

ERRATA

Report of the Comptroller and Auditor General of India for
the year 1989-90 (Commercial) - No.2 Government of Uttar Pradesh.

| Page No. | Line | For | Read |
|----------|-------------------------------------|--|--|
| 5 | *Note | The figure as per Finance Accounts iscrores and the difference of Rs.....crores under reconciliation | The figure as per Finance Accounts is Rs.875.00 crores and the difference of Rs.159.18 crores was under reconciliation |
| 6 | 1.2.2(C), 5th line | - | The figure as per Finance Accounts are Rs.270.90 crores and Rs.161.95 crores respectively in respect of 17 companies. The difference was under reconciliation. |
| 8 | | Footnote | Deleted |
| 9 | Table column (1) | 1975-76 to 1978-90 | 1975-76 to 1989-90 |
| 9 | Table column (5) | share | share capital |
| 13 | Table column (1) Sl.No.3 | The Pradeshhiya Industrial and Development Corporation of Uttar Pradesh Limited | The Pradeshhiya Industrial And Investment Corporation of Uttar Pradesh Limited |
| 15 | 2nd para, Table Paid up capital | 1989-89 | 1988-89 |
| 17 | Sl. No.6 | Uttar Pradesh (Paschmi) Ganna Beej Vikas Nigam Ltd. | Uttar Pradesh (Paschmi) Ganna Beej Evam Vikas Nigam Limited |
| 27 | Table Sl.No.3. Profit(+)/Loss(-) | (-)0.27 | (+)0.27 |
| 38 | (*) Foot Note | Figures as per Finance Accounts is Rs.4498.83 crores, the difference is under reconciliation | Figures as per Finance Accounts is Rs.4195.56 crores, the difference is under reconciliation |
| 5 | 1.6.3, 3rd line (col-2) | 10.32 | 10.23 |
| 0 | 2A.7.2(ii), 10th line | during 1986-87 was the | during 1986-87 compared to 1985-86, was the |
| 05 | 2A.10.3, 1st line | stiched | stitched |
| 07 | 2A.11.1 | comission | commission |

| Page No. | Line | For | Read |
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| 108 | 2A.11.2 (under column-2) (under column-5) | 218.19 184.62 | 213.19 181.62 |
| 127 | 2A.12.1.2(ii) 11th line | Rs.113.69 | Rs.13.69 |
| 136 | 3rd para, last line | Rs.4.09 khs upto March 1991 | Rs.4.09 lakhs upto March 1991 |
| 156 | 2B.9.4 (2nd para) | Proce | Price |
| 156 | 2B.9.4 (3rd para, 6th line) | KANPA | KALPA |
| 218 | 2C.9(1), 15th line | cember 1986 | December 1986 |
| 323 | Highlight, 2nd para, 1st line | operation | operating |
| 326 | Table, year 1988-89 | Hi- | Hired |
| 342 | 3.5.8, last line | vehicles | vehicles |
| 359 | 3.10, Table column-5 | given on the next | given on the next |
| 388 | 4B.2.1, last line | 6000 | page |
| | | at the rate of | 600 |
| | | 16.5 per cent | at the rate of 16.5 |
| | | per annum | per cent per annum. |
| 45 | Table, below Divident deficit | The Divisional Officer, in reply | |
| | | - | |
| | | Other assets 22.67 | 17.33 |
| | | | 26.77 |
| 46 | Table - 8th line | (Rupees in lakhs) | (Rupees in crores) |



REPORT
OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR ENDED 31 MARCH 1990
No. 2
(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH



REPORT
OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR ENDED 31 MARCH 1990
No. 2
(COMMERCIAL)

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Preface

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

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

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

3. 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. A list of such undertakings in which Government investment was more than Rs.10 lakhs as on 31st March 1990 is given in Annexure-I.

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

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1989-90 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 1989-90 have also been included, wherever considered necessary.

OVERVIEW

1. The State had 97 Government companies (including 40 subsidiaries), six companies under the purview of Section 619B of the Companies Act, 1956 and four Statutory corporations as on 31st March 1990. Eight Government companies were in the process of liquidation.

(Paragraphs 1.2.1, 1.2.5
and 1.3.1.)

The aggregate paid-up capital of 89 Government companies (excluding 8 companies which were under liquidation) as on 31st March 1990 was Rs. 1216.65 crores of which Rs.1034.18 crores were invested by the State Government, Rs.17.15 crores by Central Government and Rs.165.32 crores by others. The State Government's loans to the extent of Rs.557.67 crores were outstanding as on 31st March 1990 against 62 companies. The State Government had also guaranteed repayment of loans raised by 17 companies and payment of interest thereon. The amounts guaranteed and outstanding thereagainst as on 31st March 1990 were Rs.231.42 crores and Rs.163.80 crores respectively.

(Paragraph 1.2.2)

Only 17 companies had finalised their accounts for the year 1989-90 and the accounts of the remaining 72 companies were in arrears for periods ranging from 1 to 15 years. Of the 17 companies which finalised their accounts up to March 1990, 7 companies earned profit

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aggregating to Rs.15.40 crores and 10 companies incurred losses aggregating to Rs.65.46 crores. According to the latest available accounts, losses of Rs.409.55 crores accumulated by 18 companies far exceeded their paid-up capital of Rs.192.71 crores.

(Paragraphs 1.2.3 and
1.2.4)

Of the six companies coming under the purview of Section 619B of the Companies Act 1956, only four companies finalised their accounts for the year 1989-90 whereas one company did not finalise its accounts since inception and accounts of another company were in arrears for the period from 1980 to 31st March 1990. The accumulated loss in respect of one company aggregating Rs.0.37 crore had exceeded its paid-up capital of Rs.0.24 crore.

(Paragraph 1.2.5)

The Uttar Pradesh State Electricity Board had finalised its accounts for the year 1988-89. The net deficit of the Board up to the year 1988-89 was Rs.594.31 crores.

(Paragraph 1.4)

The Uttar Pradesh State Road Transport Corporation sustained an accumulated loss of Rs.166.46 crores as on 31st March 1990 as against the capital contribution of Rs.226.26 crores.

(Paragraph 1.5.2)

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The Uttar Pradesh Financial Corporation had earned a profit of Rs.3.08 crores during the year 1989-90.

(Paragraph 1.6.4)

The accounts of Uttar Pradesh State Warehousing Corporation were in arrears from 1987-88 onwards. The Corporation earned a profit of Rs. 1.39 crores during the year 1986-87.

(Paragraphs 1.3.3 and 1.7.3)

2. A review of the activities of five companies and of the Uttar Pradesh State Road Transport Corporation Kanpur region revealed the following:

2.1. UTTAR PRADESH EXPORT CORPORATION LIMITED

The Company was incorporated in January 1966 with the main object of undertaking and promoting export.

(Paragraph 2A.1)

While the total turnover of the Company increased during the four years up to 1989-90 mainly through inland sales from its 12 emporia, its exports declined from 87 per cent of total turnover during 1985-86 to 36 per cent in 1989-90. The four export divisions failed to execute export orders valuing Rs. 5.04 crores during the five years ended March 1990 mainly due to their

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failure to procure items and arrange timely supply thereof.

(Paragraphs 2A.7.2 and 2A.8.2)

Export division at Bhadohi, even after 16 years of its existence, had not developed any infrastructure or captive capacity for production of carpets so as to adhere to the quality and time schedule of foreign buyers for promoting exports. In fact, export of carpets by the division decreased to nil in 1989-90.

(Paragraph 2A.8.5.1)

In wood carving division, the work on expansion programme of wood seasoning plant, envisaged to be completed within 10 months of its commencement in 1979-80, remained incomplete even after a lapse of over 10 years. The work having been suspended in 1983-84 had not yet been restarted rendering an aggregate expenditure of Rs.0.13 crore incurred on the expansion programme unfruitful.

(Paragraph 2A.9.3)

Under the chikan production scheme, primarily intended to eliminate exploitation of the poor workers by the middlemen by ensuring fair wages to them and to promote and sell the traditional craft of Lucknow, the Company could enroll only 1588 workers out of the estimated 45000 chikan workers in Lucknow. The actual production under the scheme was less than 50

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per cent of the targets fixed during the years 1988-89 and 1989-90.

(Paragraphs 2A.10.1
and 2A.10.2)

In the case of private parties appointed to run their sale counters in the Company's emporia on payment of commission at agreed rates on sales, commission to the extent of Rs.0.18 crore was short recovered during the five years up to 1989-90 due to:

- reduction in the rates of commission during the validity period of agreements,
- recovery of commission on actual sales instead of annual guaranteed sales, and
- recovery of commission at rates lower than the rates prescribed in the agreements.

(Paragraph 2A.11.4)

Under the carpet weaving training scheme, the Company appoints carpet manufacturers as associates to set up and run carpet weaving training centres, to be converted into regular production centres for a minimum period of three years. In case of default, associates are liable to refund the amount spent by the Company on training centres. In case of 81 centres closed prematurely as far back as in 1983, no action for recovery of Rs.0.64 crore from the defaulting associates had been initiated whereas cases of

default occurring since 1984 remained unidentified due to lack of any follow-up inspection.

(Paragraph 2A.12.1.3)

Under drought relief scheme in handicraft sector introduced in March 1988 by the Government of India for providing employment to artisans in drought affected areas, the Company instead of providing direct employment to artisans, adjusted the wage element of supplies received from existing private manufacturers as expenditure against the scheme and thus, retained the entire amount of grant of Rs.0.43 crore irregularly.

(Paragraph 2A.12.2)

2.2. UTTAR PRADESH STATE FOOD AND ESSENTIAL COMMODITIES CORPORATION LIMITED

The Company was incorporated in October 1974 with the main object of meeting the needs of the community for essential commodities. The accounts of the company were in arrears from 1983-84. Based on provisional accounts, the Company has been continuously incurring losses since 1986-87 and the accumulated losses aggregated to Rs.4.69 crores as on 31st March 1990 as against the paid-up capital of Rs.3.87 crores.

(Paragraph 2B.1, 2B.6,
2B.8.1 and 2B.8.2)

The gross contribution earned by the Company in the trading of four major items—edible oils, sugar, tea and pulses—was not sufficient to cover the overhead expenses of any of the five years up to 1989-90. The net loss incurred during the above period by the trading of these items aggregated to Rs.3.64 crores, out of which a net loss aggregating Rs.2.41 crores was incurred in the trading of imported edible oils alone.

(Paragraph 2B.9.1)

Under the 'price support scheme' the Company failed to achieve the targets fixed for procurement of wheat in each of the five years up to 1989-90. Actual procurement of wheat per centre decreased from 480 tonnes in 1985-86 to 110 tonnes in 1988-89 whereas there was an increase in expenditure per tonne of wheat procured from Rs.116.07 in 1985-86 to Rs.323.11 in 1988-89. However, reasons therefor, were not analysed by the Management. Besides, the Company incurred incidental charges in excess of those reimbursed by the Food Corporation of India resulting in a loss of Rs.123.62 lakhs during the three years from 1986-87 to 1988-89.

(Paragraph 2B.10.1)

Under the paddy procurement scheme, the Company had to incur a loss of Rs.0.15 crore, including interest of Rs.0.02 crore on cash credit, on the sale of rice obtained from paddy procured during 1984-85, as its cost was much higher than the prevailing market prices.

(Paragraph 2B.10.2)

The Company started operation of Janta stores in 1975-76 by opening 51 stores, which increased to 195 stores as on 31st March 1990, as against 422 Janta stores envisaged to be opened by the end of 1989-90. However, most of these stores were not economically viable. Besides, the Company was also engaged in operation of mobile vans so as to reach inaccessible and remote areas in the State. Twenty-seven chassis, purchased in March 1990, were lying with the suppliers as the Company did not have sufficient funds for fabrication of their bodies, resulting in blocking of the Company's funds to the extent of Rs.0.62 crore involving an interest liability of Rs.0.04 crore up to March 1991.

(Paragraph 2B.9, 2B.11.1
and 2B.11.2)

There were delays ranging from 1 to 1909 days in transfer of sale proceeds aggregating to Rs.18.35 crores pertaining to the period 1981-82 to 1987-88 to cash credit account for procurement of wheat and paddy, resulting in excess payment of interest of Rs.0.32 crore to the banks. The claim of Rs.0.29 crore raised by the Company in July 1988 had not been accepted by the bank so far (October 1990).

(Paragraph 2B.12.1(i))

3. VARANASI MANDAL VIKAS NIGAM LIMITED

The Company was incorporated in March 1976 with a view to promoting and advancing

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economic, industrial and agricultural development in the five districts of Varanasi Mandal.

(Paragraph 2C.1.)

The Company undertook to establish and operate four projects-wool yarn dying plant, cold storage, agricultural workshop and a rice mill. The dyeing plant installed in August 1982 at a capital cost of Rs.0.74 crore and on which a revenue expenditure of Rs.0.13 crore had been incurred up to March 1990, had been lying idle ever since and was a major cause for the cash crunch of the Company. The other three projects also could not be successfully implemented.

(Paragraph 2C.7)

Fertilizer business constituted more than 80 per cent of the trading activities of the Company. However, the Company failed to cover the overheads and other expenses relating to this activity and the Company sustained losses aggregating Rs.0.09 crore during 1982-83 to 1985-86.

(Paragraph 2C.8.3.1(i))

Contrary to the instructions of the Commissioner, Agriculture Production and Rural Development to purchase rice and pulses from Food and Civil Supplies Department and Pradeshiya Cooperative Federation / U.P. State Food and Essential Commodities Corporation Limited respectively, the Company purchased Pushta Aahar under Bal Vikas Pariyojna and Flood Relief scheme from private parties on the basis of limited

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quotations/tenders. Due to purchase of rice, moong and gur at higher rates from private parties the Company incurred an extra expenditure of Rs.0.19 crore, thereby reducing to the extent the quantity of Pushta Aahar that could have been supplied to beneficiaries under these schemes.

(Paragraphs 2C.9 and 2C.10)

To make available assured supply of water for irrigation to small / marginal farmers at reasonable rates, the Company got 30 community tubewells constructed at a cost of Rs.0.18 crore through the Minor Irrigation Department during 1981-82 to 1986-87, as against 60 tubewells envisaged in the scheme. Of the 30 tubewells constructed, 2 tubewells failed, 6 were incomplete, 9 tubewells constructed at a cost of Rs.0.09 crore in June 1986 were yet to be taken over and in respect of the balance 13, there was a shortfall in revenue aggregating Rs.0.09 crore during July 1986 to March 1989. As the Company could not run the scheme economically, the Board decided in August 1988 to dispose off all the tubewells at their salvage value. These were, however, yet to be disposed of (November 1990).

(Paragraph 2C.13)

2.4. UTTAR PRADESH CARBIDE AND CHEMICALS LIMITED

The Company was incorporated in April

1979 as a wholly owned subsidiary of Uttar Pradesh State Mineral Development Corporation Limited (UPSMDC) for implementation and execution of a project for manufacture of calcium carbide, estimated to cost Rs.7.26 crores.

(Paragraphs 2D.1 and
2D.6.1)

Setting of calcium carbide plant of 16500 tonnes capacity on turnkey basis was awarded in February 1979 to Engineering Projects (India) Limited (EPI) at a lump sum fixed price of Rs. 5.75 crores, revised to Rs.6.07 crores with the increase in capacity of plant to 21000 tonnes. The estimated project cost was revised to Rs. 8.06 crores in May 1979 and further revised to Rs.14.70 crores in January 1984. The plant was commissioned in December 1985 at a final cost of Rs.16.04 crores. The increase in the project cost was attributed by the Management in September 1990 mainly to inclusion of additional plant facilities, additional liability of sales tax, installation of pollution control plant and additional liability of interest, establishment cost and cost escalation paid to EPI.

(Paragraph 2D.6.1)

The Company had been continuously incurring losses since its inception and the accumulated loss of Rs. 7.27 crores at the end of March 1990 had completely wiped off the paid-up capital of Rs.6.59 crores. The losses were mainly due to higher interest burden, consumption

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of raw material in excess of the requirement as envisaged in the project report and extra expenditure on transportation of lime by road instead of by ropeway.

(Paragraph 2D.8.2)

Norms for consumption of raw material for manufacture of calcium carbide and drums have not been fixed by the Management so far (September 1990). However, as compared to requirement of raw material for production of calcium carbide as per agreement with EPI, there was an excess consumption of raw material valuing Rs.3.75 crores during the five years up to 1989-90. Similarly, in case of manufacture of steel drums for packing of calcium carbide, as compared to requirement of material adopted for working out the cost of drums for excise purposes, there was an excess consumption of sheets valuing Rs.1.02 crores during the same period.

(Paragraphs 2D.6.4 and
2D.6.8)

Due to transportation of limestone by road instead of by the existing ropeway of UPSMDC, the Company had to incur an extra expenditure of Rs.0.16 crore during the four years up to 1989-90.

