarn

The Company exports cotton yarn to foreign buyers against export quota allotted by Textile Export Promotion Council at rates mutually settled with the buyers. Payments to the Company for such supplies are made by foreign banker of the buyers on negotiation of shipping documents against irrevocable Letter of Credit (LC) opened by the buyers with their bankers.

The Company entered into three rate contracts between June and September 1992 with Shah Textiles of Manchester, United Kingdom

(UK) for export of 77.88 tonnes cotton yarn valued at Rs. 60.23 lakh. The Company despatched (September 1992) cotton yarn valued at Rs. 10.95 lakh on the basis of LC received from foreign bank through fax. The Company further despatched between November and December 1992 cotton yarn valued at Rs. 15.89 lakh without examining LCs received with reference to the conditions of sale contract. However, no payments against the supplies were made to the Company by the foreign banker as the first LC, faxed by the buyer, was not issued by them whereas port of destination and foreign currency for payment indicated in the other LCs issued by the banker (on the advice of the customer) differed with that of the sale contract. Therefore, the Company had to allow lifting of first consignment to the same buyer on three months credit and subsequent consignment could be resold on cash basis at same price without realisation of demurrage of Rs. 8.81 lakh incurred by it. The company did not take any action to realise the payment from the buyer with the result that even after expiry of more than three years, no payment has been received. The export of yarn without obtaining confirmation of issue of LC from the bank and without ensuring correctness thereof not only led to loss of Rs. 8.81 lakh in payment of demurrage but loss of interest of Rs. 6.66 lakh on unrealised amount of Rs. 11.38 lakh at 18 per cent per annum during the period January 1993 to March 1996.

It was observed by Audit that the above lapse was facilitated as the Company had not laid down the normal system of getting the LCs received from foreign banks, confirmed from the local representative banks of these foreign banks. The Company also did not check the details of destination and currency on LC prior to despatch of subsequent consignment. The system of confirmation of LCs was laid down only in March 1994, after occurrence of above events.

Although the Management had taken administrative action against the officer responsible for the loss, no action for recovery of loss had been initiated (March 1996).

The matter was reported to the Company in August 1995 and to the Government in July 1996; their replies have not been received (July 1996).

4A.17 Loss of Rs. 10.50 lakh due to non-revision of selling price

The Company purchased 150 MT of empty brass cartridges in February 1994 at the rate of Rs. 0.65 lakh per MT from the Police Department for sale to small scale units (SSI). The sale price was to be fixed by adding insurance charges plus packing and transportation charges, godown rent and interest and service charges at the rate of 3 per cent to the purchase price or the market price of brass scrap, whichever was higher. The selling price so fixed was to be reviewed/revised by the Company, every fortnight as per policy adopted and subsequently approved (September 1994) by the Board of Directors.

The selling price on cost plus basis worked out (February 1994) to be Rs. 0.68 lakh per MT but was fixed at Rs. 0.70 lakh per MT, for one fortnight only on the basis of then prevailing market rate as published in the Economic Times. The company during 15 May to 15 June 1994 sold 150 MT of brass scarp at the selling price fixed in February 1994 without revising it on the basis of then prevalent market rate, as published in the Economic Times, which ranged between Rs. 0.77 lakh and Rs. 0.84 lakh per M. T.

The Company suffered a loss of Rs. 10.50 lakh as it did not revise selling price of empty brass cartridges from time to time.

The Company's failure to revise the selling price every fortnight on the basis of market rate resulted in loss of Rs. 10.50 lakh (taking minimum price of Rs. 0.77 lakh per MT for calculation).

The matter was reported to Company in April 1996 and to Government in May 1996; replies were awaited.

4A.18 Avoidable loss in unplanned purchases

The Company procures steam coal against yearly quota allotted by the Director of Industries, Uttar Pradesh for sale to small industries of the state. The Company was required to sell coal only against the permits issued and at the prices approved by the Industries Department. However, if the coal was not lifted by the permit holders within 30 days of issue of notice of arrival of coal rake, the Company was free to sell the coal to industrial consumers.

The Company received (June 1992) 2537 tonnes of coal valued at Rs. 32.66 lakh for its Khurja dump against allotment for the year 1991. Out of this, 1430 tonnes coal (Value: Rs. 18.41 lakh) remained unsold even up to October 1992 due to non-lifting of coal by allottees. Ignoring the lack of demand from SSI units and the balance of unsold stock in hand, the Company obtained further supplies of 4721 tonnes coal (Cost: Rs. 60.91 lakh) in two rakes between September and October 1992.

These supplies were financed through letter of credit at 18.54 per cent interest per annum. The supplies remaining unsold even after stipulated period of one month could not be easily sold in free market also. The Company could dispose off 1944 tonnes coal at the selling price approved by the Department after a delay up to two years. The Company disposed off 2399 tonnes coal between March and May 1995 at a price which was less than the procurement cost by Rs. 9.27 lakh. In addition, the Company also suffered loss of interest amounting to Rs. 18.71 lakh on fund remaining locked up during above period.

The loss of Rs. 27.98 lakh incurred by the Company in disposal of coal below cost (Rs. 9.27 lakh) and interest charges (Rs. 18.71 lakh) incurred on locked up stock during the extended period of disposal could have been avoided had the Company initiated timely action for cancellation of supplies of September and October 1992 considering market demand and stock position.

The matter was reported to the Management in February 1996 and to the Government in July 1996; their replies were awaited.

Uttar Pradesh Project and Tubewells Corporation Limited

4A.19 Loss of interest

The Company is required to obtain at the close of each year confirmation of book balances outstanding against different parties with a view to detect omissions or mistakes, if any, in the books of account.

The Company undertook (June 1983) constructions of 937 tubewells (estimated cost: Rs. 646.15 lakh) as cost plus work of Ground Water Survey and Development Agency (GSDA) of Maharashtra. The work was completed in December 1994. However, during the progress of work, the Company did not reconcile its accounts with the clients by obtaining yearly confirmation of dues outstanding at the close of each year.

As a result, five bank drafts of Rs. 10.98 lakh received by the Company in April 1988 from GSDA were misplaced and remained unaccounted. This came to notice of the Company in December 1994 only and that too when the client informed about the aforesaid payments of April 1988. Fresh Bank Drafts in lieu of the above were obtained and accounted for in January 1995 i.e. after a lapse of 6 years and 9 months. This resulted in loss of interest of Rs. 8.89 lakh at the simple interest rate of 12 per cent per annum.

Had a proper system of internal control of periodic reconciliation of client account been ensured by the Company, the non-accountal of drafts and their misplacement could have been detected and loss of interest avoided.

In reply the Management stated in March 1996 that the defaulting officials were penalised and as the Company had not taken loans from any Bank or Institution there was no loss of interest. The reply was not tenable as the Company could have earned by investing the funds in fixed deposit.

The matter was reported to Government in May 1996; their reply was awaited.

4A.20 Extra expenditure on purchase of Steel tubes

The Company invited (August 1993) open tenders for supply of 3500 metres (68.25 MT) of galvanised mild steel tubes. Among six tenders received (September 1993) with validity period of 3 months, a firm of Delhi (Jain Tubes Company), offered the lowest rate of Rs. 20190 per MT (Rs. 393.70 per metre) including Sales Tax and transportation charges but excluding Excise Duty which was not applicable. The rates offered were found (October 1993) to be higher and tenderers were invited for negotiation on 26 October 1993. The firm of Delhi did not participate in negotiation but confirmed (November 1993) to supply the tubes at lowest negotiated rates of Rs. 20188 per MT.(Rs. 393.67 per metre including Sales Tax and transportation charges but excluding Excise Duty). The Company in February 1994 placed two split orders for 12 MT and 10 MT on the firms of Delhi and Kanpur (Quality Steel Tubes) respectively at Rs. 393.67 per metre. The firm of Delhi refused (February 1994) to make the supplies on the ground that the order was not for full tendered quantity and the quantity of 12 MT is too small to roll. The firm of Kanpur also refused (February 1994) to make the supplies as the order was placed (December 1993) after expiry of the validity period.

The Company without inviting fresh tenders subsequently (during March 1994 to March 1995) purchased 76.05 MT tubes (i.e. 3900 Metres) at higher rates of Rs. 421.23 per metre plus Excise Duty of Rs. 63.18 (1700 Metres) and at Rs. 446.97 per metre plus Excise Duty Rs. 67.05 (2200 metres) from the two other firms of Delhi and Ghaziabad which resulted in avoidable extra expenditure of Rs. 3.71 lakh (worked on 3500 metres only).

The Management stated (February 1996) that there was no avoidable extra expenditure as the supply order could not be placed at the rates lower than the rate of Director General Supplies and Disposal (DGS&D) rates. The reply was not acceptable as there was no binding on the Company to place orders on rates lower than the DGS&D rates, especially when supplier was ready to make supplies on lower rates. The Company had to incur extra expenditure as it splitted the order (to Delhi firm) without any valid reason on record and delayed placement of the order (to Kanpur) beyond the validity period.

The matter was reported to the Government in May 1996; their replies were awaited.

Uttar Pradesh Export Corporation Limited

4A.21 Loss in export of ready-made garments

Against the Past Performance Quota (PPQ) allotted by the Government of India, the Company asks private firms to procure export orders from foreign buyers and submit to the company full particulars of consignment to the buyers after shipment. The Company receives payments for export against bank documents negotiable through bankers of the Company. The sale proceeds, after deducting the commission, are remitted by the Company to these firms.