(Paragraph 2D.9.5)

2.5 BHADOHI WOOLLENS LIMITED

The Company was incorporated in June

1976 as a public limited company in joint sector with a view to fulfilling the demand for woollen yarn of the local carpet weavers. In April 1981, the Company became a subsidiary of Uttar Pradesh Export Corporation Limited and in April 1982, its management was transferred to Uttar Pradesh State Textile Corporation Limited.

(Paragraph 2E.1)

The accumulated loss of the Company up to 31st March 1990 was Rs.4.84 crores which had completely eroded the paid-up capital of Rs.3.17 crores. The losses were mainly due to underutilisation of capacity, low yield, excess deployment of labour and consumption of raw material in excess of the norms as envisaged in the project report.

(Paragraphs 2E.7.1 and 2E.7.2)

In view of continuous losses since inception, the Company had gone in for expansion of its mill in 1985-86, with cent per cent financial assistance (Rs.2.00 crores) of Government by way of equity augmenting the installed capacity to manufacture woollen yarn from 3.80 lakh to 9.50 lakh kgs., and of dyeing job from 5.25 lakh to 8.75 lakh kgs., with the sole objective of improving the working results. While it was projected to earn profit from the second year of expansion by ensuring capacity utilisation at 70 per cent, the maximum capacity utilisation actually achieved in the post-expansion period of four years up to 1989-90 was only 29 per

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cent (yarn) and 42.6 per cent (dyeing) which was not even 75 per cent of the pre-expansion installed capacity, defeating the very purpose of expansion.

(Paragraph 2E.6)

The Company continued to engage workers on the basis of full capacity utilisation and, therefore, not only the actual output per worker per annum was far below the norms prescribed in expansion project report both for spinning and dyeing of woollen yarn, but an extra expenditure of Rs.0.57 crore was incurred on payment of wages to the workers employed in excess during the four years up to 1989-90.

(Paragraph 2E.8.2)

The yield of yarn from the Indian and imported wool was low as compared to norms, resulting in short recovery of yarn valuing Rs.1.06 crores during the four years up to 1989-90.

(Paragraph 2E.11)

2.6. UTTAR PRADESH STATE ROAD
TRANSPORT CORPORATION -
KANPUR REGION

While the region earned operating profit on the hired vehicles, it had been continuously incurring operating losses on its own vehicles which aggregated to Rs.8.54 crores during the five years up to 1989-90.

(Paragraph 3.4)

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As on 31st March 1990, 31 per cent of the fleet strength of the region was more than eight years old and only 11 per cent of the buses, due for renovation having covered 3 lakh kilometres, had undergone renovation.

(Paragraph 3.5.2)

The consumption of high speed diesel in excess of the norms fixed by the Corporation aggregated to Rs.1.48 crores during the five years up to 1989-90.

(Paragraph 3.5.6)

The Region sustained a loss of revenue of Rs.2.12 crores, due to prolonged detention of buses in the regional and depot workshops and delay in putting new buses on road.

(Paragraphs 3.8.1, 3.8.2 and 3.9)

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

(i) In respect of Uttar Pradesh State Mineral Development Corporation Limited, purchase and installation of a stone crusher in May 1987 for producing two composite sizes of grits, the marketability of which was not sustainable, resulted in an idle investment of Rs.0.44 crore and consequential loss of interest of Rs.0.21 crore thereon up to October 1990.

(Paragraph 4A.1.1)

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(ii) In respect of Gorakhpur Mandal Vikas Nigam Limited, purchase of 200 diesel engines of Parry make, which were new for the area, for sale to farmers without ascertaining their demand and choice for various makes of engines resulted in locking up of funds of Rs.0.09 crore in the 124 engines lying unsold.

(Paragraph 4A.4)

(iii) A test check of the records of Uttar Pradesh State Electricity Board disclosed that:

(a) There were cases of short assessment of revenue amounting to Rs.2.40 crores due to application of incorrect tariff and non-billing of revenue.

(Paragraphs 4B.1.1,
4B.1.2, 4B.2.1, 4B2.2
and 4B.2.3)

(b) In commissioning of substation equipments, the Board had to make payment of exalation charges of Rs.0.23 crore due to delay in completion of civil works and supply of equipments.

(Paragraph 4B.5)

CHAPTER - I

GENERAL VIEW OF GOVERNMENT COMPANIES
AND
STATUTORY CORPORATIONS

CHAPTER - I

1. GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introduction

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

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

1.2. Government companies - General view

1.2.1 There were 97 Government companies (including 40 subsidiaries) as on 31st March 1990 as against 98 Government companies (including 42 subsidiaries) as on 31st March 1989.

According to the information received by Audit during the year 1989-90, one subsidiary company viz., Chandpur Sugar Company Limited was amalgamated with its holding company viz., Uttar Pradesh State Sugar Corporation Limited; one subsidiary viz., Uttar Pradesh Hill Electronics Corporation Limited became a wholly owned Government company, and eight Government companies (including six subsidiaries) were in the process of liquidation. The particulars

of those in the process of liquidation during the year are given below:

| Name of the Company | Date of incorporation | Date of going into liquidation |
|--|-----------------------|--------------------------------|
| 1 | 2 | 3 |
| (1)The Indian Bobbin Company Limited | 22nd February 1924 | 10th September 1973 |
| (2)The Turpentine Subsidiary Industries Limited (Subsidiary of the Indian Turpentine and Rosin Company Limited) | 11th July 1939 | 1st April 1978 |
| (3)Uttar Pradesh Potteries (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | 28th June 1972 | 27th April 1985 |
| (4)Uttar Pradesh Build-ware (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | 28th June 1972 | 12th April 1988 |
| (5)Uttar Pradesh Roofings (Private) Limited (Subsidiary | 24th November 1973 | 8th December 1987 |

| 1 | 2 | 3 |
|---|--------------------------|-------------------------|
| of Uttar Pradesh Small Industries Corporation Limited) | | |
| (6) Krishna Fasteners Limited (Subsidiary) of Uttar Pradesh Small Industries Corporation Limited) | 14th December 1973 | 22nd July 1988 |
| (7) Faizabad Roofings Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | 16th Feb- ruary 1974 | 8th Septem- ber 1987 |
| (8) The Gandak Sama- desh Kshetra Vikas Nigam Limited | 15th March 1975 | 7th June 1977 |

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

(a) Against the aggregate paid-up capital of Rs.1160.72 crores of 90 companies (including 36 subsidiaries but excluding 8 compa-

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nies under liquidation) as on 31st March 1989, the aggregate paid-up capital as on 31st March 1990 stood at Rs.1216.65 crores in 89 companies (including 34 subsidiaries but excluding 8 companies under liquidation), as given below:

| Particulars | Number of companies | Investment by | | | Total |
|---|---------------------|------------------------|----------------------|---------|---------|
| | | com-State | Cent- | Others | |
| | | panies Gove- rnment | tral Gove- rnment | | |
| | | (Rupees in crores) | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| (1) Companies wholly owned by State Government | 37 | 966.67 | -- | -- | 966.67 |
| (2) Companies jointly owned with Central Government/ others | 18 | 65.36 | 17.15 | 2.00 | 84.51 |
| (3) Subsidiary companies | 34 | @2.15 | -- | 163.32@ | 165.47@ |
| Total | 89 | 1034.18* | 17.15 | 165.32 | 1216.65 |

* The figure as per Finance Accounts is crores and the difference of Rs. crores was under reconciliation.

@ Excludes figures in respect of Uttar Pradesh Hill Phones Limited as the data were not available.

(b) The balance of long-term loans outstanding in respect of 62 companies (including 21 subsidiaries) as on 31st March 1990 was Rs.1180.55 crores (State Government: Rs.557.67 crores; others: Rs.551.98 crores and deferred payment credits: Rs.70.90 crores), as against Rs.936.93 crores (State Government: Rs.331.76 crores; Central Government: Rs.0.36 crore; others: Rs.533.58 crores and deferred payment credits: Rs.71.23 crores) in respect of 61 companies including 23 subsidiaries) as on 31st March 1989.

A graph showing investment of State Government, Central Government and holding companies and others and the loans outstanding in these companies as on 31st March 1990 vis-a-vis the comparative position for the year 1987-88 and 1988-89 is given in figure-I.

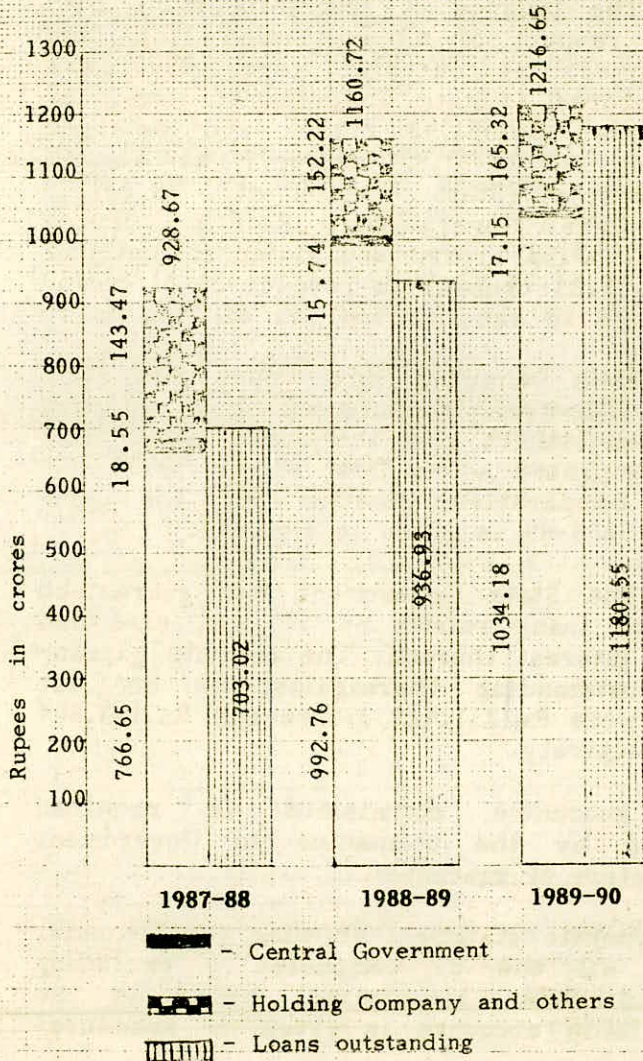
(c) The State Government had guaranteed repayment of loans raised by 17 companies and payment of interest thereon. The amounts guaranteed and outstanding thereagainst as on 31st March 1990 were Rs.231.42* crores and Rs.163.80* crores respectively.

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

1.2.3 A synoptic statement showing the financial results of all the 89 companies (excluding 8 companies under liquidation) based on the latest available accounts is given in Annexure-3.

(7)

FIGURE - 1 [Referred to in paragraph 1.2.2(b)]



Out of total 89 companies for which accounts up to 1989-90 were due, 17 companies had finalised their accounts for the year/period ending 31st March 1990 (serial numbers 3,7,13,14, 18,30,31,34,43,44,45,49,60,61,68,88 and 89 of Annexure-3). In addition, 42 companies had finalised their accounts for some earlier years since the previous Report (serial numbers, 1,2,5,6,8,10,11,12,17,19,20,22,24,27,28,29,33,35,37, 39,42,52,54,56,57,58,59,64,65,67,70,71,72,74,76,77, 78,80,81,82,85 and 86 of Annexure-3).

It will be observed from Annexures-2 and 3 that the accounts of 72 companies (including 26 subsidiaries) were in arrears ranging from 1 to 15 years. The position of arrears is summarised as given on the next page.

* The figures as per Finance Accounts are
 Rs. crores and Rs. crores respec-
 tively in respect of companies the
 difference of Rs. was under reconcilia-
 tion.

| Extent of arrears | Numb- er of years invol- ved | Number of companies involved | | Investment | | | | Referen- ce to serial number of Anne- xure- 3 |
|-------------------------|--|------------------------------------|------------------------|------------|-------|--------------|-------|--|
| | | | | Government | | Holding | | |
| | | compa- nies | sub- sidi- aries | Share | Loans | companies | | |
| | | | | | | Share | Loans | |
| | | | | | | cap- ital | | |

(Rupees in crores)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--------------------------|----|----|---|------|------|------|----|----------|
| 1975-76 to 1978-90 | 15 | -- | 1 | -- | -- | 0.02 | -- | 15* |
| 1976-77 to 1989-90 | 14 | -- | 1 | -- | -- | 0.06 | -- | 62* |
| 1977-78 to 1989-90 | 13 | 1 | 1 | 0.03 | -- | 0.03 | -- | 4,16* |
| 1978-79 to 1989-90 | 12 | 1 | - | 1.23 | 0.05 | -- | -- | 9 |
| 1979-80 to 1989-90 | 11 | -- | 2 | -- | 0.86 | 0.07 | -- | 63*, 73* |

(6)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--------------------------|----|---|---|-------|-------|------|------|------------------------------------|
| 1980-81 to 1989-90 | 10 | 1 | 3 | 5.33 | 0.74 | 0.30 | -- | 26*,29, 48*,69* |
| 1981-82 to 1989-90 | 9 | 2 | 1 | 14.15 | 12.75 | 0.30 | -- | 19,40*, 50 |
| 1982-83 to 1989-90 | 8 | 3 | 1 | 4.94 | 8.01 | 0.03 | -- | 59*,51, 54,67 |
| 1983-84 to 1989-90 | 7 | 4 | 3 | 6.73 | 3.07 | 1.03 | 0.40 | 23*,32 41*,42, 53,57*, 64 |
| 1984-85 to 1989-90 | 6 | 4 | - | 18.28 | 1.61 | -- | -- | 6,10,35 71 |
| 1985-86 to 1989-90 | 5 | 4 | - | 14.37 | 1.61 | -- | -- | 20,46,47 66 |

(10)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---------|---|---|---|--------|--------|-------|------|--|
| 1986-87 | | | | | | | | |
| to | | | | | | | | |
| 1989-90 | 4 | 3 | 1 | 14.89 | 0.30 | 0.04 | 0.09 | 36,55, 72,81* |
| 1987-88 | | | | | | | | |
| to | | | | | | | | |
| 1989-90 | 3 | 9 | 2 | 65.92 | 55.39 | 6.59 | -- | 2,11,17 25,27,52, 56,74*, 76,79, 87* & |
| 1988-89 | | | | | | | | |
| to | | | | | | | | |
| 1989-90 | 2 | 6 | 3 | 274.89 | 438.90 | 52.42 | 1.37 | 5,22*, 37*,39, 58,65, 75*,77 78 |
| 1989-90 | 1 | 8 | 7 | 339.16 | 30.52 | 25.61 | 3.28 | 1,8,12*, 21*,24,28 33*,38, 70*,80, 82*,83, 84*,85,86* |
| Total | | | | 759.92 | 553.81 | 86.50 | 5.14 | |

* Subsidiary companies

& Data in respect of U.P.Hill Phones Limited are not available.

In the absence of finalisation of accounts for a number of years (ranging from 1 to 15 years) in respect of a large number of Government companies, the productivity of the investment of Rs.1313.73 crores (capital: Rs.759.92 crores and loans: Rs.553.81 crores) by the State Government in these companies could not be conclusively vouchsafed nor could their performance and state of affairs be evaluated.

The position of arrears in finalisation of accounts was last brought to the notice of Government in January 1991 at the level of Chief Secretary.

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

(a) Out of 17 companies which finalised their accounts for 1989-90, 7 companies (including 1 subsidiary) earned profit during the year. The profits during the year 1989-90 as compared to the previous year are given on the next page.

| Name of the | Paid-up capital | | Profit(+)/loss(-) | | Percentage | | Refer- |
|-------------|-----------------|---------|-------------------|---------|------------|------------|---------|
| | 1988-89 | 1989-90 | 1988-89 | 1989-90 | of profit | to paid-up | ence to |
| | | | | | capital | serial | number |
| | | | | | 1988-89 | 1989 | ofAnn- |
| | | | | | | -90 | exure-3 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|
|---|---|---|---|---|---|---|---|

(Rupees in crores)

| | | | | | | | |
|---|--------|--------|----------|---------|-------|------|----|
| 1. Uttar Pradesh Industrial Development Corporation Limited | 21.42 | 21.42 | (+)2.58 | (+)3.07 | 12.0 | 14.3 | 3 |
| 2. Uttar Pradesh State Textile Corporation Limited | 104.72 | 113.04 | (-)6.83 | (+)5.03 | -- | 4.4 | 7 |
| 3. The Pradesh-hiya Industrial and Development Corporation of Uttar Pradesh Limited | 83.88 | 94.78 | (+)0.36 | (+)5.57 | 0.4 | 5.9 | 13 |
| 4. Uttar Pradesh (Rohilkhand-Tarai) Ganna | 0.25* | 0.25 | (+)0.05* | (+)0.07 | 20.0* | 28.0 | 43 |

(13)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--|--------|------|----------|----------|-------|--------|----|
| Beej Evam Vikas Nigam Limited | | | | | | | |
| 5. Uttar Prad- esh (Poorva) Ganna Beej Evam Vikas Nigam Limited | 0.18* | 0.27 | (-)0.003 | (+)0.008 | -* | 3.00 | 45 |
| 6. Harijan Evam Nirbal Varg Avas Nigam Limited | 0.15 | 0.15 | (+)1.19 | (+)1.65 | 793.3 | 1100.0 | 61 |
| 7. Uptron Leas- ing Limited (Subsidiary of Uptron India Limited) | 1.00** | 1.00 | (+)0.002 | (+)0.007 | 0.02 | 0.7 | 89 |

* Period from July 1988 to March 1989

**Period from January 1988 to March 1989.

A graph showing the paid-up capital at the close of 1989-90 vis-a-vis profit earned during the year-period by the seven companies is given in figure-2.

(b) The remaining 10 companies (including 7 subsidiaries) incurred losses during the year 1989-90. The particulars giving comparative position of the previous year, are given below:

| Name of the company | Paid-up capital | | Profit(+)/loss(-) | | Reference to serial number of Annexure - 3 |
|---|--------------------|---------|-------------------|--------------|--|
| | 1989-89 | 1989-90 | 1988-89 | 1989-90 | |
| | (Rupees in crores) | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Uttar Pradesh State Cement Corporation Limited | 63.73 | 68.28 | (-) 41.67 | (-) 30.98 | 14 |
| 2. Auto Tractors Limited | 7.50 | 7.50 | (-) 9.25 | (-) 10.87 | 18 |
| 3. Uttar Pradesh State Spinning Mills Company | 39.75 | 43.51 | (-) 9.43 | (-) 6.94 | 30 |

| 1 | 2 | 3 | 4 | 5 | 6 |
|--|-------|-------|-------------|--------------|----|
| Limited (Subsidi- ary of Uttar Pradesh State Textile Corpora- tion Lim- ited)(Succ- essors of Uttar Pra- desh State Spinning Mills Company (NO.I)Lim- ited) | | | | | |
| 4. Uttar Pradesh State Yarn Company Limited (Subsidi-ary of Uttar Pradesh State Tex- tile Cor- poration Limited) (successors of Uttar Pradesh | 23.57 | 23.57 | (-) 5.07 | (-) 13.79 | 31 |

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|-------------------|------|--------------|-------------|----|
| State Spinning Mills Company (NO.II) Limited) | | | | | |
| 5. Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Ind- ustrial Develop- ment Cor- poration Limited) | 2.02 | 2.02 | (-)@ 1.31 | (-) 1.48 | 34 |
| 6. Uttar Pradesh (Paschim) Ganna Beej Vikas Nigam Limited | 0.22 [@] | 0.22 | (-)@ 0.02 | (-) 0.05 | 44 |
| 7. Uttar Pradesh Tyres and Tubes Limi- ted(Subsi- diary of Uttar Pradesh | 1.57 | 1.83 | (-) 0.61 | (-) 1.44 | 49 |

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|-------------------|------|-----------|----------|----|
| State Industrial Development Corporation Limited) | | | | | |
| 8. Bhadohi Woollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) | 3.17 | 3.17 | (-) 1.29 | (-) 0.81 | 60 |
| 9. Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Limited) | 0.22 [@] | 0.22 | (-)@ 0.02 | (-) 0.06 | 68 |
| 10. Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation) | 1.14 | 1.14 | (-)@ 0.04 | (-) 0.28 | 88 |

@ Period from July 1988 to March 1989

(19)

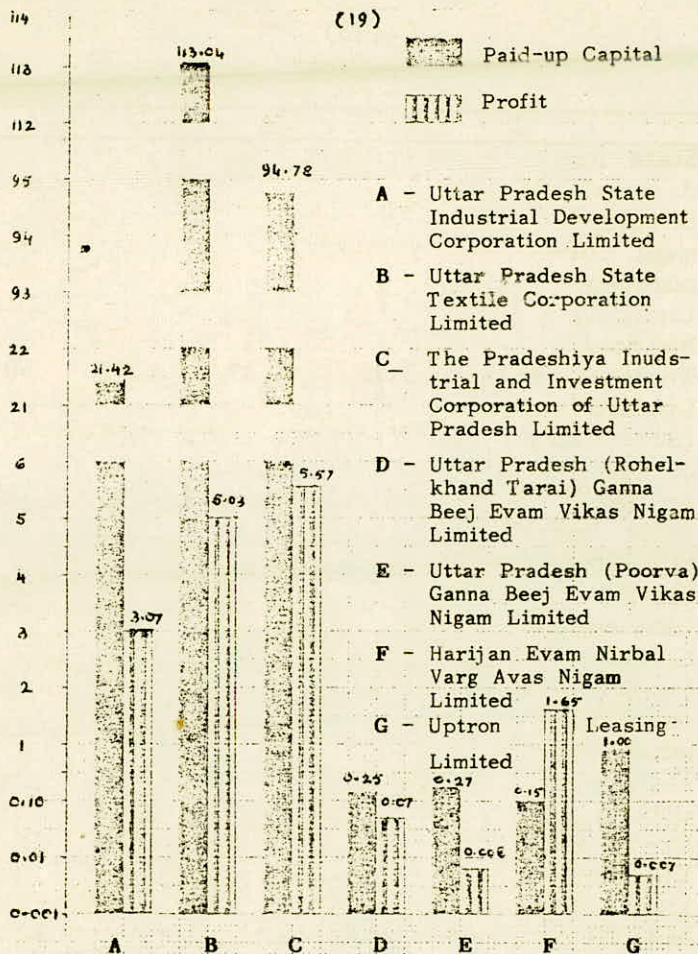


FIGURE -2 [Referred to in paragraph 1.2.4(a)]

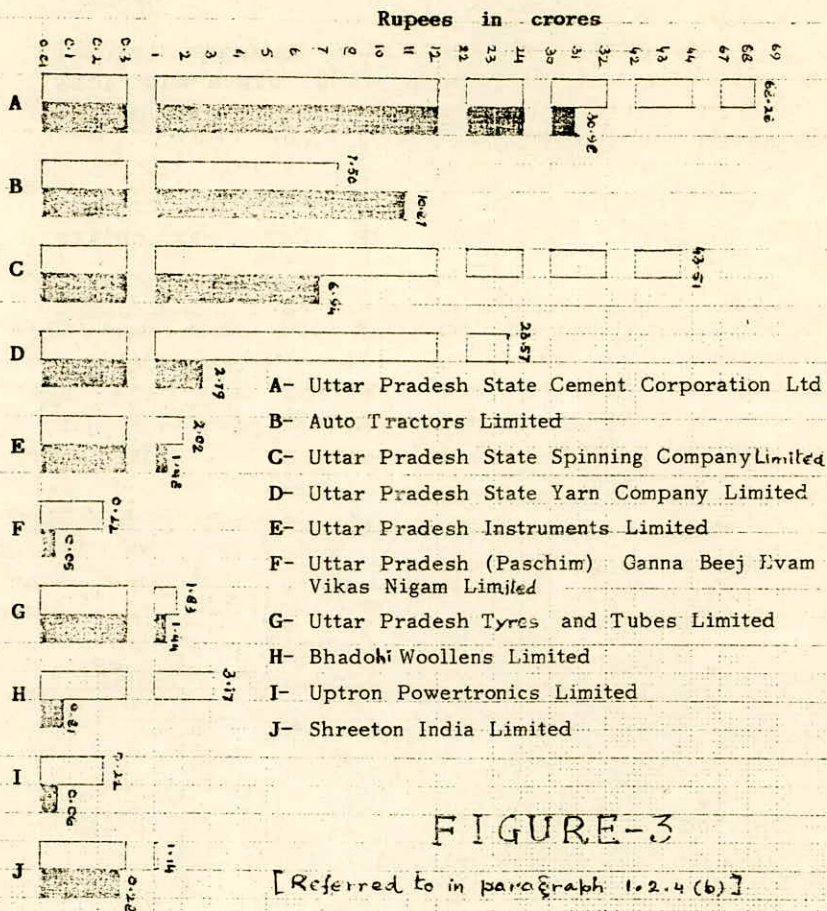


FIGURE-3

[Referred to in paragraph 1.2.4 (b)]



Loss



Paid-up capital

A graph showing the paid-up capital as at the end of March 1990 vis-a-vis loss incurred during the year by the 10 companies is given in figure-3.

(c) During the year 1989-90 four companies declared dividend as per particulars given below:

| Name of the company | Year of accounts | Distributed surplus | Amount retained in business | Dividend declared | Percentage of dividend paid up capital | Reference to Annexure -3 |
|---|------------------|---------------------|-----------------------------|-------------------|--|--------------------------|
| (Rupees in crores) | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. The Indian Turpentine and Rosin Company Limited | 1988-89 | 0.17 | 0.13 | 0.04 | 18.6 | 1 |
| 2. Uttar Pradesh State Industrial Development Corporation Limited | 1989-90 | 0.44 | 0.01 | 0.43 | 2.0 | 3 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--|---------|------|------|------|------|----|
| 3.Uttar Pradesh Rajkiya Nirman Nigam Limited | 1987-88 | 1.59 | 1.36 | 0.23 | 23.0 | 39 |
| 4.Uttar Pradesh (Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Limited | 1989-90 | 0.12 | 0.11 | 0.01 | 4.0 | 43 |

The dividend of Rs.0.71 crore declared by four Government companies worked out to 0.07 per cent of the total investment of Rs.1031.92 crores by the State Government in 89 Government companies (including 34 subsidiaries).

(d) As shown in Annexure-2 the accumulated loss in respect of the following 18 companies (including 13 subsidiaries) as reflected in the accounts received up to the period noted against each exceeded their paid-up capital as at the end of that year:

| Ser- ial num- ber | Name of the comp- any | Year up to which accounts recei- ved | Paid- up capital at the end of the year | Accum- ulated loss up to the year | Perce- ntage of acc- umulated loss to paid-up capital | Serial number of Ann- exure- 2 |
|----------------------------|--|--|---|--|---|---|
| (Rupees in crores) | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. | Uttar Pradesh State Agro Industrial Corpo- ration Limited | 1983-84 | 7.34 | 13.83 | 188.4 | 6 |
| 2. | Kichha Sugar Comp- any Limited (Subsi- diary of Uttar Pradesh State Sugar Company Limited) | October 1987 to March 1989 | 7.04 | 9.88 | 140.3 | 12 |
| 3. | The Uttar Pradesh State Cement Cor- poration Limited | 1989-90 | 68.28 | 155.26 | 227.4 | 14 |
| 4. | Auto Tractors Limited | 1989-90 | 7.50 | 57.07 | 760.9 | 18 |
| 5. | Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | 1987-88 | 0.63 | 1.04 | 165.1 | 22 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|-----|--|-----------------------|-------|-------|-------|----|
| 6. | Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) | 1989-90 | 43.51 | 75.92 | 174.5 | 30 |
| 7. | Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) | 1989-90 | 23.57 | 33.78 | 143.3 | 31 |
| 8. | Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited) | 1989-90 | 2.02 | 8.46 | 418.8 | 34 |
| 9. | Uttar Pradesh Pashu-dhan Udyog Nigam Limited | 1983-84 | 0.81 | 1.19 | 146.9 | 35 |
| 10. | Nandganj-Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | May 1987 to June 1988 | 23.28 | 30.19 | 129.7 | 37 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|-----|---|---------|------|------|-------|----|
| 11. | Uttar Pradesh Tyres and Tubes Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited) | 1989-90 | 1.83 | 6.15 | 336.1 | 49 |
| 12. | Bhadohi Woollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) | 1989-90 | 3.17 | 4.84 | 152.7 | 60 |
| 13. | Handloom Intensive Development Project (Bijnore) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited) | 1978-79 | 0.02 | 0.03 | 150.0 | 63 |
| 14. | Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited | 1984-85 | 1.91 | 2.55 | 133.5 | 66 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|-----|--|-------------------------------|---------|--------|---------|----|
| 15. | Uttar Pradesh Digi- tals Limited (Sub- sidiary of Uttar Pradesh State Ind- ustrial Development Corporation Limited) | 1988-89 | 0.35 | 0.71 | 202.9 | 70 |
| 16. | Vindhyachal Abras- ives Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited) | December 1985 to June 1986 | 0.00003 | 0.02 | 66666.7 | 81 |
| 17. | Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | August 1988 to March 1989 | 0.31 | 6.35 | 2048.4 | 82 |
| 18. | Shreetron India Limi- ted (Subsidiary of Uttar Pradesh Elec- tronics Corporation Limited) | 1989-90 | 1.14 | 2.28 | 200.0 | 88 |
| | | | 192.71 | 409.55 | | |

1.2.5. In addition there were six companies covered under Section 619-B of the Companies Act, 1956, as detailed below out of which only four companies had finalised their accounts (Serial Numbers 1,2,3, and 4) for the year 1989-90:

| Serial Number | Name of the Company | Date of incorporation | Year of accounts ending | Paid-up capital contributed by | | | | Total | Profit/(+) Loss(-) |
|---------------|---|-----------------------|-------------------------|--------------------------------|------------------------|----------------|--------------------|-------|-----------------------|
| | | | | State Govt-ernment | Gover-nment compa-nies | Corp-orat-ions | Others | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1. | Almora Magnesite Limited | 27th August 1971 | 31st March 1990 | -- | 1.22 | -- | 0.78 | 2.00 | (-)0.22 |
| 2. | Command Area Development Corporation Limited | 5th October 1979 | 31st March 1990 | -- | -- | 0.21 | 0.03 | 0.24 | (+)0.02 |
| 3. | Utter Pradesh Seeds and Tarai Development Corporation Limited | 6th June 1969 | 31st March 1990 | 0.69 | 0.52 | 0.32* | 0.54 | 2.07 | (-)0.27 |
| 4. | Uptron Colour Picture Tubes Ltd. | 8th Nov. 1985 | 31st March 1990 | -- | 17.97 | 12.57 | 11.94 ⁸ | 42.48 | (-)13.84 |

* Represents shares held by Govind Ballabh Pant University of Agriculture and Technology.

⁸ Includes shares for Rs. 2.24 crores held by Commercial Banks.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|------------------------|--------------------------|---|--|------|------|------|---------|
| 5 | Steel Fasteners Limited | 4th October 1962 | 31st December 1979 | - | 0.37 | 0.18 | 0.35 | 0.90 | (-)0.45 |
| 6 | Electronics and Computers (India) Limited | Not available | | | Accounts not finalised since inception | | | | |

The accumulated loss in respect of Command Area Poultry Development Corporation Limited amounting to Rs.0.37 crores had exceeded its paid-up capital of Rs.0.24 crore.

The accounts of steel Fasteners Limited for the period from January 1980 to March 1990 and that of Electronics and Computers (India) Limited for the period from 1975 to March 1990 were in arrears.

1.2.6 (i) The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directives to the Auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued,

reports of the company Auditors on the accounts of 16 companies (serial numbers 3, 6,7, 8, 11, 17, 21, 24, 25, 30, 31, 34, 49, 56, 64 and 75 of Annexure 2) were received during April 1989 to March 1990. Important points noticed in these reports were summarised below:

| Ser- ial num- ber | Nature of defects | Number of companies where def- ects were noticed | Reference to serial number of Annexure-2 |
|----------------------------|---|--|---|
| 1 | 2 | 3 | 4 |
| 1. | Absence of Accounting Manual | 10 | 6,7,8,11,25,30, 34,49,56 & 75 |
| 2. | Absence of adequate budgetary system | 6 | 6,17,24, 34,56 & 75 |
| 3. | Internal audit system not commensurate with nature and size of business | 7 | 3,6,11,24,25, 56 & 75 |
| 4. | Defective/non-maintenance of property /land/assets register | 3 | 6,17 & 64 |
| 5. | Absence of system of ascertaining idle time for labour and machinery | 10 | 3,8,17,25,30, 31,34,56,64 and 75 |
| 6. | Non-fixation of Maximum/minimum re-order level of stores and spares | 5 | 8,17,24,25 and 65 |
| 7. | Non-fixation of norms for manpower | 3 | 6,8 & 34 |

| 1 | 2 | 3 | 4 |
|-----|---|----|--------------------------------|
| 8. | Non-preparation of separate manufacturing account, absence of uniformity in pricing stores issued and absence of uniformity in valuation of inventory | 7 | 3,8,11,24,25, 64 & 75 |
| 9. | Absence of system for obtaining confirmation from debtors | 8 | 6,8,11,17,24, 34, 56 & 75 |
| 10. | Non-maintenance of proforma accounts in respect of service units/township | 3 | 7,8 & 21 |
| 11. | Absence of standard costing system | 10 | 7,8,11,21,25, 30,31,34,56 & 75 |
| 12. | Non-disposal of surplus /obsolete/unserviceable stores | 3 | 8,25 & 30 |
| 13. | Non-fixation/observance of maximum/minimum limits of stores | 10 | 3,6,7,8,11,17, 24,25,34 & 56 |
| 14. | Unsatisfactory system of physical verification of stores | 6 | 6,11,17,34,56 & 64 |
| 15. | Absence of project reports/norms fixed by the management in respect of consumption of raw material | 4 | 25,34,49 & 50 |
| 16. | Non-reconciliation/delay in reconciliation | 6 | 3,6,11,24,25 & 64 |

| 1 | 2 | 3 | 4 |
|-----|--|---|-------------|
| | of control accounts with general ledger /subsidiary ledgers | | |
| 17. | Substantial accumulation of inventory of stores/spares/fini- shed goods | 1 | 25 |
| 18. | Non-vigorous follow- up of debts and advances | 4 | 3,6,11 & 17 |
| 19. | Non-installation of plant and machinery costing more than Rs. 1 lakh | 1 | 24 |
| 20. | Lack of defined accounting policies | 1 | 11 |

(ii) Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the Statutory Auditors. Under this provision, a review of the annual accounts of Government companies is being conducted in selected cases. Forty-seven accounts relating to 42 companies were selected for such review during the period from January 1990 to December 1990. The effect of the important comments as a result of Audit was as follows:

| Details | Number of accounts | Monetary effect (Rupees in crores) |
|--------------------|-----------------------|--|
| 1 | 2 | 3 |
| Decrease in profit | 5 | 2.40 |

| 1 | 2 | 3 |
|----------------------------------|----|------|
| Increase in loss | 4 | 0.34 |
| Non-disclosure of material facts | 26 | -- |

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. Uttar Pradesh Small Industries Corporation Limited (accounts for the year ended 31st March 1987)

Advances to subsidiary companies (Rs.37.50 lakhs) included Rs. 16.01 lakhs due from six subsidiary companies which had been wound up. As such the recovery of the amount was doubtful, however, no provisions for doubtful advances had been made in the accounts.