It was noticed in audit that during the period April 1986 to June 1991 the Regional Manager (Delhi) of the Company allowed firms of Ghaziabad and Delhi to export garments valued at Rs. 21.24 lakh to buyers of United States of America, against bank documents negotiable through bankers of these firms instead of bankers of the Company. As such the sale proceeds of Rs. 21.24 lakh were realised by the firms directly and they did not pay the Company's commission amounting to Rs. 2.62 lakh.

The Management in reply stated (May 1995) that the matter was already under the review of the Economic Offence Wing and the then Officer Incharge was being interrogated although he had left the Company. It was further stated that the concerned associates were being asked to remit company's commission.

However, even after a lapse of five years, the Company had failed to realise its commission. The lapse was facilitated due to lack of an effective system of internal control.

The matter was reported to the Company in April 1996 and to the Government in May 1996; their replies were awaited (May 1996).

4A.22 Loss due to irregular placement of purchase order

The Company sponsored (1976-77) a ready-made garment complex at Loni (Ghaziabad) in respect of which the Company was to provide margin money loan and marketing facilities to the entrepreneurs. The Chief Manager of the Company without any approval of higher authorities, placed (August 1976) an order on a firm of New Delhi for supply of 210 plain (Rs. 1400 per machine) and 60 motorised sewing machines (Rs. 2225 per machine) direct to seven entrepreneurs of Ghaziabad/Delhi. The order provided for raising of bill on the entrepreneurs under intimation to the Company. The Company had neither executed any agreement with the entrepreneurs nor obtained any security from them to secure payment of the price of the sewing machines. The firm of New Delhi supplied (August to October 1976) these sewing machines to the seven entrepreneurs but six of them did not clear their dues amounting to Rs. 1.83 lakh reasons for which were not available on record. On a suit filed by the firm (August 1979), the High Court of Delhi passed a decree (April 1992) for Rs. 1.83 lakh with interest at 12 *per cent* per annum in favour of the firm. Accordingly, the Company paid (July 1993) a sum of Rs. 5.01 lakh to the firm. The recovery certificates issued (one in September 1993 and five in January 1994) against the entrepreneurs were received back from the district authorities with the remarks that either entrepreneurs were not available on the address mentioned or they were having no asset. The case becoming time barred the Company was not in a position to file any civil/criminal suit for recovery of Rs. 5.01 lakh from the Chief Manager.

Thus irregular placement of the purchase order for delivery of sewing machines direct to entrepreneurs without obtaining any security resulted in an avoidable loss of Rs. 5.01 lakh to the Company.

The matter was reported to the Company in May 1996 and to the Government in July 1996; their replies were awaited.

Uttar Pradesh Handloom Corporation Limited

4A.23 Loss in supplies of durries

The Central Government departments are required to purchase their requirements of cloth from Association of Corporation and Apex Societies of Handloom (ACASH), of Government of India, New Delhi. ACASH, on demand contacts the handloom corporation of the States and places orders on them indicating quantity, rate and period of supply. The Corporations supply materials directly to the indenting departments and receive payments through ACASH.

The Company during January to September 1993 received three orders from ACASH for supply of 78790 pieces of durries to the Central Reserve Police Force and the Border Security Force at the rates of Rs. 86.90 per piece (50790 pieces) and Rs. 135.00 per piece (28000 pieces). These rates were firm and final and inclusive of 5 per cent commission payable to ACASH. The durries were to be supplied during the period April 1991 to January 1994.

The Company, however, could not adhere to the delivery schedule and was granted extension by ACASH from time to time up to November 1994 with the condition that no increase in the rates on any ground would be admissible. The Company, during July 1991 to July 1994, supplied 32640 pieces from their own production at a price of Rs. 87.67 per piece and balance 46150 pieces by procuring from open market at the rate of Rs. 153 per piece.

The Company suffered a loss of Rs. 21.39 lakh in supply of durries procured at rates higher than allowed by client.

In March 1994, the ACASH turned down the request made by the Company (March, 1994) to increase the rates on the grounds that indenting departments refused to enhance the rates due to delayed supplies of durries by the Company. Thus due to non-adherence to delivery schedule, the Company had suffered a loss of Rs. 21.39 lakh.

The Management in reply (March, 1996) stated that the rates in the order were provisional and the final rates are yet to be decided. The reply was not tenable as the supply orders clearly indicated that rates were firm and final.

The matter was reported to Company in March 1996 and to the Government in May 1996; their replies were awaited.

4A.24 Injudicious purchase

The Managing Director of the Company in June 1992 approved a proposal of the Sr. Manager (Hqrs) for taking up sale of bed and cushion covers with patch work through its show rooms. It was decided to procure 1000 pieces of double bed covers initially and if the sale were found encouraging further purchase would be made.

Accordingly, the Company during June 1992 purchased 1000 double bed covers and 1000 cushion covers valued at Rs. 3.59 lakh from a firm of Gorakhpur on the rates approved by the purchase committee on the basis of quotation. The Company without assessing their sale potential as well as its marketability made further purchases of 46,962 pieces of double/single bed covers, cushion and pillow covers valued at Rs. 62.42 lakh from the same firm during July 1992 to March 1993. Against the total purchases of 48962 pieces valued at Rs. 66.01 lakh, the Company could sell only 1353 pieces for Rs. 1.46 lakh up to February 1996 and the balance 47609 pieces valued at Rs. 64.55 lakh were lying in stock (May 1996). The Management in December 1995 submitted a proposal to its Board of Directors to sell the balance stock at discount and to write off the loss of Rs. 12.91 lakh to be so incurred. The Board authorised (February 1996) the Managing Director for sale of balance stock at a discount of 20 per cent. The Company could not effect any sale so far (May 1996).

Thus, the injudicious purchases made by the Company resulted in blockage of funds amounting to Rs. 66.01 lakh (from April 1993 to March 1995) and Rs. 64.55 lakh (from April 1995 to March 1996) on which it suffered loss of interest of Rs. 35.38 lakh (at the rate of 18 per cent per annum) during April 1993 to March 1996.

The matter was reported to the Company in June 1995 and to the Government in June 1996; replies were awaited.

Uttar Pradesh Bhootpurva Sainik Kalyan Nigam Limited, Lucknow

4A.25 Doubtful recovery of loan

The Company in July 1990 sanctioned a loan of Rs. 2.61 lakh to Bhootpurva Sainik Punarvas Evam Kalyan Samiti, Lucknow for carrying out work of quarrying shingle, stone. The disbursement of loan was subject to Samiti obtaining a mortgage deed in respect of Samiti's assets and fulfilment of all formalities as required in case of loans lent by banks/Uttar Pradesh Financial Corporation. The loan together with interest at 12 per cent per annum was repayable within eighteen months. Besides, the Samiti was also required to pay to the Company, a lump sum amount of Rs. 0.45 lakh annually as share of profit in case the Samiti's profits from the scheme were up to Rs. 0.36 lakh per month and an additional 20 per cent on the amount of profit exceeding Rs. 0.36 lakh per month.

The Company disbursed (August 1990) the loan of Rs. 2.61 lakh to the Samiti without examining economic feasibility of the scheme and fulfilling the required formalities. The Samiti due to losses suffered by it, did not repay the loan and interest due thereon. A cheque for Rs. 0.40 lakh received from Samiti in October 1995 and deposited in bank in March 1996 (on the request of the Samiti) was dishonoured by the bank in April 1996.

Thus, in view of the fact that the Samiti was not in a position even to pay a sum of Rs. 0.40 lakh and the loan was disbursed without any mortgage deed being signed, chances of recovery of the loan amounting to Rs. 2.61 lakh and interest of Rs. 1.80 lakh (up to March 1996) were remote.

The matter was reported to the Company in August 1995 and to the Government in June 1996; replies were awaited.

Uttar Pradesh Bhumi Sudhar Nigam Limited

4A.26 Excess payment

Under "Million Wells Scheme", the Company was to dig wells in various districts of the State for development of irrigation and fisheries. The labour rates for digging of wells for different depths were decided by the Company from time to time on the basis of minimum wages notified by the Government for `Jawahar Rojgar Yojna'. The Company on the basis of Government order of October 1992, revised (February 1993) its labour rates for digging of wells up to 1.5 meters depth to Rs. 9.02 per cubic metre (cum) for Eastern and Bundelkhand Region where minimum wages were Rs. 23 per day and Rs. 9.80 per cum for Western and Northern Region where minimum wages were Rs. 25 per day with additional rate of Rs. 0.51 per cum for every additional lift of 0.50 metre. The Company, however, circulated the Government order only in February 1993, after a delay of three months.

It was noticed (August 1994) in audit that field units of the Company while releasing payments during the period from February 1993 to March 1994, in respect of 37 wells dug in Jaunpur, Sultanpur, Etawah and Aligarh districts, applied rates on 0.75 metre of initial digging and 0.25 metre of each additional lift, instead of 1.50 metre of initial digging and 0.50 metre of each additional lift resulting in excess payment of Rs. 4.36 lakh.

The Management in their reply stated (February 1995) that depths of initial and additional lifts were not clarified in the rates fixed by the Company and that the payments were made by the units as per rates of estimates sanctioned by the Headquarters. The reply was not tenable as the rates were clearly indicated in the Government orders and the payments should have been made in accordance with these orders and not on the basis of estimate.

The matter was reported to the Company in January 1995 and to the Government in May 1996; their replies were awaited.