B. Kumaon Mandal Vikas Nigam Limited (accounts for the year ended 31st March 1987)

Reserves and surplus was overstated by Rs.8.25 lakhs on account of non-provision of depreciation of Rs.11.08 lakhs on rock anchoring in the year 1985-86 (although the ropeway was put to use in the same year) partly offset by excess provision of depreciation of Rs.2.83 lakhs on other fixed assets during 1985-86 (Rs.1.43

lakhs) and 1986-87 (Rs.1.40 lakhs).

C. U.P. State Bridge Corporation Limited

(accounts for the year ended 30th September 1987)

The profit for the year (Rs.28.12 lakhs) was overstated by Rs. 38.07 lakhs on account of under provision of write off of tools, minor equipments, etc. and excess credit to work done.

D. U.P. State Handloom Corporation Limited

(accounts for the year ended 31st March 1980)

1. Profit for the year before tax (Rs.61.48 lakhs) was overstated by Rs.6.62 lakhs as the expenditure on publicity and propoganda was not charged to profit and loss account but was wrongly charged to "Expenditure on DAT Exhibition" intended to be met from the funds provided by the Director of Handloom and Textile for the purpose.

2. Prior year adjustment (Rs.0.23 lakh) debited to Profit and Loss Account did not include Rs. 141 lakhs in respect of subsidy excess credited in 1978-79 which should have been written back in terms of clarification issued by the Government of India on 16th August 1989. This resulted in overstatement of accumulated profit shown under 'Reserves and Surplus' by Rs.141 lakhs.

E. U.P. Scheduled Castes Finance and Development Corporation Limited (accounts for the year ended 31st March 1982)

The liability for future payment of gratuity amounting to Rs.10.71 lakhs was not provided for.

F. Nandganj Sihori Sugar Company Limited
(accounts for the year ended 30th June 1988)

Stock of finished sugar (Rs.377.75 lakhs) and sugar in process (Rs.18.41 lakhs) included Rs.10.22 lakhs and Rs.0.50 lakh respectively being proportionate amount of cane development expenses, interest on loan for working capital and interest on cash credit in respect of Daryapur (Rae Bareli) unit which should not have been included in the cost of stock. This resulted in overstatement of value of stock and understatement of loss by Rs. 10.72 lakhs.

G. Uptron India Limited
(accounts for the year ended 30th June 1988)

During the course of audit, a number of significant audit observations were noticed:

1. Incorrect capitalisation of technical know-how fee of Rs.266.36 lakhs instead of treating the same as deferred revenue expenditure.

2. Overvaluation of inventory by Rs.90.29 lakhs - raw materials: Rs.15.96 lakhs, work-in-progress: Rs.18.59 lakhs and finished goods: Rs. 55.74 lakhs.

3. Overstatement of sales by Rs.270.47 lakhs and profit by Rs.46.01 lakhs.

4.Capitalisation of interest of Rs.60.51 lakhs on loans utilised for working capital resulting in overstatement of profit for the year to that extent, etc.

The overall impact of the comments was overstatement of net profit by Rs.190.31 lakhs and there was, thus, a net loss of Rs.179.54 lakhs instead of the net profit of Rs.10.77 lakhs disclosed in the accounts. Further, Reserves and Surplus of Rs.595.31 lakhs disclosed in the accounts stood overstated by Rs.354.69 lakhs.

H. U.P. State Cement Corporation Limited
(accounts for the year ended 31st March 1990)

During the year, valuation of clinker was done on the basis of weighted average of good and inferior quality clinker. As a result, the clinker of inferior quality was overvalued by Rs.18.60 lakhs and clinker of good quality was undervalued by Rs.0.70 lakh resulting in understatement of loss by Rs.17.90 lakhs.

1.3. Statutory corporations - General aspects

1.3.1 There are four Statutory corporations in the State as on 31st March 1990, viz.

- Uttar Pradesh State Electricity Board,
- Uttar Pradesh State Road Transport Corporation,

- Uttar Pradesh Financial Corporation,
and
- Uttar Pradesh State Warehousing
Corporation.

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

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

The preparation of accounts of the Board for the year 1989-90 is in arrear. Adopted accounts of the Board for the year 1988-89 were received in September 1990. However, the Board's replies to preliminary comments issued on 17th October 1990 had not been received (March 1991). Separate Audit Report on the accounts of the Board for the year 1987-88 issued on 12th July 1990 was not presented to the Legislature so far (December 1990).

Uttar Pradesh State Road Transport Corporation submitted their accounts for the year 1988-89 in October 1989 and the separate Audit Report was under finalisation. The accounts for the year 1989-90 received in October 1990 were in the process of audit (December 1990). The accounts alongwith separate Audit Reports

for the years 1979-80 to 1987-88 have not been placed in the Legislature so far (December 1990).

1.3.3 The Uttar Pradesh Financial Corporation was constituted on 1st November 1954 under Section 3(1) of the State Financial Corporations Act, 1951 and the Uttar Pradesh State Warehousing Corporation was constituted on 19th March 1958 under Section 28(i) of the Warehousing Corporation Act, 1962.

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

The separate Audit Reports on the accounts of Uttar Pradesh Financial Corporation for the year 1987-88 and 1988-89 were issued to the Government in February 1991. The accounts for the year 1989-90 were received in July 1990 and the separate Audit Report on these accounts was under finalisation (March 1991).

The Audit Report on the accounts of Uttar Pradesh State Warehousing Corporation for the year 1985-86 was issued to the Corporation in May 1990. The accounts for the year 1986-87 were received in January 1991 and Audit Report thereon was under finalisation (March 1991).

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

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

1.4 Uttar Pradesh State Electricity Board

The capital requirements of the Board are provided in the form of loans from Government, public, banks and other financial institutions. As per provisional accounts of the Board for the year 1989-90, the aggregate long-term loans (including loan from Government) obtained by the Board were Rs. 6157.42 crores at the end of 1989-90 and represented an increase of Rs.623.54 crores from the end of the previous year. Particulars of loans obtained from Government and other sources and outstanding as on 31st March 1989 and of 1990 are as follows:

| Source | Amount outstanding as | | Percentage increase |
|---------------------|-----------------------|-----------------------|---------------------|
| | on 31st March 1989 | 1990 (Provisional) | |
| | (Rupees in crores) | | |
| 1. State Government | 4089.15 | 4455.66* | 8.96 |
| 2. Other sources | 1444.73 | 1701.76 | 17.79 |
| Total | 5533.88 | 6157.42 | 11.27 |

*Figures as per Finance Accounts is Rs.4498.83 crores, the difference is under reconciliation.

Government had guaranteed this repayment of loans raised by the Board and payment of interest thereon to the extent of Rs.2640.87 crores. The amount of principal guaranteed and outstanding as on 31st March 1990 was Rs.1188.69 crores.

As regards financial position, working results and operational performance of the Board during each of the three years up to 1988-89, there was no change in the position since the previous report, as the accounts of the Board for the year 1989-90 were in arrears. Net deficit of the Board up to the year 1988-89 was Rs.594.31 crores.

1.5 Uttar Pradesh State Road Transport Corporation

1.5.1 As on 31st March 1990, the capital of the Corporation was Rs.226.26 crores (Rs.167.70 crores contributed by the State Government and Rs.58.56crores by the Central Government) as against Rs.201.26 crores as on 31st March 1989 (Rs.152.70 crores contributed by the State Government and Rs.48.56 crores by the Central Government). Interest was payable on capital contribution at 6.25 per cent. As at the end of March 1990, interest amounting to Rs.26.31 crores on capital and loans was payable to the Central Government (Rs.3.38 crores) and the State Government (Rs.22.93 crores)

In addition, the Corporation owned loans amounting to Rs.3.67 crores to Government as on 31st March 1990. 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 31st March 1990 the amount of such guarantees and loans outstanding thereagainst were Rs.79.50 crores and Rs.17.04 crores respectively.

1.5.2 The financial position of the Corporation at the end of each of the three years up to 31st March 1990 is given below:

| | 1987-88 | 1988-89 | 1989-90 (Provi- sional) |
|--|--------------------|---------|-------------------------------|
| | (Rupees in crores) | | |
| (A) <u>Liabilities</u> | | | |
| Capital | 160.26 | 201.26 | 226.26 |
| Reserves and surplus | 2.36 | 2.25 | 2.28 |
| Borrowings | 80.97 | 86.58 | 90.10 |
| Trade dues and other current liabilities | 119.12 | 121.07 | 89.55 |
| Total - A | 362.71 | 411.16 | 408.19 |
| (B) <u>Assets</u> | | | |
| Gross block | 259.95 | 316.09 | 359.89 |
| Less: depreciation | 137.08 | 172.16 | 205.53 |
| Net fixed assets | 122.87 | 143.93 | 154.36 |
| Capital work-in- progress | 2.32 | 7.03 | 1.91 |
| Investments | 0.80 | 0.80 | 0.80 |
| Current assets, loans and advances | 111.85 | 117.68 | 84.66 |
| Accumulated losses | 124.87 | 141.72 | 166.46 |
| Total -B | 362.71 | 411.16 | 408.19 |

(41)

| | 1987-88 | 1988-89 | 1989-90 |
|------------------------|--------------------|---------|---------|
| | (Rupees in crores) | | |
| (C) Capital invested* | 177.68 | 220.53 | 250.06 |
| (D) Capital employed** | 115.60 | 140.54 | 149.47 |

The figures for the year 1989-90 are provisional, as the accounts were under audit.

1.5.3 The working results of the Corporation for the three years up to 1989-90 are summarised below:

| Particulars | 1987-88 | 1988-89 | 1989-90 (Provisional) |
|-------------------------|--------------------|----------|--------------------------|
| | (Rupees in crores) | | |
| 1 | 2 | 3 | 4 |
| Total revenue | 223.47 | 249.33 | 279.66 |
| Total expenditure: | | | |
| (a) Other than interest | 209.20 | 250.32 | 285.01 |
| (b) Interest | 14.23 | 16.58 | 19.40 |
| Total | 223.43 | 266.90 | 304.41 |
| Net profit(+)/loss(-) | (+)0.04 | (-)17.57 | (-)24.75 |
| Total return on | | | |
| (a) capital employed | (+)14.27 | (-)0.99 | (-)5.35 |
| (b) capital invested | (+)14.27 | (-)0.99 | (-)5.35 |

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

** Capital employed represents net fixed assets plus working capital

| 1 | 2 | 3 | 4 |
|-------------------------------|---------|---------|--------|
| Percentage of total return on | | | |
| (a) capital employed | (+)12.3 | (-)0.7 | (-)3.6 |
| (b) capital invested | (+)8.00 | (-)0.40 | (-)2.1 |

1.5.4 The table below indicates the operational performance of the Corporation during the three years up to 1989-90:

| | 1987-88 | 1988-89 | 1989-90 |
|---|---------|---------|---------|
| 1 | 2 | 3 | 4 |
| Average number of vehicles held (effective fleet) | 6968 | 7545 | 7987 |
| Average number of vehicles on road* | 6098 | 6676 | 7094 |
| Percentage of utilisation | 88 | 88 | 89 |
| Kilometres covered (in lakhs) | | | |
| Gross | 5616 | 6226 | 6706 |
| Effective | 5496 | 6061 | 6508 |
| Dead | 120 | 165 | 198 |
| Percentage of dead kilometres to gross kilometres | 2.14 | 2.65 | 2.95 |

* Vehicles include bus, taxis and trucks

| | 1 | 2 | 3 | 4 |
|--|--------|-----|--------|--------|
| Average kilometres covered per bus per day | | 238 | 248 | 250 |
| Average revenue per kilometres (Paise) | | 407 | 411 | 426 |
| Average expenditure per kilometres (Paise) | | 407 | 440 | 487 |
| Profit(+)/loss(-) per kilometre (paise) | -- | | (-)29 | (-)61 |
| Total route kilometres(In lakhs) | 3.84 | | 4.62 | 4.80 |
| Number of operating depots | 94 | | 106 | 105 |
| Average number of breakdowns per lakh kilometres | 0.03 | | 0.03 | 0.03 |
| Average number of accident per lakh kilometres | 0.15 | | 0.15 | 0.23 |
| Passenger kilometres scheduled(In lakhs) | 296028 | | 326322 | 350261 |
| Passenger kilometres operated(In lakhs) | 189458 | | 208846 | 321172 |
| Occupancy ratio (per cent) | 64 | | 64 | 66 |

1.6. Uttar Pradesh Financial Corporation

1.6.1 The paid-up capital of the Corporation as on 31st March 1990 was Rs.70.30 crores (State

Government: Rs.37.85 crores, Industrial Development Bank of India: Rs.30.45 crores and others: Rs.2 crores), as against Rs.48.03 crores as on 31st March 1989 (State Government: Rs.29.09 crores, Industrial Development Bank of India: Rs.18.64 crores and others Rs.0.30 crore).

1.6.2 Government has guaranteed repayment of share capital of Rs.16.85 crores under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 per cent. During the year 1989-90 the Corporation's total income was Rs.60.05 crores and revenue expenditure of Rs.56.97 crores. Thus there was a profit of Rs.3.08 crores before tax and Rs.1.37 crores after provision of tax.

After making provision of Rs.1.38 crores for various reserves, no surplus was available for payment of dividend.

Government has also guaranteed repayment of market loans (through bonds and debentures) of Rs.207.85 crores raised by the Corporation, the entire amount of principal thereagainst was outstanding on 31st March 1990.

1.6.3. The financial position of the Corporation at the end of each of the three years up to 1989-90 is given below:

| | 1987-88 | 1988-89 | 1989-90 |
|------------------------------------|---------|---------|---------|
| 1 | 2 | 3 | 4 |
| (A) Liabilities (Rupees in crores) | | | |
| Paid-up capital | 16.47 | 50.46 | 70.30 |
| Reserves and surplus | 12.12 | 13.63 | 15.00 |

| 1 | 2 | 3 | 4 |
|--|---------------|---------------|---------------|
| Borrowings: | | | |
| (i) Bonds and debentures | 137.76 | 170.68 | 207.85 |
| (ii) Others* | 312.18 | 354.94 | 401.83 |
| Other liabilities | 10.32 | 11.22 | 11.89 |
| Total -A | 488.76 | 600.93 | 706.87 |
| (B) Assets | | | |
| Cash and bank balance | 15.68 | 29.53 | 22.88 |
| Investments | 0.35 | 0.35 | 0.32 |
| Loans and advances** | 448.02 | 551.30 | 654.42 |
| Net fixed assets | 2.04 | 2.42 | 2.48 |
| Dividend deficit | --- | --- | --- |
| Total -B | 488.76 | 600.93 | 706.87 |
| (C) Capital employed ^{&} | 428.81 | 534.12 | 642.35 |
| (D) Capital invested ^{&&} | 478.53 | 589.71 | 694.98 |

* Includes loans in lieu of share capital Rs.50.03 crores in 1987-88, Rs.39.05 crores in 1988-89 and Rs.26.80 crores in 1989-90.

** Excluding bridging loan against capital subsidy to the extent of Rs.13.05 crores in 1987-88, Rs.6.61 crores in 1988-89 and Rs.14.31 crores in 1989-90.

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

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

1.6.4 The Corporation switched over to cash system of accounting from mercantile system from 1st April 1981.

The following table gives details of the working results of the Corporation for the three years up to 1989-90:

| Particulars | 1987-88 | 1988-89 | 1989-90 |
|------------------------------------|-------------------|---------|---------|
| | (Rupees in lakhs) | | |
| <u>Income</u> | | | |
| (a) Interest on loans and advances | 42.66 | 52.68 | 58.35 |
| (b) Other income | 1.12 | 1.44 | 1.50 |
| Total | 43.78 | 54.12 | 59.85 |
| <u>Expenditure</u> | | | |
| (a) Interest on long-term loans | 35.97 | 43.35 | 48.20 |
| (b) Other expenses | 6.11 | 7.77 | 8.57 |
| Total | 42.08 | 51.12 | 56.77 |
| Profit before tax | 1.70 | 3.00 | 3.08 |
| Provision for tax | 0.63 | 1.50 | 1.71 |
| Profit after tax | 1.07 | 1.50 | 1.37 |
| Other appropriation | 0.68 | 1.48 | 1.38 |
| Amount available for dividend | 0.39 | 0.02 | - - |
| Dividend payable | 0.48 | -- | - |

(47)

| | 1987-88 | 1988-89 | 1989-90 |
|----------------------|-------------------|---------|---------|
| | (Rupees in lakhs) | | |
| Total return on: | | | |
| (a) capital employed | 37.67 | 46.35 | 51.28 |
| (b) capital invested | 37.67 | 46.37 | 51.28 |

(Per cent)

Percentage of return on

| | | | |
|----------------------|-----|-----|-----|
| (a) capital employed | 8.8 | 8.7 | 8.0 |
| (b) capital invested | 7.9 | 7.9 | 7.4 |

The table given on the next page indicates the position regarding receipts and disposal of applications for loans during three years up to 1989-90:

| Particulars | 1987-88 | | 1988-89 | | 1989-90 | |
|---|--------------------|--------|---------|--------|---------|--------|
| | Number | Amount | Number | Amount | Number | Amount |
| | (Rupees in crores) | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Applications pending at the beginning of the year | 292 | 38.33 | 284 | 27.76 | 260 | 27.37 |
| Applications received | 2341 | 229.11 | 2646 | 244.33 | 2802 | 328.95 |
| Total (1+2) | 2633 | 267.44 | 2930 | 272.09 | 3062 | 356.32 |
| Applications sanctioned | 1815 | 177.44 | 2215 | 182.15 | 2050 | 186.50 |
| Applications cancelled/withdrawn/rejected/reduced | 534 | 58.40 | 455 | 62.57 | 589 | 105.96 |
| Applications pending at the close of the year | 284 | 27.76 | 260 | 27.37 | 423 | 64.86 |
| Loans disbursed | 1668 | 120.78 | 2053 | 142.78 | 1572 | 152.77 |
| Amount outstanding at the close of the year | -- | 448.03 | -- | 551.30 | -- | 654.43 |

(48)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--|-----|--------------|----|--------------|----|--------------|
| Amount overdue for recovery at the close of the year: | | | | | | |
| (a) Principal | -- | 42.05 | -- | 44.45 | -- | 49.27 |
| (b) Interest | -- | <u>57.75</u> | -- | <u>70.48</u> | -- | <u>78.66</u> |
| | | 99.80 | | 114.93 | | 127.93 |
| Amount involved in RC cases | | 43.42 | | 58.67 | | 65.59 |
| Total | --- | 143.22 | | 173.60 | -- | 193.52 |
| Percentage of default to total loans outstanding | -- | 32.00 | -- | 31.5 | -- | 29.57 |

As may be seen from the table given on the previous page, out of outstanding loans of Rs. 654.43 crores from loanees as on 31st March 1990, an amount of Rs. 193.52 crores (including interest of Rs.78.66 crores) was overdue for recovery. The percentage of overdue amount to the total outstanding has varied from 32.0 in 1987-88 to 31.5 in 1988-89 and to 29.6 in 1989-90.

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

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

The Corporation has made cumulative provision of Rs.2.68 crores towards doubtful debts up to 31st March 1990. Besides, the Corporation has written off Rs.3.86 crores as bad debts during 1987-88 (Rs.1.08 crores), 1988-89 (Rs.1.22 crores) and 1989-90 (Rs.1.56 crores).

1.7 U.P. State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31st March 1989 as well as on 31st March 1990 was Rs.6.21 crores (State Government: Rs.3.48 crores and Central Warehousing Corporation : Rs.2.73 crores).

1.7.2 The financial position of the Corporation at the end of the three years up to 31st March

1988 is given below:

| | 1985-86 | 1986-87 | 1987-88 (Provi- sional) |
|---|--------------------|---------|-------------------------------|
| | (Rupees in crores) | | |
| <u>(A) Liabilities</u> | | | |
| Paid-up capital | 4.97 | 5.97 | 5.97 |
| Reserves and surplus | 9.95 | 10.56 | 10.83 |
| Borrowings | 8.32 | 7.26 | 6.67 |
| Trade dues and other current liabi- lities | 4.57 | 3.34 | 7.22 |
| Total (A) | 27.81 | 27.13 | 30.69 |
| <u>(B) Assets</u> | | | |
| Gross block | 21.79 | 22.02 | 23.07 |
| Less: depreciation | 4.89 | 5.72 | 6.56 |
| Net fixed assets | 16.90 | 16.30 | 16.51 |
| Capital work in progress | 0.12 | 0.01 | 2.21 |
| Current assets, loans and advances | 10.66 | 10.71 | 11.87 |
| Miscellaneous expenditure | 0.13 | 0.10 | 0.10 |
| Total (B) | 27.81 | 27.12 | 30.69 |
| (C) Capital employed | 22.99 | 23.68 | 21.15 |
| (D) Capital invested | 23.24 | 23.79 | 23.47 |

1.7.3 The working results of the Corporation for the three years up to 1987-88 are

summarised below:

| | 1985-86 | 1986-87 | 1987-88 (Provisional) |
|-------------------------------|--------------------|---------|--------------------------|
| | (Rupees in crores) | | |
| <u>Income</u> | | | |
| (a) Warehousing charges | 7.56 | 8.30 | 10.80 |
| (b) Other income | 0.24 | 0.28 | 0.30 |
| Total | 7.80 | 8.58 | 11.10 |
| <u>Expenses</u> | | | |
| (a) Establishment charges | 2.79 | 3.81 | 4.23 |
| (b) Interest | 0.94 | 0.80 | 0.75 |
| (c) other expenses | 2.50 | 2.58 | 3.67 |
| Total | 6.23 | 7.19 | 8.65 |
| Net profit for the year | 1.57 | 1.39 | 2.45 |
| Add(+)/reduce(-) | | | |
| Prior adjustment | (-)0.08 | -- | -- |
| Profit before tax | 1.49 | 1.39 | 2.45 |
| Provision for tax | -- | -- | -- |
| Other appropriations | -- | -- | -- |
| Amount available for dividend | 1.49 | 1.39 | 2.45 |
| Proposed dividend | 0.26 | 0.30 | 0.29 |
| Total return on - | | | |
| (a) capital employed | 2.43 | 2.19 | 3.20 |
| (b) capital invested | 2.43 | 2.19 | 3.20 |
| Rate of return on | | | |
| (a) capital employed | 10.58 | 9.25 | 15.12 |
| (b) capital invested | 10.47 | 9.21 | 13.63 |

1.7.4 The physical performance of the Corporation for the three years up to 1989-90

is summarised below:

| Particulars | 1987-88 | 1988-89 | 1989-90 |
|--|---------------------|---------|---------|
| Number of stations covered | 156 | 164 | 168 |
| Storage capacity created up to the end of the year | (Tonnes in lakhs) | | |
| (a) owned | 9.22 | 10.41 | 10.54 |
| (b) hired | 3.54 | 3.32 | 3.38 |
| Total | 12.76 | 13.73 | 13.92 |
| Average capacity utilised | 12.54 | 9.21 | 7.92 |
| | (Per cent) | | |
| Percentage of utilisation | 98.28 | 67.08 | 56.90 |
| | (Rupees per tonnes) | | |
| Average revenue | 62.24 | 93.21 | 110.95 |
| Average expenses | 49.69 | 78.14 | 99.37 |
| Average net earning | 12.55 | 15.07 | 11.58 |

CHAPTER - II

REVIEWS RELATING TO GOVERNMENT COMPANIES

- 2A. UTTAR PRADESH EXPORT CORPORATION LIMITED
- 2B. UTTAR PRADESH FOOD AND ESSENTIAL COMMODITIES CORPORATION LIMITED
- 2C. VARANASI MANDAL VIKAS NIGAM LIMITED
- 2D. UTTAR PRADESH CARBIDE AND CHEMICALS LIMITED
- 2E. BHADOHI WOOLLENS LIMITED

SECTION 2A**INDUSTRIES DEPARTMENT****UTTAR PRADESH EXPORT CORPORATION LIMITED****HIGHLIGHTS**

The Company was incorporated in January 1966 with the main object of undertaking and promoting export. The activities of the Company during the period under review (1985-86 to 1989-90) centered around 12 emporia in major cities of the country, four export divisions in Bombay, Delhi, Kanpur and Bhadohi, wood carving division at Saharanpur and chikan production division and handicrafts division at Lucknow.

While the total turnover of the Company increased during the four years up to 1989-90 mainly through inland sales from its 12 emporia, its exports declined from 87 per cent of total turnover during 1985-86 to 36 per cent of in 1989-90.

During the five years up to 1989-90, the Company earned profits aggregating Rs.30.10 lakhs in respect of three export divisions against their turnover of Rs.2496.75 lakhs. The low profitability was, mainly, due to continuous losses incurred by Kanpur division aggregating Rs.11.51 lakhs against turnover of Rs.35.97 lakhs during the same period.

The four export division failed

to execute export orders valuing Rs.504.11 lakhs during the five years ended March 1990 mainly due to their failure to procure items and arrange timely supply thereof.

Export division at Bhadohi established in October 1974 to enter the export market for hand knotted woollen carpets produced in that area, even after 16 years of its existence, had not developed any infrastructure or captive capacity for production of carpets so as to adhere to the quality and time schedule of foreign buyers for promoting exports. In fact, export of carpets by the division decreased from Rs.19.74 lakhs in 1985-86 to nil in 1989-90. Out of Rs.41.54 lakhs outstanding as on 31st March 1990, Rs.30.59 lakhs were outstanding since 1980-81 against 20 local carpet manufacturers for woollen yarn supplied to them and Rs.10.95 lakhs were outstanding since 1980-81 against foreign buyers.

In wood carving division, the work on expansion programme of wood seasoning plant, envisaged to be completed within 10 months of its commencement in 1979-80, remained incomplete even after lapse of over 10 years. The work having been suspended in 1983-84 had not yet been restarted rendering an aggregate expenditure of Rs.12.97 lakhs incurred on the expansion programme unfruitful.

Under the chikan production scheme, primarily intended to eliminate exploitation of the poor workers by the middlemen by

ensuring fair wages to them and to promote and sell the traditional craft of Lucknow, the Company could enroll only 1588 workers out of the estimated 45000 chikan workers in Lucknow. The Company had not fixed production target under the scheme till 1987-88. However, the division had to make purchases of chikan goods valuing Rs.13.36 lakhs from local market during 1985-86 and 1986-87. The actual production was less than 50 per cent of target fixed during the year 1988-89 and 1989-90.

In case of private parties appointed to run their sale counters in emporia on payment of commission at agreed rates on sales, commission to the extent of Rs.18.10 lakhs was short recovered during the five years up to 1989-90 due to reduction in the rates of commission during validity period of agreements (Rs.12.86 lakhs), recovery of commission on actual sales instead of annual guaranteed sales (Rs.2.59 lakhs) and recovery at rates lower than the rates prescribed in the agreements (Rs.2.65 lakhs).

Under carpet weaving training scheme, the Company appoints carpet manufacturers as associates to set up and run carpet weaving training centres, to be converted into regular production centres for a minimum period of three years. In case of default, associates were liable to refund the amount spent by Company on training centres. However, in case of 81 centres closed prematurely as far back as in 1983, no action for recovery

of Rs.63.99 lakhs from the defaulting associates had been initiated for over seven years whereas cases of default occurring since 1984 remained unidentified due to lack of any follow-up inspection.

Under drought relief scheme in handicraft sector introduced in March 1988 by the Government of India to artisans in drought affected areas, the Company, instead of providing direct employment to artisans, adjusted the wage element of supplies received from existing private manufacturers as expenditure against the scheme and thus, retained the entire amount of grant of Rs.43.16 lakhs irregularly.

2A.1 Introduction

The Uttar Pradesh Export Corporation Limited was incorporated in January 1966 as a Government company with the main object of undertaking and promoting export of goods.

2A.2 Aims and objectives

The aims and objectives of the Company, inter alia, prescribed the following activities to be undertaken by the Company for securing development of export oriented industries in the State and extension of marketing facilities to them by way of :

- serving as channelising agency for outflow of goods of medium and small scale industries to export markets and extending financial assistance to enable them to process export orders,
- conducting survey of markets abroad,
- coordination of activities of exporters with various statutory agencies of the country in matters of financial incentives,
- establishment of trade centres at Calcutta, Bombay, Delhi and abroad for attractively displaying products of the State,
- arranging participation of state

industry in national and international exhibitions,

- establishment of foreign branches for ex-stock sale,
- reorientation of state industries in relation to export market by establishment of institutions for promotion of scientific research,
- establishment of common facilities centres for providing drawings, designs, dyes and tools to exporters,
- setting up, finance or participate in export based industry,
- promote, form, subsidise and assist firms with a view to encouraging export.

To promote domestic sale of handicrafts and handloom textiles, the Company had 12 emporia in major cities of the country and for promoting export through securing export orders by participation in national and international fairs and by negotiation with foreign buyers, it had established four export divisions in Bombay, Delhi, Kanpur and Bhadohi. The Company had not so far participated in setting up any export based industry nor had it taken up any reorientation programme by establishing institutions for scientific research and centres for common facilities.

2A.3 Scope of Audit

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) for 1978-79. The Committee on Public Undertakings (COPU) considered the same during December 1983 and July 1984 and its recommendations were received in March 1989. The present review of the activities of the Company during the last five years up to March 1990 was carried out between May 1990 and October 1990 and includes the working of chikan production scheme, emporia, export divisions at Delhi, Kanpur and Bhadohi, wood carving division at Saharanpur and implementation of schemes of the State Government as an agent.

2A.4 Organisational set-up

The Management of the Company is vested in a Board of Directors consisting of 11 directors including the Managing Director and a part-time Chairman, all nominated by Government. The day-to-day affairs of the Company are looked after by the Managing Director who is assisted by a Chief Manager (Finance), Chief Manager (Commercial) and an Administrative Officer at Lucknow in-charge of handicrafts division (11 out of 12 emporia) and chikan production scheme. Each of the four export divisions, wood carving division, carpet division and Delhi emporium is managed by Senior Managers.

2A.5 Capital structure and borrowings

As on 31st March 1990 the authorised share capital of the Company was Rs.500 lakhs against which paid-up capital was Rs.408.27 lakhs contributed by the State Government (Rs.394.27 lakhs) and Central Government (Rs.14 lakhs). Besides, the Company availed cash credit facilities from commercial banks to meet its working capital requirement. The amount outstanding on this account as on 31st March 1990 was RS.148.51 lakhs.

The Company also obtained loans from Government from time to time for meeting its working capital requirement and capital expenditure on renovation of its emporia and implementation of other development schemes. The loans carried interest ranging from 6 to 12 per cent per annum and were due for repayment within 1 to 10 years of its drawal. As on 31st March 1990, Government loans aggregating Rs.222.34 lakhs were outstanding of which Rs.196.57 lakhs were overdue for repayment of principal (Rs.126.12 lakhs) and interest (Rs.70.45 lakhs).

2A.6 Utilisation of grant

The Company received grants aggregating Rs.166.12 lakhs during the five years up to 1989-90 for implementation of certain development schemes from Government, to be spent within the year of receipt of grants. As on 31st March 1990, the Company had

an unutilised balance of Rs.41.90 lakhs of grants as indicated below :

| | Number of grants | Amount (Rs. in lakhs) |
|----------------------------|------------------|-----------------------|
| Outstanding for a period - | | |
| up to 2 years | 5 | 21.92 |
| 2-5 years | Nil | Nil |
| 5-10 years | 5 | 8.53 |
| Above 10 years | 3 | 11.45 |
| Total | 13 | 41.90 |

Unutilised grants included Rs.18.81 lakhs representing surplus over actual expenditure against seven schemes implemented by the Company during the period from 1978-79 to 1985-86. Further the Company also did not frame any detailed schemes for implementing the carpet clipping and furnishing scheme for which grants of Rs.1.17 lakhs were released by Government in 1980-81. Unutilised grant of Rs.19.98 lakhs, though required, was not refunded to Government for over five years (September 1990).