Chapter-IV

Section-4B

Miscellaneous Topics of Interest

Statutory Corporations

SECTION - 4B

Statutory Corporations

Uttar Pradesh State Electricity Board

4B.1 Non-levy/short levy of system loading charges

According to Board's orders issued on 3 December 1993, system loading charges at the rate of Rs. 100 per KVA or part thereof was to be charged from prospective consumers taking new connections up to 25 KVA.

Scrutiny of agreements register of light and fan (L&F) consumers of Electricity Distribution Division-II, Faizabad revealed (March 1995) that the Division released 644 L&F connections of One KW each during the period December 1993 to January 1994 without charging system loading charges amounting to Rs. 1.29 lakh and also released 1736 L&F connections of one KW each during the period February 1994 to March 1995 after charging system loading charges at the rate of Rs. 100 per KW instead of Rs. 100 per KVA leading to short levy of Rs. 1.74 lakh (one KW being equal to 1.18 KVA). Thus, the Board was put to a loss of Rs. 3.03 lakh.

The Divisional Officer stated (March 1995) that the matter was under scrutiny and action would be taken as per Board's order which was awaited (September 1996).

The matter was reported to Board in March 1996 and to the Government in May 1996; their replies have not been received (September 1996).

4B.2 Extra expenditure due to delay in supply of transformer oil by BHEL

The Superintending Engineer, 400 KV sub-station Design Circle, Lucknow placed (March 1987) on Bharat Heavy Electricals Limited (BHEL) an order for supply, erection, testing and commissioning of three 315 MVA 400 KV auto transformers. According to the supply order (total value: Rs. 532.83 lakh), BHEL was also required to supply transformer oil for first filling plus 10 per cent extra at a price of Rs. 12.87 lakh, subject to price variation according to the IEMA price variation formula.

During audit of Electricity Transmission Division, Agra, it was noticed (February 1996) that out of three transformers, one transformer ordered for the Division, was supplied by BHEL in January 1989 which was lying there unutilised (February 1996). But as the firm was asked (June 1988) by Superintending Engineer to defer the supply of oil due to non-readiness of 400 KV sub-station site at Agra, the firm did not supply oil with the transformer. The Superintending Engineer asked BHEL (October 1990) to supply Transformer oil immediately. However, the firm supplied the oil in February 1993 against the above order at an increased price of Rs. 32.59 lakh.

Thus, due to delay of more than two years in supply of oil by BHEL, the Board had to incur an extra avoidable loss of Rs. 10.08 lakh (excluding price variation of Rs. 9.63 lakh payable, had the oil been supplied with transformer in October 1988).

The matter was reported to the Board in May 1996 and to the Government in May 1996; their replies were awaited (October 1996).

4B.3 Non-levy of surcharge

According to rate schedule LMV-3 and LMV-6 applicable to street light consumers and Public Water Works and industrial consumers (up to 100 BHP) as amended, a surcharge at the rate of 1.5 per cent per month or part thereof is leviable on the unpaid amount of bills beyond one month from the due date.

Scrutiny of records of Electricity Distribution Division - II, Badaun revealed (June 1995) that the surcharge amounting to Rs. 27.23 lakh (street light consumers: Rs. 7.55 lakh and Public Water Works: Rs. 19.68 lakh) was not levied on unpaid amount of the bills of the above consumers during the period March 1992 to March 1995. The Board did not take any effective action to realise the outstanding dues.

The Division intimated (September 1996) that the bills for late payment surcharge have been raised by the Unit in June 1995 but realisation thereof was awaited (October 1996).

The matter was reported to the Board in August 1995 and March 1996 and to the Government in May 1996. The reply of the Government was awaited (October 1996).

4B.4 Loss due to incorrect application of tariff

According to the Rate Schedule HV-4 applicable to World Bank Tubewells with effect from 18 January 1992, pending installation of suitable trivector meters at the start of the independent feeders, the bills were to be raised for demand charges at the rate of Rs. 70 per BHP per month of total connected load plus energy charges for energy consumed in a month at the rate of 127 paise and 177 paise per Kwh from 18 January 1992 and 16 July 1994 respectively. The monthly energy consumption is worked out on the basis of Load X Factor X hours of supply X number of days (L X F X H X D) formula. In case of large and heavy power consumers having load of more than 75 KW (100 BHP) factor (F) is taken as 0.75 for calculating the energy consumed.

(a) A test check of records of Electricity Distribution Division - II, Gorakhpur revealed (July 1975) that four clusters of World Bank Tubewells with 2142 BHP connected load (ranging between 387.5 and 630 BHP on each cluster) were getting power supply at 11 KV independent feeders without installing trivector meters since January 1992. The division, however, raised incorrect bills on L x F X H X D basis by applying factor of 0.5 instead of 0.75 as provided in the Commercial and Revenue Manual of the Board for assessment of monthly energy consumption during the period January 1992 to March 1995 against the above 4 clusters of World Bank Tubewells. This has resulted in short assessment of 8040314 units valued at Rs. 109.63 lakh.

In reply it was stated (August 1995) by the Executive Engineer that the load of individual State Tubewells was below 75 KW as such the load factor of 0.50 was applied. The reply was not tenable as the metering was to be done at the starting point of the feeder, the load connected to the feeder should have been taken into account for assessing the energy consumption and not the load of individual tubewells.

(b) In a similar case scrutiny of records of Electricity Distribution Division-I, Badaun revealed (June 1995) that two clusters of 58 nos. World Bank Tubewells with the total connected load of 847.5 BHP (Kadar Chowk feeder: 495 BHP and Bindwar: 352.5 BHP) were getting unmetered power supply at 11 KV independent feeders since the date (February 1992) of release of connections. The division raised the bills computed by applying factor of 0.5 instead of 0.75 for assessment of monthly energy consumption during the period February 1992 to June 1995. The incorrect application of factor, thus, resulted in short assessment of 34,99,432 units (kwh) valued at Rs. 49.14 lakh. On being pointed out (July 1995) in Audit, the division issued a supplementary bill in October, 1995 for Rs. 59.81 lakh (including surcharge: Rs. 6.43 lakh and electricity duty: Rs. 1.05 lakh). The bill, however, has not been paid by the consumer so far (September 1996) on the plea that amount of bill could not be verified by them in absence of a meter being installed on the feeder.

The matter was reported to the Board in August 1995 and to the Government in June 1996; their replies were awaited (September 1996).

4B.5 Short levy of fuel surcharge

According to the provisions contained in rate schedules applicable to large and heavy power consumers, fuel surcharge at specified rates was realisable from the consumers.

A test check of records of three Electricity Distribution Division (EDD) revealed (July 1994 to August 1995) that due to wrong application of rates fuel surcharge amounting to Rs. 26.49 lakh was short billed against the consumers as per details given below:

Name of Division	No. of Consumer	Period of short charge	Amount to be assessed	Amount assessed and realised	Amount un-realised
			(Rupees	in	lakh)
1. E.D.D., Orai	7	April 1994 to March 1995	6.19	6.19 (5 Consumers)	--
2. E.D.D., Farrukhabad	2	April 1994 to March 1995	3.06	-	3.06
3. E.D.D.II, Gorakhpur	2	April 1994 to March 1995	17.24	-	17.24
	Total		**26.49**	**6.19**	**20.30**

On being pointed out by Audit, bills for Rs. 26.49 lakh were issued by divisions against which a sum of Rs. 6.19 lakh was realised by Electricity Distribution Division, Orai. Realisation of balance amount of Rs. 20.30 lakh was awaited as of September 1996.

The matter was reported to the Board (July 1995 to April 1996) and to the Government in June 1996; replies have not been received (October 1996).

4B.6 Loss due to under charge of cost of line

Board's order of July 1978 provides that the facility of an independent feeder to the consumers having load above load 100 BHP may be given with the condition that the cost of switchgear to be provided at the start of the feeder and the cost of independent feeder would be charged from the consumer in advance.

Scrutiny of records of Electricity Distribution Division-II, Badaun revealed (June 1995) that a temporary connection of 4 MVA load was sanctioned (February 1991) by the Board to Tata Chemicals and Fertilizers Limited Babrala (Badaun) through an independent feeder for meeting the requirement of power for construction of their project. For giving temporary connection to the consumer, a redundant 66 KV Chandausi-Harduaganj line was renovated and overhauled and a link line of 5.3 kms was constructed to tap the redundant line for which the consumer paid Rs. 40.49 lakh (excluding cost of redundant line) and the load was released through existing 66 KV line.

Subsequently, the Board sanctioned (December 1993) a 2 MVA permanent load to be given to the consumer through an independent feeder. Accordingly, an estimate amounting to Rs. 263.84 lakh was prepared in April 1994 which on representation of the consumer was revised to Rs. 128.49 lakh by the Superintending Engineer in May 1994 on the basis of cost of construction of line. The consumer was asked (August 1994) to deposit Rs. 88 lakh (after making adjustment of Rs. 40.49 lakh already deposited by the consumer against temporary connection) plus system loading charges (Rs. 13 lakh) and security deposit (Rs. 10 lakh). The Board, however, failed to include cost of 33 KV bay (Rs. 17.50 lakh) in the estimate which according to existing Board's order was realisable from the consumer. The consumer contested (October 1994) that since the line was already existing, there was no justification for demanding cost of line. The request of the consumer was acceded to (October 1994) by the Chief Engineer (Distribution), Central Area, Lucknow, who ordered (October 1994) that the connection be released after realising system loading charges (Rs. 13 lakh) and security deposit (Rs. 10 lakh) only. Accordingly, the load was released in December 1994.