Besides, the Company had Rs.21.92 lakhs as balance of grants against five ongoing schemes.

2A.7 Financial position and working results

2A.7.1 Financial position

The table on the next page summarises financial position of the Company at the end of each of the five years up to 1989-90.

| 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|------------|------------|------------|------------|------------|
| (| Rupees | in | * lakhs | *) |
| ----- 1 | ----- 2 | ----- 3 | ----- 4 | ----- 5 |

Liabilities

| | | | | | |
|---|---------------|---------------|---------------|----------------|----------------|
| (a) Paid-up capital | 212.52 | 295.52 | 330.97 | 368.47 | 408.27 |
| (b) Reserves and surplus | 2.45 | 13.17 | 13.07 | 15.65 | 17.52 |
| (c) Borrowings | 74.06 | 99.69 | 156.49 | 203.60 | 325.87 |
| (d) Trade dues and other current liabilities includ- ing provisions | 435.01 | 492.60 | 485.93 | 413.52 | 339.66 |
| Total | 724.04 | 900.98 | 986.46 | 1001.24 | 1091.32 |

Assets

| | | | | | |
|------------------------|-------|-------|-------|--------|--------|
| (a) Gross block | 33.58 | 54.58 | 80.35 | 102.41 | 136.94 |
| (b) Less: depreciation | 17.84 | 21.79 | 28.19 | 36.23 | 46.92 |
| (c) Net fixed assets | 15.74 | 32.79 | 52.16 | 66.18 | 90.02 |
| (d) Investment | 21.69 | 21.69 | 21.69 | 20.08 | 20.08 |

| | 1 | 2 | 3 | 4 | 5 |
|--|---------------|---------------|---------------|----------------|----------------|
| (e) Current assets, loans and advances | 601.68 | 754.60 | 824.76 | 827.39 | 911.55 |
| (f) Miscellaneous expenditure | 14.29 | 17.47 | 15.38 | 19.23 | 12.88 |
| (g) Losses | 70.64 | 74.43 | 72.47 | 68.36 | 56.79 |
| Total | 724.04 | 900.98 | 986.46 | 1001.24 | 1091.32 |
| Capital employed | 182.41 | 294.79 | 390.99 | 480.05 | 661.91 |
| Net worth | 130.04 | 216.79 | 256.19 | 296.53 | 356.12 |

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.

* Figures for 1988-89 and 1989-90 are provisional.

2A.7.2 Working results

Working results of the Company for five years up to 1989-90 are summarised in the table given below :

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 (Provisional) | 1989-90 |
|---------------------------------------|-------------------|---------|---------|--------------------------|---------|
| | (Rupees in lakhs) | | | | |
| | 1 | 2 | 3 | 4 | 5 |
| Income | | | | | |
| (i) Sales-inland | 213.71 | 260.08 | 460.90 | 486.58 | 570.19 |
| (ii) Sales-export | 1427.99 | 232.48 | 267.56 | 386.11 | 321.31 |
| (iii) Incentive on export | 3.00 | 9.57 | 21.54 | 13.15 | 33.97 |
| (iv) Commission and service charges : | | | | | |
| (a) Sales and return parties | 27.05 | 34.25 | 43.28 | 42.05 | 37.27 |
| (b) Export supplies | 0.08 | 2.27 | - | - | - |
| (c) Service charges | 5.74 | 4.07 | 5.52 | 13.24 | 17.62 |
| (v) Miscellaneous income/adjustments | 15.50 | 10.70 | 7.75 | 2.92 | 6.92 |

| | 1 | 2 | 3 | 4 | 5 |
|--|----------------|---------------|---------------|----------------|----------------|
| (vi) Increase in stock | 10.61 | 51.19 | 43.37 | 40.97 | 5.87 |
| (vii) Marketing development assistance | - | - | - | 91.38 | 91.38 |
| Total | 1703.68 | 604.61 | 849.92 | 1076.40 | 1084.53 |

Expenditure

| | | | | | |
|------------------------------|----------------|---------------|---------------|----------------|----------------|
| (i) Purchases | 1573.03 | 440.57 | 557.53 | 681.14 | 651.82 |
| (ii) Manufacturing wages | - | - | 44.08 | 22.76 | 21.64 |
| (iii) Salary and wages | 61.13 | 66.14 | 83.89 | 89.28 | 105.67 |
| (iv) Administrative expenses | 31.40 | 36.60 | 53.38 | 70.98 | 78.33 |
| (v) Selling expenses | 26.34 | 43.45 | 88.04 | 177.31 | 173.16 |
| (vi) Interest | 8.72 | 11.51 | 12.76 | 22.00 | 33.02 |
| (vii) Depreciation | 1.94 | 4.76 | 6.57 | 8.12 | 10.69 |
| Total | 1702.56 | 603.03 | 846.25 | 1071.59 | 1074.33 |

| | 1 | 2 | 3 | 4 | 5 |
|---|-------|-------|-------|-------|-------|
| Net profit | 1.12 | 1.58 | 3.67 | 4.81 | 10.20 |
| Percentage of net profit to turnover | 0.07 | 0.32 | 0.50 | 0.55 | 1.14 |
| Percentage of export to turnover | 86.98 | 47.20 | 36.73 | 44.24 | 36.04 |

In this connection following points deserve mention :

(i) Percentage of profit earned to turnover has been insignificant in all the five years as growth in sales was not commensurate with the heavy increase in establishment and marketing expenses. As compared to 1986-87, turnover increased by 48 per cent in 1987-88, 77 per cent in 1988-89 and 81 per cent in 1989-90 against which increase in establishment and selling expenses was 84, 146 and 159 per cent respectively.

(ii) The profits were mainly, on account of inland sale through various emporia. Although the main object of the Company was to promote export, the percentage of export sale, which was 87 per cent of total sales during 1985-86, declined in the subsequent four years and ranged between 36 and 47 per cent only during 1986-87 to 1989-90. The main reason for inordinate decrease in export sale during 1986-87 was the failure of the Company to secure export orders for rice which alone accounted for Rs.1236 lakhs (87 per cent) of export sales in 1985-86.

2A.8 Working of export divisions

2A.8.1 Overall performance

The Company has four export divisions at Delhi, Bombay, Bhadohi and Kanpur for export of traditional and non-traditional items. While

traditional items include ready-made garments, woollen carpet, leather goods, items of chikan work, marble, wood carving, brass, etc., non-traditional items include rice, alcohol molasses, etc. Except chikan work items, which are got manufactured by the Company through artisans, all the other items exported are procured from private firms on rates approved by divisional heads. Besides, orders secured by private parties are executed through the Company. The table on the next page indicates turnover of each of the division for five years up to 1989-90.

| Divisions | 1985-86 | 1986-87 | 1987-88 | 1988-89 (Provisional) | 1989-90 |
|--------------|----------------|---------------|---------------|--------------------------|---------------|
| | (| Rupees | in | lakhs |) |
| Delhi | 1372.10 | 179.61 | 214.27 | 297.68 | 260.00 |
| Bhadohi | 19.74 | 1.06 | 20.26 | 3.67 | Nil |
| Bombay | 24.69 | 41.77 | 22.30 | 27.57 | 18.79 |
| Kanpur | 11.46 | 10.04 | 10.73 | 1.64 | 2.10 |
| Total | 1427.99 | 232.48 | 267.56 | 330.56 | 282.89 |

Note: Export sale of the Company as per provisional accounts of the divisions for the year 1988-89 and 1989-90 differs with total export as per consolidated provisional accounts of the Company as indicated in para 2A.7.2 *infra* and remains unreconciled by the Management.

In this connection following points deserve mention :

(i) The Company failed to expand its export by increasing volume of export or by diversifying the items exported. The increase in turnover from year to year was, mainly, due to ready-made garments which were exported through associates against preferential quota reserved by the Central Government for export of ready-made garments by Government departments/undertakings. The export of such ready-made garments contributed 65 to 84 per cent of export turnover of the Company during three years up to 1989-90.

(ii) During the five years up to 1989-90 the Company earned profits aggregating Rs.30.10 lakhs in respect of three divisions (Delhi, Bombay and Kanpur) engaged exclusively in export against sales aggregating Rs.2496.75 lakhs. The performance of Bhadohi division, which is engaged simultaneously in inland sale also, has been discussed separately in paragraph 2A.8.5 supra. The low profitability was, mainly, due to continuous losses incurred by Kanpur division during these years which aggregated to Rs.11.51 lakhs against turnover of Rs.35.97 lakhs. Kanpur division was able to secure and execute export orders of Rs.1.64 lakhs in 1988-89 and Rs.2.10 lakhs in 1989-90 which was even less than the establishment expenditure of Rs.3.33 lakhs and Rs.3.97 lakhs incurred during the respective period. Poor performance of Kanpur division was attributed by the

Management in March 1991 to diversion of export orders to other divisions due to change in officer-in-charge of the division from 1987-88. The quantum of such diverted orders were, however, not assessed by the Management to watch the performance of the division.

(iii) The table on the next page indicates commodity-wise position of export for five years up to 1989-90 vis-a-vis the highest export performance achieved during previous years up to 1984-85.

| Items | Highest export during 1976-77 to 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|-------|--|---------|---------|---------|---------|---------|
| Year | Amount | | | | | |
| | (| Rupees | in | lakhs |) | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | | | | | | |

Traditional items

| | | | | | | | |
|--|---------|--------|--------|--------|--------|--------|--------|
| Ready-made garments (against quota allotted and executed through associates) | 1984-85 | 97.27 | 165.93 | 198.41 | 223.27 | 230.61 | 244.23 |
| Carpet | 1976-77 | 175.44 | — | — | — | — | — |
| | 1979-80 | 110.42 | 19.33 | 23.58 | 44.78 | 89.10 | 8.85 |
| Handicraft | 1982-83 | 32.80 | 8.27 | 12.37 | 20.02 | 31.61 | 56.95 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---------------|---------|------|---------------|---------------|---------------|---------------|---------------|
| Leather goods | 1979-80 | 7.50 | 1.01 | 1.00 | 1.89 | 2.55 | 1.77 |
| Other items | 1984-85 | 2.50 | 4.92 | 4.95 | 1.74 | 0.38 | 1.02 |
| Total | | | 199.46 | 240.31 | 291.70 | 354.25 | 312.82 |

Non-traditional items

| | | | | | | | |
|--------------------|---------|--------|----------------|---------------|---------------|---------------|---------------|
| Rice | 1980-81 | 973.96 | 1236.00 | - | - | - | 2.65 |
| Alcohol | 1979-80 | 416.46 | - | - | - | - | - |
| Grand Total | | | 1435.46 | 240.31 | 291.70 | 354.25 | 315.47 |

Note: Above figures are based on MIS figures.

While substantial increase in quota allotted by Government from year to year for export of ready-made garments increased the percentage of export of this item in the total export sales made by the Company, there was otherwise sharp decline in export business of the Company during 1986-87 to 1989-90 as compared to 1985-86. The decline in turnover was attributed by the Management in March 1991 to :

(a) inability of the Company to secure orders for non-traditional items mainly rice, as the Company had neither appointed business associates to procure and execute orders on regular basis nor had established necessary infrastructure or adequate working capital to procure and execute order on its own. Non-appointment of business associate was attributed to low turnover of the Company which failed to attract foreign agents,

(b) non-diversification of export items as the Company had not prepared any action plan in this regard, and

(c) restricted participation in international trade fairs and foreign business tour by Company's officers to maintain rapport with existing and prospective buyers.

2A.8.2 Cancellation of export orders

The export orders secured by the Company are required to be executed within the time specified by the buyers

in their order/letter of credit. The Company, however, could not complete the supplies valuing Rs.448.45 lakhs due to non-procurement of items in time and orders were cancelled by the buyers. The table below indicates position of orders secured but cancelled for the five years up to 1989-90 :

| Year | Value of orders cancelled (Rupees in lakhs) |
|--------------|--|
| 1985-86 | 7.61 |
| 1986-87 | 465.68 |
| 1987-88 | 1.02 |
| 1988-89 | 26.51 |
| 1989-90 | 3.29 |
| Total | 504.11 |

A few instances of cancellation of orders are discussed below :

(i) Against an order received in July 1986 from a firm of Kuwait for supply of rice valuing Rs.421.88 lakhs by Delhi division, supplies could not be made by the associate of the Company as pre-shipment inspection clause of the buyer was not acceptable to the associate. The Company, however, did not arrange supply through other associate and letter of credit was allowed to expire in October 1986.

(ii) Against an order from a firm of USA for supply of carpet valuing Rs.104.49 lakhs in 1988-89, the Company could complete supplies of Rs.80.10 lakhs and balance order of Rs.24.39 lakhs could not be executed against the letter of credit as the Company

could not finalise the design as desired by the buyer.

(iii) Against an order for wooden and brass handicraft and marbles valuing Rs.13.03 lakhs received in January 1986 from a West German firm, the Company could arrange goods valuing Rs.1.08 lakhs only up to February 1987 and, therefore, balance order of Rs.11.95 lakhs was cancelled by buyer.

(iv) Orders valuing Rs.7.56 lakhs had been cancelled as the Company could not ensure timely supply of carpet valuing Rs.5 lakhs by Bhadohi division during 1985-86 and wood carving valuing Rs.2.56 lakhs by wood carving division during 1989-90 against orders.

(v) There were heavy cancellation of orders by parties against orders procured by officers participating in foreign fairs. In Heimtex fair held in January 1986 in West Germany, where the Company incurred expenditure of Rs.1.63 lakhs, value of orders secured was Rs.31.32 lakhs as per tour report of participating officers against which orders actually executed was Rs.1.08 lakhs only. Unexecuted orders included Rs.16.20 lakhs in respect of which confirmed orders of the buyers were not available. Similarly, in case of two other fairs held in U.S.A. during September 1986 and in Japan during September 1988, value of export orders secured as per tour reports amounted to Rs.7.73 lakhs and Rs.20 lakhs respectively thereagainst orders

executed amounted to Rs.1.05 lakhs and Rs.7.70 lakhs only.

(vi) The Company had not evolved any system of periodical review or plan participation in foreign fairs and assess the actual supplies made against supply orders procured or prospective buyers contacted in each fair in which the Company participated so as to judge the result of such participations. The yearwise position of participation in foreign fairs/meets for the five years up to 1989-90 alongwith expenditure on travelling of officers, besides the expenditure on pay and allowances, was as under :

| Year | Number of foreign fairs participated | Travelling expenditure (Rs. in lakhs) |
|---------|--------------------------------------|---------------------------------------|
| 1985-86 | 5 | 2.68 |
| 1986-87 | 5 | 3.87 |
| 1987-88 | 3 | 1.38 |
| 1988-89 | 4 | 2.76 |
| 1989-90 | 2 | 1.53 |

2A.8.,3 Export of ready-made garments

Delhi division is exporting ready-made garments against quota allotted by the Government of India. The export quota allotted by the Government of India comprises Centre State Quota (CSQ) reserved for their departments and bodies and Past Performance Quota

(PPQ) allotted on the basis of past performance. The Government of India confined the benefit of CSQ and PPQ to only manufacturing units from 1984-85 and 1987-88 respectively. The Company is, however, continuing export against these quotas by leasing out its manufacturing premises to private enterprises and has not started departmental manufacture so far (September 1990). The associate enterprises are responsible for procurement of orders from foreign buyers, making arrangement of raw material, manufacture of readymade garments and submit full particulars of consignment to the Company for raising bills on foreign buyers. On receipt of payment from foreign buyers, the amount is remitted by the Company to associates after deduction of Company's commission at prescribed rates for different countries ranging from 8 to 13 per cent of FOB value under CSQ and in case of PPQ, the payment of raw material and stitching charges are released to associates. In this connection the following points were noticed:

(i) The Company has not maintained any records showing the progress of supplies against each of the quota allotted by the Government of India from time to time so as to ascertain the extent of lapse of quota, if any, due to non-supply of garments. During the year 1989-90, it was noticed that against allotment of quota of Rs.281.76 lakhs, the associates could arrange export of Rs.231.03 lakhs only resulting in lapse of quota of Rs.50.73 lakhs. The Management had, however,

not analysed the reasons for the shortfall or taken any action against the associates (March 1991).

(ii) In case of exports under PPQ, the Company did not fix rates of raw material and stitching charges with the associates and payment for the amount as claimed by associates were made to them even without exercising any check over quantity of raw material consumed. On being pointed out by Audit in September 1990, the Management stated in March 1991 that accuracy of the expenditure can only be verified from the records of fabricators as the Company was not maintaining any such records.