The decision of the Chief Engineer (Distribution), Central Area, Lucknow to exempt the consumer from depositing cost of 33 KV feeder (Rs. 88 lakh) including cost of bay (Rs. 17.50 lakh) was injudicious and in contravention to the Board's order of July 1978 which resulted in loss to the Board to the extent of Rs. 105.50 lakh.

The matter was reported to the Board in August 1995 and to the Government in June 1996; replies were awaited (October 1996).

4B.7 Idle investment on procurement of 315 MVA power transformer

The Superintending Engineer, 400 KV sub-station Design Circle, Luknow placed (March 1987) an order on Bharat Heavy Electricals Limited (BHEL) for supply of three auto transformers of 315 MVA capacity each. These transformers were to be installed at 400 KV sub-stations at Muzaffarnagar, Agra and Varanasi. Two of these transformers alongwitth accessories (value: Rs. 543.83 lakh) were received at Agra and Gorakhpur (after being diverted from Muzaffarnagar) in January 1989 and March 1994 respectively.

It was, however, noticed (February 1996) that both the above transformers were lying at Agra and Gorakhpur uncommissioned since their receipt. The non-commissioning of these transformers for the last seven and two years had resulted in not only idle investment of Rs. 545.83 lakh but also interest burden of Rs. 415.44 lakh up to March 1996 (calculated at the rate of 18 per cent per annum).

The matter was reported to the Board in April 1996 and to the Government in June 1996; replies were awaited (June 1996).

4B.8 Non-realisation of initial security

Board's Circular of March 1994 provides levy of initial security from Government/Semi-Government and other consumers who were earlier exempted from depositing security. The amount of initial security was required to be realised, at the rates of Rs. 1000 per KW from Street Light and Public Water Works Sewage/Pumping set consumers and at Rs. 300 per BHP from other category of Government/Semi Government consumers, within 30 days from the issue of demand notice.

Test check of records of four Electricity Distribution Divisions, (EDD) (Jaunpur I & II Mau, Varanasi I) and one Electricity Urban Distribution Division (EUDD) I, Bareilly revealed (September 1994 to June 1995) that bills for initial security amounting to Rs. 86.86 lakh (Public Water Works/Sewage Pumping Set: Rs. 37.43 lakh; Street Light

Consumers: Rs. 8.85 lakh and other consumers; Rs. 40.58 lakh) were not issued to the consumers. However, on being pointed out by audit bills were raised during August 1995 to May 1996 but realisation thereof was still awaited as of October 1996.

The matter was reported to the Board during May 1995 to December 1995 and to the Government in June 1996; the replies were awaited (October 1996).

4B.9 Non-billing of electricity charges

Billing and realisation of revenue in respect of street lights of each electrified village and Harijan Basti was being done centrally by Chief Engineer (commercial), Lucknow on the basis of 10 light points of 40 watt each for each electrified village and two light points of 40 watt each for each Harijan Basti. The system was decentralised by the Board in March 1990 and it was decided that all the dues in respect of electrified villages and Harijan Basties may by realised from the respective *Gram Pradhans* at the divisional level and no electricity should be supplied to defaulting units.

A test check of records of four Electricity Distribution Divisions (EDD) revealed (December 1994 to March 1995) that bills amounting to Rs. 240.44 lakh (including electricity duty) for the period ranging between 21 to 60 months were not raised on the respective *Gram Pradhans* till date of audit as detailed below:

Name of Division	No. Of Electrified Villages	Harijan Basti	Period of Billing	Months	Amount
		(Rupees	in	Lakh	)
EDD-II Mau	186	188	4/93 to 12/94	21	13.43
EDD-II, Faizabad	385	314	4/91 to 2/95	47	52.22
EDD, Barabanki	562	573	4/90 to 11/94	56	78.22
EDD, Siddarth Nagar	649	562	4/90 to 3/95	60	96.57
			Total		240.44

On being pointed out in audit, EDD-II, Mau raised bills for Rs. 13.43 lakh in August 1995, realisation thereof was, however, awaited (May 1996). In respect of remaining three divisions bills were not raised so far (May 1996).

The matter was reported to the Board during May to August 1995 and to the Government in July 1996; replies have not been received (October 1996).

4B.10 Excess issue of conductor

The work of construction of 14 kms long 33 KV Rudrapur-Kichha line was awarded (March 1993) by the Executive Engineer, Electricity Secondary Works Division, Haldwani to a contractor of Kashipur. On completion of the work, the actual length of line was found to be 18.804 kms which was also confirmed by the handing over memo of February 1996.

Scrutiny of records of the division revealed (May 1995) that as against the required length of 58.104 kms {(18.804 x 3 phase) + 3 per cent sagging} of ACSR conductor, the division issued 73.990 kms conductor during the period April 1993 to June 1995. Thus, there was an excess issue of 15.886 kms ACSR conductor valued at Rs. 5.64 lakh. The above excess issue, included 5.85 kms ACSR conductor valued at Rs. 2.08 lakh which was stolen from the line during December 1993 to December 1994. The Division, instead of recovering above from the contractor in terms of the contract executed (March 1993) with him, charged the same on the work by including it in the revised estimate. No justification for excess issue of 10.036 kms conductor as well as non-recovery of value of conductor stolen from the contractor was available on records.

The matter was reported to the Board and to the Government in July 1996; their replies were awaited.

4B.11 Loss due to short receipt back of material from dismantled line

The work of dismantling of 22.5 kms. long 33 KV line from Kelalal Khan to Bhatmai, Sultanpur was awarded (January 1991) to a contractor of Sultanpur by the Executive Engineer, Electricity Workshop Division, Faizabad at a cost of Rs. 1.98 lakh. The work included dismantling of line and carriage of dismantled line materials (value: Rs. 36.45 lakh) from site to Daryapur Hydel Colony, Sultanpur. The work was started in January 1991 and completed in July 1992. On the basis of measurements recorded during the period July 1991 to August 1992, 90 lb. rails of 19 kms. long line and conductors of 22.5 kms. long line were dismantled for which payment of Rs. 1.81 lakh was released to the contractor in April 1993.

Scrutiny of records of the Division revealed (November 1994) that the Junior Engineer, who took over the charge from another Junior Engineer in July 1992 reported (December 1993) that though dismantling of the line had been completed but no line material was available in store or at site. Though the dismantling of the line was completed in July 1992, the contractor did not return the dismantled line materials worth Rs. 2.54 lakh against which the division withheld contractor's payment for Rs. 0.17 lakh and cash security of Rs. 0.20 lakh only leaving a shortage of Rs. 1.64 lakh. The Director, Internal Audit of the Board intimated (November 1995) that material valued at Rs. 4.01 lakh had been received back and orders had been issued to adjust Rs. 0.17 lakh, being value of balance line material, from the bills of the contractor.

On further examination of records by Audit, the Divisional Officer, however, admitted (May 1996) that in fact material worth Rs. 2.22 lakh only had been received back and adjustment of Rs. 0.31 lakh had been made from the contractor's pending claims as of May 1996. The remaining material had not been received back, for which show cause notices had been issued to Assistant Engineer/Junior Engineer found responsible for short accountal of material worth Rs. 1.64 lakh.

This was reported to the Board in February 1995 and to the Government in July 1996; their reply was awaited.

4B.12 Delay in raising of bills and its realisation

Board has been working on borrowed funds including drawl of fund from the cash credit account at the rates varying from 18 to 20 per cent. Delay in raising of assessment bills results in delayed realisation of revenue with consequent effect on ways and means position of the Board.

In case of eight Distribution Divisions the Board could not raise assessment of Rs. 27.98 lakh according to the prescribed billing schedule. Such assessments were raised subsequently at the instance of audit. This resulted in delayed realisation thereof as detailed on the next page:

Sl. No.	Name of the Division	Amount of undercharge (Rupees in lakh)	Nature and period involved	Assessment raised by the division in	Amount recovered (month of recovery) (Rupees in lakh)
1.	EDD-II, Faizabad	2.23	Under billing (July 1994)	June 1995	2.23 (July 1995)
2.	EUDD-I, Gorakhpur	4.87	Under assessment (July 1994 to May 1995)	September 1995	3.76 (March to August 1996)
3.	EDD-II, Allahabad	3.64	Short levy of fuel surcharge (January to March 1994)	June 1994	3.64 (June 1994)
4.	EDD-I, Shahjahanpur	1.25	Non-levy of extra charge for supply at low voltage (July 1994 to August 1995)	October 1995	1.25 (October 1995)
5.	EDD-I, Shahjahanpur	1.03	Non-levy of establishment surcharge (April 1994 to March 1995)	October 1995	1.03
6.	EDD-I, Jhansi	3.73	Under assessment of revenue (March 1993 to April 1995)	November 1995	1.19
7.	EDD, Srinagar	2.24	Short billing (September 1990 to February 1995)	November 1995	2.24
8.	EDD, Orai	8.98	Non-realisation of system loading charges (April 1993 to July 1994)	July 1995	8.98
		27.97			24.32

Out of total amount of Rs. 27.97 lakh raised, two units of the Board could not realise a sum of Rs. 3.65 lakh. Besides, the Board had to bear interest liability of Rs. 4.60 lakh for the period of 'assessment due' and 'assessment raised'.

The matter was reported to the Board during September 1995 to April 1996 and to the Government in July 1996; their replies have not been received as of October 1996.

Uttar Pradesh State Road Transport Corporation

4B.13 Avoidable expenditure

The Rate Schedule (HV-2) of Uttar Pradesh State Electricity Board (UPSEB) applicable to consumers having contracted load of more than 75 KW for industrial and or processing purposes, provides that the demand charges to be billed for each month shall be actual demand or 75 per cent of the contracted load, whichever is higher.