2A.8.4 Sales procedure and credit policy

The Company is following a practice of making no sale on credit except to Government departments/companies. For securing the debts from becoming irrecoverable, the Company obtains guarantee from Export Credit Guarantee Corporation (ECGC) and exports goods up to the limit approved by ECGC. During audit it was noticed that exports were made by divisions without taking proper safeguards to secure the interest of the Company. As a result, dues of Rs. 48.96 lakhs remained locked up with foreign buyers as on 31st March 1990 which included doubtful debts of Rs.16.47 lakhs lying unrecovered either from the buyers or ECGC and chances of recovery thereof were remote. Few instances of such cases are discussed below:

(i) Excess supply to firms

(a) The Company received an order valuing Rs.4.67 lakhs in January 1979 from a firm of France for supply of 500 carpets. The entire supply was to be completed by March 1979 and payment was to be made by the firm 30 days after receipt of despatch documents. The quantity of order was reduced to 50 pieces by the buyer through cable sent in February 1979 which was received in Bhadohi division on 23rd February 1979. Even after receipt of cable message for reduction of quantity, the division supplied 500 pieces valuing Rs.4.67 lakhs on 16th March 1979. The firm took delivery of entire lot but did not make payment. The firm, however, complained in May 1979 about supply of inferior quality of carpet and damage due to holes and mites. The Company did not depute any of its officer for verification of complaint to sort out the dispute and lodge necessary claims with handling and forwarding agent. The division filed a civil suit against the firm in local court in March 1982 which was pending (September 1990). The entire dues remained unrecovered and chances of its recovery were remote. The doubtful debts include Rs.4.20 lakhs representing value of 450 carpet excess supplied to the firm over and above the amended quantity and was, therefore, avoidable.

(b) Another firm of France placed two orders in February 1978 for supply of carpet valuing Rs.2.38lakhs. One of the orders valuing Rs. 1.48 lakhs was cancelled by firm within one month of its placement and in its place other three supply orders were placed. Bhadohi division of the Company, however, despatched in April 1978 carpet valuing Rs. 1.48 lakhs against the cancelled order. The firm not only refused in July 1978 to take delivery of carpet but also cancelled its three orders and directed the division to take back the material. No action for retrieval of goods lying at Marsailles port in France was taken by the division which also failed to respond to two proposals received as late as in March 1979 from the foreign firm for disposal of consignment arranged by them at Rs.1.03 lakhs after the consignment had incurred heavy port charges (Rs.0.45 lakh). The cargo was finally auctioned by port authorities in May 1979 and balance amount of Rs. 0.32 lakh, after appropriation of port charges, was remitted to the Company in September 1980. The Company did not, however, take any action to fix responsibility for the loss of Rs.1.16 lakhs (Rs.1.48 lakhs - Rs.0.32 lakh) so far (September 1990).

(ii) Supply of goods beyond credit limit

The Company despatches goods to foreign buyers against letter of credit (L/C)

opened by them with the Company's bankers and despatch documents are forwarded to the bank for payment from the said account. In cases where despatch documents are forwarded to banks for its release to buyer on the latter's acceptance of document to pay the amount within a stipulated period, the Company obtains guarantee from ECGC for payment of the amount to the Company in case of non-payment by the buyer.

The ECGC fixed credit limit in April 1981 for a firm of USA at Rs.0.50 lakh in case of documents delivered against acceptance for payment within 60 days and at Rs.1 lakh in case of documents delivered to bank for its release on payment. The Company was, however, required to ensure that supplies were made only after receipt of payment of any earlier supplies.

The Company, however, despatched five consignments valuing Rs.3.02 lakhs during July 1983 to October 1983 on document against acceptance basis without receipt of payment for first despatch amounting to Rs.0.20 lakh. While the firm did not pay its dues, the Company could not also recover any amount from ECGC as it had not complied with the various restrictions prescribed by ECGC. As a result of non-observance of credit limit of Rs.0.50 lakh, the entire dues of Rs.3.02 lakhs remained unrecovered even after lapse of over seven years and chances of recovery

thereof were remote (October 1990).

(iii) Loss due to supply after validity period

The Company received an order in July 1979 from a firm of Mexico for supply of wooden screens valuing Rs.3 lakhs. As per terms of payment, the bills of the Company were to be paid against L/C to be opened by the buyer with their banker from time to time against estimated value of consignment. Accordingly, the Company shipped four consignments valuing Rs.2.46 lakhs during September 1979 to April 1980 and obtained full payment against L/C valid up to April 1980. However, without obtaining consent of the buyer for despatch of balance goods by negotiation of despatch documents through banks for its payment and without securing guarantee of payment from ECGC, the Company shipped screens valuing Rs.0.54 lakh during July 1980 and forwarded the documents to buyer's banker for its release against payment. The buyer, however, did not retire the documents and the goods remained lying at the port till September 1981 when it was auctioned by USA Custom authorities as unclaimed cargo. The Company did not ascertain/claim the surplus amount, if any, lying at the disposal of custom authorities after appropriation of custom charges. Thus, despatch of consignment after expiry of validity period of L/C and without seeking approval of the buyer for revised terms of payment led to loss of Rs.0.54 lakh to the Company.

2A.3.5 Working of Bhadohi division

2A.8.5.1 Working procedure

With a view to entering into export market of hand knotted woollen carpets produced in the Bhadohi-Mirzapur belt, the Company established a carpet division in October 1974 at Bhadohi in Varanasi district. The division had been executing export orders by direct procurement of carpets from local firms and by arranging export against export orders procured by private exporters. Despite having been in existence for more than 16 years, the division had not been able to establish any production centre which would ensure adherence to the stipulated quality and delivery schedule of foreign buyers nor could establish infrastructural facilities such as research and survey wing for development of new patterns and marketing facilities in foreign countries to boost up export sales for which the division had primarily been created. In the absence of show room facilities or any foreign agent, the export orders were mainly secured by the Company through direct participation in about three to four international exhibitions and buyers-sellers meet in a year and export of carpet has been limited to stray orders received from foreign buyers.

The table given on the next page indicates country's export of woollen carpets for the four years up to 1989-90 as per report

of Carpet Export Promotion Council and the division's share thereagainst:

| Year | Total export (In crores of rupees) | Division's export |
|---------|---|-------------------|
| 1986-87 | 146.30 | 0.01 |
| 1987-88 | 212.77 | 0.20 |
| 1988-89 | 306.80 | 0.04 |
| 1989-90 | 360.54 | Nil |

The decline in performance of the division was attributed by the Management in March 1991 to the following:

(a) the woollen carpet industry at Bhadohi was well established in the area and the Company felt that it was not desirable to compete with private exporters, and

(b) the Company was laying greater emphasis in providing infrastructure by way of carpet weaving training centres so as to provide skilled weavers to the carpet industry.

The reply is not tenable due to the following:

(i) There was no policy decision of the Bord of Directors prohibiting export of carpet to avoid competition with private exporters, as contended by the Management. Moreover, the Company has not explored new markets for export to avoid competition with other suppliers.

(ii) The emphasis on providing

infrastructure under carpet weaving training scheme is to be viewed in the light of the fact that as against 63 to 73 centres opened in each year during 1979-80 to 1981-82 (when the export of the carpet by the division was substantial), only 10 to 30 new centres were opened in each year during the five years up to 1989-90, as discussed in paragraphs 2A.12.1.2 and 2A.12.1.3 supra.

2A.8.5.2 Operational performance

The table below indicates performance of the division for the five years up to 1989-90:

| 1985-86 | 1986-87 | 1987-88 | 1988-89 (Pro- visi- onal) | 1989-90 (Prov- isio- nal) |
|-------------------|---------|---------|------------------------------------|------------------------------------|
| (Rupees in lakhs) | | | | |
| 1 | 2 | 3 | 4 | 5 |

A. Income

| | | | | | |
|---|-------|------|-------|------|-----|
| Export sale and foreign supplies including transfer to other export divisions | 20.43 | 1.44 | 20.26 | 3.97 | Nil |
|---|-------|------|-------|------|-----|

| | 1 | 2 | 3 | 4 | 5 |
|--|----------|---------|---------|---------|---------|
| Inland sale including transfer to emporia | 10.39 | 23.29 | 52.46 | 82.18 | 71.49 |
| Miscellaneous income | 10.30 | 6.08 | 5.54 | 0.59 | 0.13 |
| Total 'A' | 41.12 | 30.81 | 78.26 | 86.74 | 71.62 |
| B. Expenditure | | | | | |
| Manufacturing cost* | 10.12 | 17.36 | 60.27 | 55.92 | 43.51 |
| Salary and allowances | 1.80 | 2.30 | 2.62 | 3.45 | 4.96 |
| Other establishment expenses | 2.55 | 1.96 | 3.33 | 19.20 | 4.36 |
| Increase(-)/decrease(+) in stock | (+)17.60 | (-)1.27 | (-)0.95 | (-)4.16 | (+)4.60 |
| Depreciation | 0.04 | 0.03 | 0.36 | 0.40 | 0.40 |
| Expenditure relating to earlier years | 7.16 | 2.28 | 0.50 | Nil | 12.87 |
| Total 'B' | 39.27 | 22.66 | 66.13 | 74.81 | 70.70 |
| Net income (A-B) | 1.85 | 8.15 | 12.13 | 11.93 | 0.92 |
| *Note: Manufacturing cost represents procurement cost and finishing charges semi-finished carpets. | | | | | |

Main reasons for profit earned by the division in spite of declining export performance has been issue of carpets to emporia at selling price which include 70 per cent mark up towards head office and emporia expenses, etc., without corresponding provision for such expenditure in the accounts of the division.

The profit declined abnormally during 1989-90 (as per provisional accounts) due to provision for bad and doubtful debts amounting to Rs.11.91 lakhs.

2A.8.5.3 Outstanding dues

While reviewing the working of the division, it was noticed that heavy dues were outstanding against foreign buyers, local firms and contractors in the absence of any credit control policy as would be seen from the details given below:

| Parti- culars | 1985-86 | 1986-87 | 1987-88 | 1988-89 (Prov- ision- al) | 1989-90 (Prov- ision- al) |
|--|-------------------|---------|---------|------------------------------------|------------------------------------|
| | (Rupees in lakhs) | | | | |
| | 1 | 2 | 3 | 4 | 5 |
| Debts outstand- ing for a period: less than | 10.21 | 4.28 | 12.69 | Nil | Nil |

| 1 | 2 | 3 | 4 | 5 | 6 |
|--|-------|-------|-------|-------|-------|
| six months and considered good | | | | | |
| More than six months and considered good | 34.79 | 32.07 | 35.66 | 37.63 | 20.98 |
| considered doubtful | 9.28 | 10.15 | 10.15 | 10.15 | 20.56 |
| Total | 54.28 | 46.50 | 58.50 | 47.78 | 41.54 |

A test check in Audit (September 1990) revealed the following:

(i) A sum of Rs.30.59 lakhs has been outstanding since 1980-81 against 20 local carpet manufacturers for woollen yarn supplied to them on four months credit but remaining unpaid for over nine years. The Company had considered Rs.10.70 lakhs against six manufacturers as doubtful of recovery.

(ii) Debts of Rs.10.95 lakhs outstanding since 1981-82 on account of export of carpet included Rs.9.86 lakhs considered

doubtful of recovery by the Management.

(iii) Instances of some lapses in the working of the division as noticed in Audit are discussed in subsequent paragraphs:

(a) Distribution of yarn on loan

Under the yarn distribution scheme introduced by the division in 1978-79, the division started distribution of yarn to local manufacturers of carpet on loan for a period up to 120 days at the rate of interest of 12 per cent up to 90 days and 15 per cent per annum thereafter. The form of agreement approved by the Company, to be executed with borrower, inter alia, provided laying down of maximum credit limit. The dues of the Company were recoverable as arrears of land revenue and also from the bills of carpet supplied by the borrower.

The division had not fixed any credit limit for individual firms while executing the agreement nor had the financial status of the partners of the borrower firms been assessed. As a result, the dues against the firms continued to increase and disputes blocked realisation of dues as would be seen from some cases cited below:

(i) The division entered into an agreement in December 1979 with a partnership firm of Bhadohi without fixing credit limit and without obtaining complete particulars

about partners of the firm viz. their addresses and authorisation by firm to execute the agreement. The division supplied yarn valuing Rs.2.07 lakhs to the firm during January-May 1980 on 120 days credit. The firm did not refund Rs.1.17 lakhs within the stipulated period and a recovery certificate through the district authorities was issued in July 1981 against one of the partners who had executed the agreement with the Company on behalf of the firm. However, the partner dishonoured in August 1981 the debt on the ground that he was no longer a partner of the firm. Another recovery certificate issued by the Company against the firm in August 1983 was returned by the district authority on the ground that the partners of the firm had left Bhadohi and the firm had no movable and immovable property for enforcing recovery therefrom. Dues against the firm till March 1990 aggregated to Rs.5.82 lakhs on account of principal (Rs.1.17 lakhs) and interest (Rs.4.65 lakhs). The chances of its recovery were remote as the whereabouts of partners were not known.

(ii) A private carpet centre of Bhadohi was issued yarn valuing Rs.0.41 lakh during September 1979 to January 1980, although the firm had not repaid loan against earlier three supplies of yarn valuing Rs.0.72 lakh where credit period had since expired. A recovery certificate for balance dues of Rs.0.80 lakh including interest of Rs.0.12 lakh (Up to May 1984) was issued in June 1984,

i.e., after expiry of more than four years from the date of amount becoming due. The firm, however, filed a suit for staying the recovery proceedings in September 1984, which was dismissed by the Court in July 1987. After delay of about three years the division in July 1990 sought approval of head office for effecting recovery of amount from personal property of loanee which had not yet been approved (December 1990). As a result, dues of Rs. 0.80 lakh have remained unrecovered so far (December 1990).

(b) Issue of yarn in excess of requirement

The division appointed in February 1978 a firm of Bhadohi for production of carpet according to specification given by the division from time to time. In accordance with work indent, raw material for production was to be issued by the division and on receipt of carpets, labour charges were payable to the firm alongwith commission of 10 per cent on cost of raw material and labour charges. However, no agreement outlining the detailed terms and conditions of work awarded, was executed with the firm nor was any security to cover the cost of yarn supplied obtained.

During April 1978 to March 1979 the division issued 5159 kgs woollen yarn out of which the firm consumed 2076 kgs woollen yarn and still had quantity of 3083 kgs yarn valuing Rs.1.70 lakhs at the end of March 1979.

The division, however, further issued 650 kgs woollen yarn valuing Rs.0.34 lakh up to August 1979. The firm consumed 1262 kgs yarn and 2471 kgs yarn valuing Rs. 1.35 lakhs remained with the firm when the firm stopped further supply of carpet to the division in August 1979. In the absence of any security and agreement, dues remained unrecovered and could not be recovered from the personal property of the partners. The Company, therefore, filed a civil suit (October 1981) for recovery of dues which was pending (September 1990).

Thus, indiscriminate issue of yarn without obtaining security from the firm or executing any agreement led to large quantity of yarn remaining unrecovered with the firm.

2A.9 Working of wood carving division

2A.9.1 Operational results

Wood carving division of the Company at Saharanpur undertakes procurement of wooden artwares from artisans for domestic sale through emporia and transfer to export divisions for export. Besides, it also runs a wood seasoning plant transferred to it from the Industries Department in 1976. The staff of the plant is, however, borne on the strength of Industry Department. The performance of the division for five years up to 1989-90 is indicated in the table given on the next page.

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--|-------------------|--------------|--------------|--------------|--------------|
| | (Provisional) | | | | |
| | (Rupees in lakhs) | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Income | | | | | |
| Internal sale including transfer to emporia | 5.25 | 8.03 | 10.53 | 16.56 | 27.02 |
| Export sale including transfer to export divisions | 6.29 | 9.59 | 16.50 | 22.09 | 51.88 |
| Miscellaneous income | 1.46 | 2.14 | 2.59 | 4.41 | 6.53 |
| Net accretion(+)/decretion(-) in stock | (+)0.40 | (+)0.58 | (+)2.17 | (-)1.61 | (+)3.79 |
| Total | 13.40 | 20.34 | 31.79 | 41.45 | 89.22 |
| Expenditure | | | | | |
| Procurement cost/manufacturing expenses | 6.31 | 16.00 | 28.65 | 33.17 | 72.20 |
| Salary and allowances | 1.75 | 1.74 | 2.60 | 3.64 | 3.86 |
| Other establishment expenses | 5.37 | 2.45 | 2.88 | 7.49 | 10.81 |
| Adjustment relating to previous years | 0.02 | Nil | 0.19 | Nil | 0.01 |
| Total | 13.45 | 20.19 | 34.32 | 44.30 | 86.88 |
| Net profit(+)/loss(-) | (-)0.05 | (+)0.15 | (-)2.53 | (-)1.85 | (+)2.34 |

While the turnover increased substantially during 1987-88 and 1988-89 by 53 and 119 per cent over 1986-87, the profitability of the division declined during these two years mainly because of high procurement cost which increased from 88 per cent in 1986-87 to 98 and 90 per cent of turnover during 1987-88 to 1988-89. Main reason for high procurement cost was the Company's dependence on local manufacturers for purchases at price quoted by them from time to time.