The Rate Schedule (HV-2) also stipulates levy of late payment surcharge if the bill for energy consumed is not paid within the scheduled date of payment indicated in the bill.

Scrutiny of records at Gorakhpur Region revealed (July 1995) that:

(a) A power connection with contracted load of 200 KVA was obtained (October 1990) from UPSEB for the tyre retreading and depot workshop at Basaratpur (Gorakhpur). However, the actual demand of the workshop during the period from October 1990 to February 1996 ranged between 58 and 96.7 KVA whereas during the above period it paid demand charges on 150 KVA (being 75 per cent of 200 KVA) resulting in extra payment of Rs. 4.00 lakh during that period. The Corporation could have got the contracted demand reduced on the basis of average consumption of first one or two years and save the extra demand charges.

(b) The Region during the period from October 1990 to June 1995 also paid UPSEB Rs. 2.49 lakh on account of delayed payment of electricity charges which was attributed by Regional Manager (August 1995) to the ignorance of provisions of UPSEB rate schedule.

Thus, the Corporation made avoidable extra payment aggregating Rs. 6.49 lakh.

The matter was reported to Corporation in October 1995 and to Government in April 1996; their replies were awaited (October 1996).

Lucknow, 8 FEB 1997
The

(P. MUKHERJEE)
Accountant General (Audit)-II
Uttar Pradesh

Countersigned

New Delhi,
The 13 FEB 1997

(V. K. SHUNGLU)
Comptroller and Auditor General
of India

Annexures

ANNEXURE - I

Statement of Companies in which Government had invested more than Rs. 10 lakh but which were not subject to audit by the Comptroller and Auditor General of India.

(Refered to in paragraph 1.2.11)

(Rupees in crore)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
(A) Invested by Pradeshiya Industrial and Investment Corporation Limited (PICUP)							
1.	India Poly Fibres Limited	1992-93	8.03	(-) 24.87	101.53	NIL	Under BIFR
2.	Indo Gulf Fertilisers and Chemicals Corporation Limited	1995-96	18.15	145.23	--	3.27	
3.	Road Master Steel Strips Limited	1995-96	0.62	1.26	--	--	
4.	Jalpac India Limited	1994-95	0.57	1.68	--	0.07	
5.	National Switchgears Limited	1995-96	0.26	(-) 0.58	1.40	--	
6.	Vegepro Food and Feeds Limited	1994-95 (Up to 30 September 1995)	2.23	(-) 10.20	19.24	--	
7.	Raunaq Automotive Components Limited	1995-96	1.50	1.02	3.38	--	
8.	Pashupati Acrylon Limited	1994-95	4.98	(-) 2.29	10.34	--	
9.	Indian Maize and Chemicals Limited	1994-95 (Unaudited)	2.73	(-) 3.92	29.96	--	
10.	Harig Crank Shafts Limited	1995-96	1.86	(-) 1.30	4.98	--	
11.	U.P Drugs and Pharmaceuticals Company Limited	1995-96	0.36	(-) 2.65	10.97	--	

(Rupees in crore)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
12.	Phonix Lamps India Limited	1995-96	5.34	0.23	--	--	
13.	Solarsum Industries Limited	1994-95	0.60	0.56	0.12	--	
14.	Ratan Vanaspati Limited	1994-95 (Unaudited)	0.89	(-) 0.40	0.40	--	
15.	Maya Agro Products Limited	1995-96	0.71	(-) 0.76	--	--	
16.	Hindustan Biotech Limited	NA	0.59	--	--	--	Under implementation stage
17.	Shamkein Spinners Limited	1994-95 (Unaudited)	6.63	(-) 24.68	--	--	
18.	Premier Poly Films Limited	1994-95	0.15	--	--	0.02	
19.	Bharat Berg Limited	1993-94	0.50	(-) 2.54	--	--	BIFR recommended for sale of the unit.
20.	Nicco Batteries Limited	1994-95	0.45	(-) 4.54	23.49	--	Under BIFR.
21.	Sri Nivas Fertilisers Limited	1994-95	0.30	NA	5.25	--	Under BIFR.
22.	ARC Cement Limited	NA	0.14	--	NA	--	Under BIFR.
23.	More Water Pipes Limited*	NA	0.14	NA	NA	--	In production
24.	Mayur Syntex Limited	NA	0.20	NA	NA	--	BIFR has ordered for winding up of the unit.
25.	Universal Insulators and Ceremics Private Limited*	1992-93	10.60	(-) 0.10	1.78	--	Under BIFR

* Invested by PICUP and UPSIDC both.

(Rupees in crore)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
(B) Invested by Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC)							
26.	Ajanta Textiles Limited	NA	0.20	--	--	--	Under BIFR
27.	Ganges Fertilisers and Chemical Limited	1995-96	0.20	(-) 2.28	15.49	--	Under BIFR
28.	Shree Acids and Chemicals Limited	1992-93	0.20	(-) 6.87	1.57	--	Under Litigation
29.	Regal Polymers Limited	1993-94	0.15	(-) 4.55	4.85	--	
30.	Best Boards Limited	1992-93	0.40	(-) 2.62	9.12	--	Under BIFR
31.	Mahadev Fertilisers Limited	1994-95	0.30	(-) 2.42	13.00	--	Under BIFR
32.	Shamken Multifab Limited	1993-94	0.15	2.72	--	0.02	
33.	Samarat Bicycles Limited	1985-86	0.19	(-) 0.01	0.01	--	Under Litigation
34.	Sri Durga Bansal Fertilisers Limited	1994-95	0.28	(-) 1.40	10.78	--	Under BIFR
35.	Telemecanique and Controls India Limited	1994-95	0.12	(+) 2.25	--	--	
36.	Alliance Boards Limited	1993-94	0.20	(-) 1.20	2.58	--	
37.	Poysha Industrial Company Limited	1992-93	0.13	(-) 6.27	17.40	--	
38.	Modipon Limited	1994-95	0.62	(+) 13.17	--	0.25	
39.	Sark Synertek Private Limited	1995-96	0.20	(-) 0.17	2.36	--	
40.	Tarai Foods Limited	1995-96	0.24	(-) 7.35	7.44	--	
41.	Classic Rugs Private Limited	1994-95	0.20	(-) 1.02	2.00	--	
42.	Welga Foods Limited	1992-93	0.22	(-) 1.56	6.83	--	Under BIFR

(Rupees in crore)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
43.	Vidhya Packaging Private Limited	1994-95	0.12	(-) 0.03	0.03	--	
44.	Khateema Fibres Limited	1994-95	0.18	(+) 1.57	NIL	--	
45.	Chandra Synthetics Limited	1993-94	0.40	(+) 0.04	--	--	
46.	Mittal Fertilisers Limited	1993-94	0.23	(-) 2.07	10.05	--	Under BIFR
47.	Belwal Spinning Mills Limited	1994-95	0.15	(-) 3.50	18.13	--	Under BIFR
48.	Aditya Chemicals Limited	1993-94	0.15	(-) 0.31	4.12	--	Under BIFR
(C) Invested by Uttar Pradesh Financial Corporation (UPFC)							
49.	Moon Beam Industries Limited	1993-94	0.19	(+) 0.24	--	--	
50.	Sidh Solvents Limited	1993-94	0.30	(+) 0.34	0.46	--	
51.	Ang Exports Limited	1993-94	0.20	(+) 0.31	--	--	
52.	Alps Industries Limited	1994-95	0.23	(+) 1.94	--	--	
53.	Bholanath International Limited	1993-94	0.13	(+) 0.64	--	--	
54	Swastik Technofab	1994-95	0.30	(+) 0.20	--	--	
55.	Sybly Spenning	1995-96	0.25	(+) 0.82	--	--	
56.	Deewan Tyres Limited	1994-95	0.50	(+) 3.68	--	--	
57.	Deewan Rubber Limited	1994-95	0.50	(+) 9.79	--	--	
(D) Invested by Uttar Pradesh Mineral Development Corportion Limited (UPSMDC)							
58.	Uttar Pradesh Mineral Products Limited	1993-94	0.32	--	--	--	

(Rupees in crore)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
(E) Invested by Uttar Pradesh Hill Electronics Corporation Limited (HILTRON)							
59.	Omni India Limited	NA	0.13	NA	NA	--	
60.	Vinkas General	NA	0.15	NA	NA	--	
61.	Naina Semi Conductors	NA	0.55	NA	NA	--	
62.	Rama Vision Limited	NA	0.66	NA	NA	--	
63.	Daulat Electronics Limited	NA	0.33	NA	NA	--	
	Total		**78.50**				

ANNEXURE - 2

Statement showing particulars of up to date Capital, Budgetary outgo, Loans given out from Budget and outstanding loans as on 31 March 1996.

(Referred to in paragraph 1.2.2)

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	**Paid - up capital as at the end of March 1996** State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
1.	Agriculture	Uttar Pradesh Bhumi Sudhar Nigam Limited	150.00				150.00		
2.		Uttar Pradesh State Agro Industrial Corporation Limited	2399.17 (828.00)	332.83			2732.00 (828.00)	1000.00	1290.00
3.		Uttar Pradesh State Horticulture Produce Marketing and Processing Corporation Limited	640.68		64.25		704.93		269.36
			3189.85 **(828.00)**	**332.83**	**64.25**	**0.00**	**3586.93** **(828.00)**	**1000.00**	**1559.36**
4.	Animal Husbandry	Uttar Pradesh Pashudhan Udyog Nigam Limited	209.08	63.00			272.08		165.11
5.		Uttar Pradesh State Poultry and Livestock Specialities Limited	100.75 (100.00)	62.75			163.50 (100.00)		
			309.83 **(100.00)**	**125.75**	**0.00**	**0.00**	**435.58** **(100.00)**	**0.00**	**165.11**

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
6.	Area Development	Agra Mandal Vikas Nigam	100.00				100.00		5.00
7.		Allahabad Mandal Vikas Nigam	66.97			0.03	67.00		65.92
8.		Bareilly Mandal Vikas Nigam Limited (Formerly Uttar Pradesh Paschimi Kshetriya Vikas Nigam Limited)	125.00				125.00		21.19
9.		Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)			1.22	1.18	2.40		
10.		Gorakhpur Mandal Vikas Nigam	93.56			32.47	126.03		91.60
11.		Lucknow Mandaliya Vikas Nigam	70.00				70.00		85.79
12.		Meerut Mandal Vikas Nigam	100.00				100.00		
13.		Moradabad Mandal Vikas Nigam	25.00				25.00		64.60
14.		Uttar Pradesh Pooravanchal Vikas Nigam	129.80				129.80		35.00

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996: State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
15.		Uttar Pradesh Bundelkhand Vikas Nigam	123.30				123.30		8.28
16.		Varanasi Mandal Vikas Nigam	70.00				70.00		30.00
			936.13		**1.22**	**33.68**	**938.53**		**407.38**
17.	Electronics	Shreeton India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)			124.08	50.63	174.71	42.00	324.00
18.		Uptron Components Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited			5.43		5.43		
19.		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)			5315.59		5315.59		8507.96
20.		Uptron Leasing Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)			100.00		100.00		
21.		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)			117.00		117.00	20.00	24.19

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
22.		Uptron Sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)			2.25		2.25		
23.		Uttar Pradesh Electronics Corporation Limited	8060.07 (500.00)				8060.07 (500.00)	262.00	2611.00
			8060.07 (500.00)		**5664.35**	**50.63**	**13775.05 (500.00)**	**324.00**	**11467.15**
24.	Export Promotion	The Uttar Pradesh Export Corporation Limited	634.27	40.00			674.27		170.13
25.		The Uttar Pradesh State Brassware Corporation Limited	527.86	10.00			537.86		218.19
26.		Uttar Pradesh State Leather Development and Marketing Corporation Limited	573.94				573.94		191.40
			1736.07	**50.00**			**1786.07**		**579.72**
27.	Fisheries	Uttar Pradesh Matsya Vikas Nigam Limited	100.00				100.00		
			100.00				**100.00**		

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996: State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
28.	Food and Civil Supplies	Uttar Pradesh Food and Essential Commodities Corporation Limited	550.39				550.39		1526.50
			550.39				**550.39**		**1526.50**
29.	Harijan and Social Welfare	Tarai Anusuchit Janjati Vikas Nigam	45.00				45.00		325.00
30.		Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	2718.92 (179.00)	2444.18			5163.10 (179.00)		2710.73
31.		Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam Limited	610.00 (10.00)				610.00 (10.00)		1011.52
32.		Uttar Pradesh Bhootpurva Sainik Kalyan Nigam	42.54				42.54		
33.		Uttar Pradesh Mahila Kalyan Nigam Limited	61.00	48.00			109.03		
34.		Uttar Pradesh Samaj Kalyan Nigam Limited	15.00				15.00		686.54
			3492.46 (189.00)	**2492.21**			**5984.67 (189.00)**		**4733.79**

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
35.	Hill Development	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited	20.00		30.00		50.00		17.48
36.		Garhwal Mandal Vikas Nigam	511.50 (50.00)				511.50 (50.00)		957.42
37.		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam)	22.00		28.00		50.00		
38.		Kumaon Mandal Vikas Nigam	992.88 (61.00)				992.88 (61.00)	294.10	590.76
39.		Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)			99.75		99.75		218.00
40.		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)			9.34		8.97		
41.		Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)			5500.00	1250.00	6750.00		

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
42.		Teletronix Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)			280.00	64.71	344.71		144.75
43.		Transcables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)			62.80	0.44	63.24		268.52
44.		Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)			3.27		3.27		
45.		Uttar Pradesh Hill Electronics Corporation Limited	794.53				794.53		
46.		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited			0.79		0.79		
			2340.91 (111.00)		**6013.95**	**1324.12**	**9678.98 (111.00)**	**294.10**	**2196.93**
47.	Home	Uttar Pradesh Police Avas Nigam Limited	300.00				300.00		
			300.00				**300.00**		

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
48.	Industries and Industrial Development	Auto Tractors Limited	562.59			187.41	750.00		37.50
49.		Continental Float Glass Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation)	28.97			17.02	45.99	251.33	177.56
50.		The Indian Turpentine and Rosin Company Limited	18.73			3.29	22.02	45.00	55.00
51.		Uttar Pradesh Instruments (Subsidiary of Uttar Pradesh Industrial Development Corporation	177.72			15.50	193.22	40.00	822.01
52.		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited.)			35.20		35.20		312.66
53.		Uttar Pradesh Carbon and Chemical Limited(Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)			1.27		1.27		
54.		Uttar Pradesh State Mineral Development Corporation Limited	5640.48				5640.48	127.89	60.00

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
55.		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)				270.00	270.00		76.66
			6428.49		**36.47**	**493.22**	**6958.18**	**464.22**	**1541.39**
56.	Institutional Finance	Uttar Pradesh Chalchitra Nigam	818.20			0.22	818.42		15.90
			818.20			**0.22**	**818.42**		**15.90**
57.	Irrigation	Uttar Pradesh Projects and Tubewells Corporation Limited (Formerly Uttar Pradesh Nalkoop Nigam Limited)	490.00 (100.00)	100.00			590.00 (100.00)		
			490.00 (100.00)	**100.00**			**590.00 (100.00)**		
58.	Panchayati Raj	Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam	77.77			68.11	145.88		
			77.77			**68.11**	**145.88**		
59.	Planning	Mohammadabad Peoples Tannery Limited	5.61				5.61		
60.		Uttar Pradesh Development Systems Corporation Limited	100.00				100.00		
			105.61				**105.61**		

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
61.	Public Works	Uttar Pradesh Rajkiya Nirman Nigam Limited	100.00				100.00		
62.		Uttar Pradesh State Bridge Corporation Limited	1000.00				1000.00		
			1100.00				**1100.00**		
63.	Rural and Small Industries	UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)			75.00		75.00		65.00
64.		Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)			1.63	1.57	3.20		10.64
65.		Uttar Pradesh Small Industries Corporation Limited	596.05				596.05		309.55
66.		Uttar Pradesh State Handloom Corporation Limited	1375.49	909.46			2284.95	205.00	1886.78
			1971.54	**909.46**	**76.63**	**1.57**	**2959.20**	**205.00**	**2271.97**
67.	Sugar and Cane Development	Chhata Sugar Company Ltd. (Subsidiary of Uttar Pradesh State Sugar Corporation Ltd.)			1224.52		1224.52		3237.71

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
68.		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)			879.86	15.00	894.86	177.73	176.00
69.		Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	32.59		1666.45		1699.04		17.50
70.		Nandganj Sihori Sugar Company Ltd.(Subsidiary of Uttar Pradesh State Sugar Corporation Ltd.)			3404.04		3404.04	29.89	549.07
71.		Uttar Pradesh(Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.	38.25 (26.00)			30.52	68.77 (26.00)		1253.00
72.		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	50.50 (38.00)			10.83	61.33 (38.00)		1968.35
73.		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	22.73 (3.00)			6.63	29.36 (3.00)		295.17
74.		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	15.30 (5.00)			7.59	22.89 (5.00)		479.78
75.		Uttar Pradesh State Sugar Corporation Limited	48700.92 (786.00)				48700.92 (786.00)		59379.87
			48860.29 (868.00)		**7174.87**	**70.57**	**56105.73 (868.00)**	**207.62**	**7356.45**

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
76.	Tourism	Uttar Pradesh Tourism Development Corporation Limited	819.53				819.53		608.33
			819.53				**819.53**		**608.33**
77.	Waqf	Uttar Pradesh Waqf Vikas Nigam	150.00				150.00		
			150.00				**150.00**		
78.	Finance	The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	11057.50				11057.50	2310.00	40144.41
79.		Uttar Pradesh Alp Sankhyak Vittiya Evam Vikas Nigam	1422.50 (260.00)				1422.50 (260.00)	183.00	2072.00
80.		Uttar Pradesh State Industrial Development Corporation	2407.51				2407.51		3168.00
			14887.51 (260.00)				**14887.51 (260.00)**	**2493.00**	**45384.41**
81.	Textile	Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation)			3190.52		3192.52	275.00	1682.09
82.		Uttar Pradesh State Textile Corporation Limited	16079.37 (500.00)				16079.37 (500.00)		8360.26

(Rupees in lakh)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of March 1996 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
83.		Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)			7842.83	0.01	7842.84		4132.38
			16079.37 (500.00)		**11033.35**	**0.01**	**27112.73 (500.00)**	**275.00**	**14174.73**
84.	Cement	Uttar Pradesh State Cement Corporation	6828.00				6828.00	2973.00	11856.14
			6828.00				**6828.00**	**2973.00**	**11856.14**
85.	Power	Uttar Pradesh Laghu Jal Vidyut Nigam Limited	70.00				70.00	500.00	1900.00
86.		Uttar Pradesh Rajya Vidyut Utpadan Nigam Nigam	252.80				252.80		
			322.80				**322.80**	**500.00**	**1900.00**
		Grand Total	**119922.32 (3445.00)**	**4010.25**	**30065.09**	**2042.13**	**156039.79 (3445.00)**	**8735.94**	**167745.26**

Note: Figures in bracket indicate the budgetary outgo during the year.

ANNEXURE- 3

Summarised financial results for all Government Companies for the latest year for which accounts were finalised
(Except in Columns 4,5,6,14 & 15 figures are in lakhs of Rupee)
(Referred to in paragraph 1.2.2 and 1.2.5)

Serial Number	Department/ Sector	Name of the Company	Date of incorporation	Period of accounts	Year in which finalised	Profit (+)/ Loss (-)	Paid-up capital	Accumulated Profit (+)/ Loss (-)	Capital Invested	Capital employed	Return on capital invested	Return of capital employed	Percentage of total return on	
													Capital invested	Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1.	Agricultrure	Uttar Pradesh Bhumi Sudhar Nigam Limited	30 March 1978	1994-95	1995-96	(-) 8.30	150.00	(-) 50.70	99.30	1534.89	(-) 8.30	6.70	--	8.44
2.		Uttar Pradesh State Agro Industrial Corporation Limited	29 March 1967	1993-94	1995-96	(-) 78.01	1904.05	(-) 4972.89	(-) 3068.84	(-) 178.98	(-) 78.98	(-) 269.81	--	150.75
3.		Uttar Pradesh State Horticulture Produce Marketing and Processing Corporation Limited	6 April 1977	1984-85	1994-95	(-) 66.57	190.76	(-) 255.33	(-) 9.31	80.72	(-) 51.97	(-) 51.97	--	--
4.	Animal Husbandry	Uttar Pradesh Pashudhan Udyog Nigam Limited	5 March 1975	1989-90	1994-95	8.06	146.85	(-) 152.62	126.46	159.87	17.53	17.53	13.86	10.97
5.		Uttar Pradesh State Poultry and Livestock Specialities Limited	7 December 1974	1992-93	1994-95	8.65	153.50	(-) 5.24	148.26	141.22	8.65	8.65	5.83	6.13
6.	Area Development	Agra Mandal Vikas Nigam Limited	31 March 1976	1986-87	1989-90	11.24	100.00	(-) 33.13	71.87	107.44	12.48	12.48	17.36	11.62

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
7.		Allahabad Mandal Vikas Nigam Limited	31 January 1976	1983-84	1992-93	(-) 11.42	67.00	(-) 11.42	121.50	39.52	(-) 9.87	(-) 3.97	--	--
8.		Bareilly Mandal Vikas Nigam Limited (Formerly Uttar Pradesh Paschimi (Kshetriya Vikas Nigam Limited)	31 January 1976	1984-85	1994-95	(-) 69.26	125.00	(-) 90.00	39.86	420.73	(-) 69.26	(-) 56.84	--	--
9.		Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	2 March 1974	1986-87	1993-94	(-) 0.01	2.40	(-) 0.65	1.75	1.45	(-) 0.01	(-) 0.01	--	--
10.		Gorakhpur Mandal Vikas Nigam Limited	31 March 1976	1985-86	1995-96	2.36	122.03	(-) 158.16	243.05	59.54	2.36	2.36	0.97	3.96
11.		Lucknow Mandaliya Vikas Nigam Limited	31 January 1976	1981-82	1992-93	0.44	50.00	(+) 1.49	51.49	60.15	0.44	0.52	0.85	0.86
12.		Meerut Mandal Vikas Nigam Limited	31 March 1976	1992-93	1995-96	(-) 10.52	100.00	(-) 67.47	36.19	38.77	(-) 10.52	(-) 10.52	--	--
13.		Moradabad Mandal Vikas Nigam Limited	30 March 1978	1986-87	1993-94	(-) 0.09	25.00	(+) 4.29	94.48	95.19	2.78	2.78	2.94	2.92
14.		Uttar Pradesh Bundelkhand Vikas Nigam Limited	30 March 1971	1986-87	1995-96	(-) 8.65	123.30	(-) 96.64	36.28	36.12	(-) 8.65	(-) 8.03	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
15.		Uttar Pradesh Pooravanchal Vikas Nigam Limited	30 March 1971	1987-88	1994-95	(-) 13.64	114.80	(-) 107.90	6.90	15.41	(-) 13.64	(-) 13.64	--	--
16.		Varanasi Mandal Vikas Nigam Limited	31 March 1976	1987-88	1993-94	(-) 2.71	70.00	(-) 26.38	55.86	88.29	(-) 2.71	(-) 2.71	--	--
17.	Electronics	Shreeton India (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1 February 1979	1995-96	1995-96	4.15	174.71	(-) 283.35	173.36	357.06	4.15	5.44	2.39	1.52
18.		Uptron Components Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited	31 March 1978			--	5.43	--	5.43	--	--	--	--	--
19.		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	18 October 1979	1994-95	1995-96	(-) 3118.95	5315.59	(-) 16481.00	(-) 7131.81	4897.53	(-) 2739.26	(-) 1070.62	--	--
20.		Uptron Leasing Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	5 January 1988	1995-96	1995-96	2.80	100.00	(+) 15.98	249.12	253.28	133.03	15.57	5.23	6.15
21.		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	10 April 1977	1995-96	1995-96	(-) 6.70	117.00	(-) 10.06	126.54	644.17	(-) 2.46	45.39	--	7.05

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
22.		**Uptron Sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)**	23 May 1977	1979-80	1983-84	(-) 0.78	2.55	(-) 3.37	(-) 0.82	1.86	(-) 0.78	(-) 0.36	--	--
23.		Uttar Pradesh Electronics Corporation Limited	20 March 1974	1995-96	1995-96	1.94	8060.07	(+) 38.31	10659.38	3273.63	1.94	2.07	0.02	0.06
24.	Export Promotion	The Uttar Pradesh Export Corporation Limited	20 January 1966	1993-94	1995-96	(-) 185.44	520.27	(-) 546.45	135.70	525.60	(-) 166.85	(-) 155.56	--	--
25.		The Uttar Pradesh State Brassware Corporation Limited	12 February 1974	1991-92	1995-96	(-) 45.29	537.86	(-) 648.86	(-) 148.44	565.40	(-) 34.96	(-) 34.96	--	--
26.		Uttar Pradesh State Leather Development and Marketing Corporation Limited	12 February 1974	1993-94	1994-95	(-) 74.01	573.94	(-) 624.64	134.95	490.29	(-) 71.51	(-) 63.66	--	--
27.	Fisheries	Uttar Pradesh Matsya Vikas Nigam Limited	27 October 1979	1987-88	1992-93	(-) 34.62	100.00	(-) 72.88	164.06	331.71	(-) 34.62	(-) 34.62	--	--
28.	Food and Civil Supplies	Uttar Pradesh Food and Essential Commodities Corporation Limited	22 October 1974	1985-86	1995-96	34.71	50.00	(+) 95.11	145.11	524.11	34.71	120.97	23.92	23.08
29.	Harijan and Social Welfare	Tarai Anusuchit Janjati Vikas Nigam Limited	2 August 1975	1982-83	1990-91	(-) 4.00	45.00	(+) 0.45	70.45	70.44	(-) 4.00	(-) 4.00	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
30.		Uttar Pradesh Schedule Castes Finance and Development Corporation Limited	25 March 1975	1990-91	1993-94	46.79	2953.90	(+) 291.42	3245.32	3010.81	46.79	46.79	1.44	1.55
31.		Uttar Pradesh Picheari Jati Vittya Evam Vikas Nigam Limited	26 April 1991	1992-93	1994-95	--	100.00	--	100.00	93.47	--	--	--	--
32.		Uttar Pradesh Bhootpurva Sainik Kalyan Nigam Limited	23 May 1989	1993-94	1995-96	57.35	42.54	(+) 50.00	92.54	91.65	57.35	57.35	61.97	62.58
33.		Uttar Pradesh Mahila Kalayan Nigam Limited	17 March 1988	1992-93	1995-96	5.55	99.00	(+) 3.10	102.10	201.42	5.55	5.55	5.44	2.76
34.		Uttar Pradesh Samaj Kalyan Nigam Limited	25 June 1976	1995-96	1995-96	113.28	15.00	(+) 149.50	1375.76	1384.83	113.28	113.28	8.23	8.18
35.	Hill Development	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited	30 June 1975	1987-88	1992-93	(-) 9.19	50.00	(-) 41.94	14.86	20.48	(-) 8.93	(-) 8.93	--	--
36.		Garhwal Mandal Vikas Nigam Limited	31 March 1976	1991-92	1995-96	24.83	441.50	(+) 1.80	1608.98	2572.82	24.83	24.83	1.54	0.97
37.		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam)\	30 June 1975	1983-84	1995-96	(-) 0.95	25.00	(+) 0.39	27.78	25.43	(-) 0.95	(-) 0.95	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
38.		Kumaon Mandal Vikas Nigam Limited	30 March 1971	1991-92	1995-96	(-) 77.77	826.61	(-) 198.09	748.65	795.86	(-) 77.77	(-) 77.77	--	--
39.		Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	24 August 1974	1991-92	1991-92	(-) 44.44	99.75	(-) 109.80	31.47	95.83	(-) 34.48	(-) 25.33	--	--
40.		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	27 April 1987	1989-90	1990-91	(-) 1.61	18.31	(-) 1.61	16.70	12.35	(-) 1.61	(-) 1.61	--	--
41.		Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	29 January 1974	1987-88	1995-96	(-) 0.01	0.07	--	0.08	(-) 1.13	(-) 0.01	(-) 0.01	--	--
42.		Teletronics Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	27 January 1973	1991-92	1994-95	(-) 60.69	174.71	(-) 151.02	48.82	119.44	(-) 53.15	(-) 52.06	--	--
43.		Transcables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	29 November 1973	1993-94	1995-96	(-) 38.64	63.24	(-) 224.29	(-) 159.44	75.17	(-) 38.64	(-) 38.64	--	--
44.		Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	10 August 1987			--	3.27	--	3.27	--	--	--	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
45.		Uttar Pradesh Hill Electronics Corporation Limited	26 June 1985	1992-93	1994-95	(-) 10.51	644.03	(-) 45.68	599.35	319.61	(-) 10.51	(-) 10.51	--	--
46.		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited	18 July 1989			--	0.79	--	0.79	--	--	--	--	--
47.	Home	Uttar Pradesh Police Avas Nigam Limited	27 March 1987	1994-95	1995-96	99.92	300.00	(+) 155.12	466.56	466.24	99.92	99.92	21.42	21.43
48.	Industries and Industrial Development	Auto Tractors Limited	28 December 1972	1991-92	1995-96	10.71	750.00	(-) 6482.96	(-) 5589.72	11132.74	10.71	36.32	(-) 0.19	3.26
49.	--	Continental Float Glass Limited (Subsidiary of Utter Pradesh State State Mineral Corporation Limited)		12 April 1985	1994-95	1995-96	--	4521.43	--	17852.66	(-) 7538.50	--	--	--
50.		The Indian Turpentine and Rosin Company Limited	22 February 1924	1994-95	1995-96	(-) 324.97	22.02	(-) 716.88	(-) 585.45	(-) 431.72	(-) 309.45	(-) 309.45	--	--
51.		Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh Industrial Development Corporation	1 January 1975	1994-95	1995-96	(-) 289.26	202.22	(-) 1895.96	(-) 911.73	(-) 153.13	(-) 146.25	(-) 132.11	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
52.		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	8 March 1978	1994-95	1995-96	(-) 107.43	35.20	(-) 468.47	(-) 142.11	48.89	(-) 61.73	(-) 61.73	--	--
53.	--	Uttar Pradesh Carbon and Chemical Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	12 January	1982			--	1.27	--	1.27	--	--	--	--
54.		Uttar Pradesh State Mineral Development Corporation Limited	23 March 1974	1993-94	1995-96	23.07	5640.48	(-) 100.95	6166.03	2069.14	95.08	96.30	1.54	4.65
55.		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	5 December 1965	1987-88	1995-96	(-) 6.79	--	(-) 13.30	2.85	5.98	(-) 6.57	(-) 6.57	--	--
56.	Institutional Finance	Uttar Pradesh Chalchitra Nigam Limited	10 September 1975	1992-93	1995-96	(-) 11.11	818.42	(-) 1014.09	(-) 145.41	323.12	(-) 11.11	(-) 11.11	--	--
57.	Irrigation	Uttar Pradesh Projects and Tubewells Corporation Limited	26 May 1976	1995-96	1995-96	(-) 116.40	1087.00	(-) 453.86	633.14	570.58	(-) 116.40	(-) 116.40	--	--
58.	Panchayati Raj	Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam	24 April 1973	1988-89	1993-94	0.25	126.68	(+) 11.24	141.52	140.20	0.25	0.25	0.18	0.18

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
59.	Planning	Mahamoodabad Peoples Tannery Limited	21 December 1964	1976-77	1992-93	(-) 0.01	5.61	(-) 4.26	1.35	1.35	(-) 0.01	(-) 0.01	--	--
60.		Uttar Pradesh Development Systems Corporation Limited	15 March 1977	1992-93	1995-96	(-) 1.67	100.00	(+) 1.39	101.39	101.39	(-) 1.67	(-) 1.67	--	--
61.	Public Works	Uttar Pradesh Rajkiya Nirman Nigam Limited	1 May 1975	1993-94	1995-96	(-) 934.69	100.00	(-) 692.54	1146.09	1147.26	(-) 934.69	(-) 934.69	--	--
62.		Uttar Pradesh State Bridge Corporation Limited	18 October 1972	1993-94	1995-96	203.47	700.00	(-) 1543.95	1446.66	3658.64	203.47	203.47	14.06	5.56
63.	Rural and Small Industries	UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	27 April 1976	1988-89	1995-96	(-) 36.33	59.26	(-) 188.99	(-) 86.81	(-) 22.66	(-) 25.66	(-) 25.66	--	--
64.		Uttar Pradesh Plant Protection Appliances(Private)Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	28 June 1972	1974-75	1984-85	(-) 0.81	0.92	(-) 0.81	4.68	4.63	(-) 0.81	(-) 0.81	--	--
65.		Uttar Pradesh Small Industries Corporation Limited	1 June 1958	1990-91	1995-96	8.53	559.05	(-) 116.88	914.20	1580.82	102.42	102.42	11.20	6.48
66.		Uttar Pradesh State Handloom Corporation Limited	9 January 1973	1986-87	1995-96	(-) 322.33	1043.49	(-) 1115.60	904.64	3213.19	(-) 257.92	(-) 257.92	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
67.	Sugar and Cane Development --	Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	April	18 1975	1992-93	1995-96	(-) 592.59	1224.52	(-) 1516.70	613.48	2111.88	(-) 502.15	(-) 384.81	--
68.		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	30 May 1986	1992-93	1995-96	9.34	861.95	(-) 1294.94	(-) 156.43	989.89	90.46	185.50	(-) 56.80	18.74
69.		Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited	February	17 1993-94 1972	1995-96	276.45	1719.04	(-) 525.85	1537.26	3492.14	333.92	575.14	21.72	16.47
70.	--	Nandganj Sihori Sugar Company Ltd.(Subsidiary of Uttar Pradesh State Sugar Corporation Limited)		18 April 1975	1992-93	1995-96	(-) 498.82	3221.45	(-) 5032.14	(-) 959.17	704.38	(-) 397.76	(-) 280.48	--
71.		Uttar Pradesh(Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1994-95	1995-96	13.06	24.77	(+) 13.08	197.98	1846.09	13.06	153.34	6.60	8.31
72.		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1994-95	1995-96	15.22	23.00	(+) 11.84	40.61	1710.24	15.22	109.52	37.48	6.40
73.		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1992-93	1993-94	0.02	26.82	(+) 4.54	32.14	343.54	0.02	43.76	0.06	12.74

ANNEXURE - 4
Showing utilisation of capacity during 1995-96
(referred to in paragraph 1.2.9)

Serial Number	Name of the Company	Unit	Installed capacity	Utilisation	Percentage utilisation
1.	Chhata Sugar Company Limited	Tonne crushing/ day (TCD)	2500	N.A.	67.52
2.	Uttar Pradesh State Sugar Corporation Limited	TCD	55105	44285	80.36
3.	Nandganj Sihori Sugar Company Limited	TCD	1250	N.A.	91.66
4.	Ghatampur Sugar Company Limited	TCD	1250	N.A.	53.12
5.	Kichha Sugar Company Limited	TCD	4000	N.A.	72.53
6.	Transcables Limited	Cable Kilometre (CKM)	7200	1047.17	14.50
7.	Uttar Pradesh Instruments Limited	Number	60000	--	--
8.	Uttar Pradesh Digitals Limited	Number	400000	1,71,600	42.9
9.	Uttar Pradesh State Textile Corporation Limited	Spindles	2.25 lakh	160.88 lakh Kg.	66.78
10.	Uttar Pradesh State Spinning Mills Company Limited	Spindles	1.50 lakh	153.82 lakh kg.	87.48*
11.	Uttar Pradesh State Yarn Company Limited	Spindles	99680	113.56 lakh Kg.	92.77

* **The percentage of capacity utilisation is based on installed capacity of 1.5 lakhs spindles after excluding 0.50 lakh spindles capacity of Akbarpur Mill which remained closed through out the year.**

Serial Number	Name of the Company	Unit	Installed capacity	Utilisation	Percentage utilisation
12.	Uttar Pradesh State Cement Corporation Limited	Tonne in lakh	25.60	5.73	22.38
13.	Uttar Pradesh Hill Electronics Limited	Number	12000	390	3.25
14.	Auto Tractors Limited	Tractor	12000	--	--
		Engine	5000	1235	24.7
15.	Vindhyachal Abrasives Limited	M.T.	1200	581	48.47

ANNEXURE - 5

Statement showing summarised financial results of Statutory corporations for the latest year for which Annual Accounts have been finalised

(Referred to in paragraph 1.3.9)

Sl No.	Name of the Corporation	Name of administrative department	Year of incorporation	Year of accounts	Total capital invested	Profit(+)/ Loss(-) (Rupees	Interest on long term loan in	Total return on capital invested crore)	Total return on capital employed	Capital employed	Percentage of total return on capital invested	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	U.P. State Electricity Board	Power	April 1959	1995-96	13327.24	(+)22.20	1216.45	1238.65	1238.65	11767.38	9.29	10.53
2.	U.P. Financial Corporation	Industries	1954	1994-95	997.90	(+)23.32	72.15	95.47	95.47	977.56	9.57	9.77
3.	U.P. State Warehousing Corporation	Co-operative	1958	1995-96	24.88	(+)4.24	0.42	4.66	4.66	24.39	18.73	19.11
4.	U.P. State Road Transport Corporation	Transport	1972	1994-95	356.78	(-)35.62	20.17	(-)15.45	(-)15.45	99.61	--	--