2A.9.2 Performance of wood seasoning plant

In 1976 Government transferred the operation of a wood seasoning plant (WSP) at Saharanpur to the Company. Installed capacity of the plant was 19000 cft per annum. The operational performance of the plant for five years up to 1989-90 is given on the next page.

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--|---------|---------|---------|---------|---------|
| | 1 | 2 | 3 | 4 | 5 |
| Volume of wood seasoned (in cft) | 10605 | 11325 | 11159 | 18200 | 19507 |
| Utilisation of capacity in percentage | 55.8 | 59.6 | 58.7 | 95.8 | 102.7 |
| Hours available for running | 8760 | 8760 | 8784 | 8760 | 8760 |
| Actual running hours of boiler | 2432 | 3593 | 3481 | 5558 | 6376 |
| Consumption of fuel-baggase/paddy husk | | | | | |
| (a)Quantity in quintals | 1579 | 895 | 2354 | 6147 | 5066 |
| (b)Value in lakhs of rupees | 0.56 | 0.64 | 1.09 | 1.57 | 1.71 |
| Consumption of fuel in Kgs | | | | | |
| (a)Per cft of wood seasoned | 14.9 | 7.9 | 21.1 | 33.8 | 26.0 |
| (b)Per running hour of boiler | 64.9 | 24.9 | 67.6 | 110.1 | 79.5 |

The Company had not laid down any norms for consumption of fuel (bagasse and paddy husk). Based on actual consumption of 7.9 kg fuel per cft of wood seasoned during 1986-87, there was an excess consumption of fuel valuing Rs.3.07 lakhs in the three years up to 1989-90.

Excess consumption of fuel has not been analysed by the Management with a view to taking remedial action.

2A.9.3 Infuctuous expenditure on expansion programme

With a view to meeting the increasing demand for seasoned wood in Saharanpur and also for improving the working of the plant, the Company engaged in September 1977 Uttar Pradesh Industrial Consultants Limited, Kanpur to carry out survey and suggest an expansion and modernisation programme. The consultants in their report submitted to the Company in January 1978, recommended expansion of annual seasoning capacity to one lakh cft considering the scheme viable on following assumptions:

(i) Capital cost of Rs.45.69 lakhs including working capital requirement of Rs.30.37 lakhs would be met out of equity as otherwise viability of the unit would be adversely affected by interest burden in case of financing by loans.

(ii) As against the ongoing scheme

of subsidising the full seasoning cost, only part subsidy would be given by Government. The part subsidy would also be withdrawn gradually after the unit had attained optimum level of utilisation of capacity in the five years from the year of commencement of the plant.

(iii) Unit would undertake procurement of timber from Forest Department for its seasoning and sale to private artisan manufacturers for which working capital of Rs.30.37 lakhs was to be contributed by Government as equity.

The Company started implementation of expansion programme in 1979-80 without reassessing the feasibility of the scheme in the context of non-realisation of some of the assumptions made in the Consultant's report. Instead of contributing the entire estimated cost of Rs. 45.69 lakhs as equity, Government sanctioned (in March 1978) termloan of Rs.14.85 lakhs carrying 12 per cent annual interest for capital expenditure and no funds were provided by Government for working capital. The existing subsidy was withdrawn by Government in 1981-82 when the expansion programme was under progress. The Company incurred Rs.10.48 lakhs up to March 1983 on civil works, kiln equipments and miscellaneous expenses. The Company further placed an order in April 1983 for supply of a boiler which was received in September 1983 at a cost of Rs.2.42 lakhs and incurred

and incurred further expenditure of Rs.0.07 lakh on its foundation. The expansion programme, envisaged to be completed within 10 months, remained incomplete even after lapse of over 10 years. The work on expansion programme remained suspended since 1983-84, though the subsidy scheme was again introduced in March 1987. An aggregate expenditure of Rs.12.97 lakhs had been incurred and the equipment purchased including the boiler remained idle and uninstalled (September 1990). Thus, an aggregate expenditure of Rs. 12.97 lakhs incurred on the expansion programme proved to be unfruitful.

2A.9.4 Procurement of wood carvings

On the basis of demands received from emporia and export divisions, purchase of wood carvings is made by the division from local firms and artisans. Supply orders placed by the division did not prescribe any penalty for delay in supply by firms, as a result thereof supplies of wooden items valuing Rs.4.78 lakhs could not be made to foreign buyers due to non-availability of goods in time during the five years up to 1989-90.

2A.10 Chikan production division

2A.10.1 Operational results

The Company established in March 1978 a separate division at Lucknow for

production of goods having quality chikan work and with the socio-economic objective of providing fair wages to workers and to eliminate exploitation of workers by middlemen in the trade. The Company is having one base centre at Lucknow for cutting, stitching and printing of designs and four embroidery centres for distribution of clothes amongst workers for embroidery work at piece rate system. The operating results of the division for the five years up to 1989-90 were as under:

1985-86 1986-87 1987-88 1988-89 1989-90
(Rupees in lakhs)

A. Expenditure

Cost

of

| | | | | | |
|-------|-------|-------|-------|-------|-------|
| Sales | 25.00 | 25.85 | 40.95 | 44.27 | 51.86 |
|-------|-------|-------|-------|-------|-------|

Other

expen-

| | | | | | |
|-----|------|-------|-------|-------|-------|
| ses | 6.84 | 21.82 | 37.01 | 37.66 | 39.39 |
|-----|------|-------|-------|-------|-------|

| | | | | | |
|----------------|--------------|--------------|--------------|--------------|--------------|
| Total A | 31.84 | 47.67 | 77.96 | 81.93 | 91.25 |
|----------------|--------------|--------------|--------------|--------------|--------------|

B. Revenue

| | | | | | |
|-------|-------|-------|-------|-------|-------|
| Sales | 26.52 | 47.81 | 78.28 | 81.11 | 88.29 |
|-------|-------|-------|-------|-------|-------|

Other

recei-

| | | | | | |
|-----|------|------|------|------|------|
| pts | 0.19 | 0.11 | 0.20 | 0.11 | 0.11 |
|-----|------|------|------|------|------|

| | | | | | |
|----------------|--------------|--------------|--------------|--------------|--------------|
| Total B | 26.71 | 47.92 | 78.48 | 81.22 | 88.40 |
|----------------|--------------|--------------|--------------|--------------|--------------|

C. Profit(+)

| | | | | | |
|------------------|------|------|------|------|------|
| <u>/loss (-)</u> | (-) | (+) | (+) | (-) | (-) |
| | 5.13 | 0.25 | 0.52 | 0.71 | 2.85 |

In spite of mark-up of 40 to 50 per cent on cost price having been added on goods transferred to emporia, the scheme

has been incurring losses except in 1986-87 and 1987-88 when there was a nominal profit as the increase in production from year to year was not commensurate with the increase in establishment expenditure.

2A.10.2 Production targets and achievement

The Company had not fixed production targets under the scheme till 1987-88 and production was as per annual and other casual indents received from emporia. The table below indicates targets and actual production under the scheme for five years up to 1989-90:

| Year | Production targets (Rupees in lakhs) | Actual production |
|---------|---|-------------------|
| 1985-86 | Not fixed | 3.77 |
| 1986-87 | -do- | 39.97 |
| 1987-88 | -do- | 69.03 |
| 1988-89 | 125.00 | 58.88 |
| 1989-90 | 150.00 | 64.19 |

In this connection it was further noticed in Audit that:

(i) The actual production was far below (less than 50 per cent) the targets fixed during 1988-89 and 1989-90 as the division was not able to increase the number of enrolled workers commensurate with increased production targets. As against 45,000

workers involved in the chikan work in Lucknow, the Company had enrolled only 1588 workers as on 31st March 1990.

(ii) Non-achievement of target was due to lack of planning for production as division had not fixed periodical requirement of raw materials and working capital to achieve the targets.

(iii) Due to poor production performance the division had to make purchases of chikan goods valuing Rs.13.36 lakhs from local market during 1985-86 to 1986-87.

2A.10.3 Goods not returned

Stitched clothes after printing of designs are transferred by base centre for embroidery to chikan centres which in turn issue the same to enrolled workers and watch their return. Again, on receipt of embroidered clothes from the centres, the base centre issues them to washermen for washing and watches their return. These centres are required to ensure return of clothes from workers and washerman in time so that finished goods could be despatched to emporia for sale. It was, however, noticed that stocks valuing Rs.1.30 lakhs at the end of March 1990 were held by workers and washermen as per age-wise

break-up given below:

| Outstanding for a period | Value of goods outstanding against | |
|--|------------------------------------|-----------|
| | Workers | Washermen |
| | (Rupees in lakhs) | |
| (i) exceeding ten years | 0.08 | -- |
| (ii) more than five years but up to ten years | 0.08 | 0.06 |
| (iii) more than two years but up to five years | 0.30 | 0.78 |
| Total | 0.46 | 0.84 |

No effort was made by the division to recover the goods or its cost from the workers and washermen.

2A.10.4 Los due to delay in disposal

The division held damaged chikan goods valuing Rs.5.99 lakhs since 1978-79. However, the stock had not been physically verified at any time during the period 1978-79 to 1986-87. In the physical verification report for the year 1987-88 it was reported that the stock was in a completely damaged condition. In auction held in December 1988 and June 1989, these

stocks could fetch only Rs.1.18 lakhs causing loss of Rs.4.81 lakhs to the Company. The Company had not fixed any responsibility for abnormal delay in auction and resultant loss due to deterioration in prolonged storage (September 1990).

2A.11 Handicraft division

2A.11.1 Working procedure

In December 1971 the State Government transferred their handicraft organisation alongwith attached offices and nine emporia with a view to ensuring operations of the emporia conducted on sound commercial lines. It was envisaged that these emporia would reach breakeven point within five years and would generate profits thereafter. The Company established three more emporia (December 1971) with a view to promoting sale of handloom and handicraft products of the State. The eleven emporia are managed by the handicraft division of the Company at Lucknow and one emporium at Delhi is managed by Senior Manager independently under the direct control of head office. Besides own sales, the Company appoints private parties to run counter for sale of their goods in the emporia on sale and return (S&R) basis on payment of comission to the Company at an agreed percentage of turnover from such sale counters.

2A.11.2 Operational results

The table below indicates operating results of all the 12 emporia for five years up to 1989-90:

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--|-------------------|----------|----------|----------|----------|
| | (Provisional) | | | | |
| | 1 | 2 | 3 | 4 | 5 |
| | (Rupees in lakhs) | | | | |
| <u>A. Expenditure</u> | | | | | |
| Opening stock | 47.75 | 65.00 | 96.25 | 144.86 | 184.62 |
| Add: Purchases | 150.96 | 218.19 | 354.51 | 387.88 | 386.66 |
| Less: closing stock | 65.00 | 96.25 | 144.86 | 181.62 | 185.55 |
| Cost of sales | 133.71 | 181.94 | 305.90 | 351.12 | 382.73 |
| Salary and allowances etc. | 32.14 | 34.16 | 50.16 | 57.85 | 67.30 |
| Other expenses | 43.34 | 61.11 | 96.49 | 197.54 | 207.56 |
| <u>Total A</u> | 209.19 | 277.21 | 452.55 | 606.51 | 657.59 |
| <u>B. Income</u> | | | | | |
| Sales | 188.89 | 254.84 | 443.58 | 483.68 | 564.43 |
| Commission on sales | 27.05 | 34.25 | 43.28 | 42.05 | 37.27 |
| Other income | 0.48 | 0.96 | 2.33 | 0.74 | 0.33 |
| Marketing development assistance (MDA) | -- | -- | -- | 91.38 | 91.38 |
| <u>Total B</u> | 216.42 | 290.05 | 489.19 | 617.85 | 693.41 |
| <u>Profit(+)/</u> | | | | | |
| loss(-) (A-B) | (+)7.23 | (+)12.84 | (+)36.64 | (+)11.34 | (+)35.82 |

| | 1 | 2 | 3 | 4 | 5 |
|-------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| | (Rupees in lakhs) | | | | |
| Delhi emporium | (+)11.01 (38.4) | (+)21.00 (29.4) | (+)31.73 (33.1) | (+)10.23 (8.8) | (+)34.22 (24.0) |
| Other eleven emporia | (-)3.78 (-) | (-)8.16 (-) | (+)4.91 (1.4) | (+)1.11 (0.3) | (+)1.60 (0.4) |

Note: Figures in brackets represent percentage of profit to sales.

Following points were noticed in Audit:

(i) The profit shown in the above table would further reduce after allocation of head office expenses which have not been allocated to emporia as the norms for allocation of expenses between various divisions had not been fixed by the Management.

(ii) Whereas Delhi emporia earned profits ranging from 29 to 38 per cent of its turnover during the three years up to 1987-88 the year up to which accounts were finalised, the other 11 emporia incurred combined loss during the years 1985-86 and 1986-87 and a nominal profit in 1987-88 due to low turnover and higher establishment cost. The handicraft division had not maintained separate accounts of each emporium to assess their individual performance as recommended by COPU in their Fourteenth Report of 1988-89. Based on MIS figures the performance of each emporium for the four years up to 1989-90 was reviewed in Audit and is summarised in Annexure-5.

A perusal of the working results revealed the following:

(a) Turnover in respect of emporia at Calcutta, Bhopal and Nagpur declined in 1989-90 as compared to 1987-88. As a result these emporia incurred losses aggregating Rs.2.66 lakhs during 1989-90. Besides, emporium

(111)

at Kanpur opened in 1988-89 incurred loss of Rs.1.74 lakhs during 1989-90 due to low turnover.

(b) While the own sales in four emporia at Bombay, Calcutta, Bhopal and Lucknow (Hazaratganj) declined during 1988-89 and 1989-90, it registered an increase in respect of sales made by parties on sale and return basis (S&R parties). The reasons for decline in Company's own sale has not been analysed by the Management (September 1990).

(c) One of the main reasons for profits in emporia was the higher rate of income earned by way of commission on sales made by S&R parties as compared to income on own sales.

The decline in sales of some emporia was attributed by Management in March 1991 as under:

Calcutta: It is a small emporium having 600 Sqft.space which is insufficient for display of all the products.

Bombay: Due to locational disadvantages.

Bhopal: Renovation was pending.

Lucknow: The increase in sales of S & R parties was on account of appointment of S&R party for jewellery from 1988-89.

However, remedial measures, if any, taken to improve the profitability of the Emporia have not been intimated by the Management.

2A.11.3 Purchase of packing material

During the period November 1987 to March 1990, the Company purchased polythene bags of various sizes and wrapping films valuing Rs.9.21 lakhs without inviting tenders. Initially the Managing Director of the Company approved in July 1987, rates of different types and sizes of polythene bags against suo-moto offer of a firm of Kanpur on the basis of recommendations of Chief Manager (Commercial). It was, however, noticed that the reasonability of rates was not ensured by ascertaining prevailing rates through quotations from reputed manufacturers. The firm was also granted increase in rates in March and April 1988 due to change in design of the bags without any cost analysis of additional expenditure involved therein and without obtaining competitive rates from other firms. When in July 1990 open tenders were invited, the rates offered by the lowest valid tenderer of Lucknow were found to be lower than the rates allowed by the Company to the firm of Kanpur. Thus, due to purchase of polythene bags without inviting tenders, the Company had to incur an extra expenditure of Rs. 0.99 lakh.

2A.11.4. Sale and return (S&R) arrangement

The Company appoints private firms to set up sale counters for items of silk, jewellery, marble, etc., in its emporia on sale and return (S&R) basis. These private parties are required to maintain stock of wide range of items procured and priced by them and depute their own personnel for operating such sale counters. Sale proceeds collected by the Company are remitted to parties in the following month by concerned emporium after deduction of Company's commission ranging between 10 and 20 per cent. Appointment of firms for each emporium is made separately on the basis of negotiations with interested parties regarding rate of commission payable by them and annual guaranteed sale. The terms and conditions of agreements with these parties, inter alia, provide for announcement of same rate of discount as is allowed by the Company from time to time. A test check in Audit revealed deficiencies/lapses in performance of the S&R contracts as discussed below:

(i) Emporia Managers deducted commission at prescribed rate on actual sales and did not recover commission on annual guaranteed sales in cases where the parties failed to achieve the guaranteed sales, as per provisions of the agreement executed with them. As a result commission was short recovered to the extent of Rs.2.59 lakhs

| Name of S & R parties | Name of emporium | Period | Guara- nteed sale | Actual sale | Reco- vera- ble | Commission | |
|-----------------------------|---------------------|-----------------------------------|-------------------------|----------------|-----------------------|-------------------|-------------------------|
| | | | | | | Reco- vered | Short reco- vered |
| | | | | | | (Rupees in lakhs) | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Ujjaval Export | Bombay | August 1985 to July 1986 | 6.00 | 3.34 | 1.20 | 0.84 | 0.36 |
| Oswal Emporium | Delhi | July 1986 to June 1987 | 10.00 | 8.18 | 2.00 | 1.61 | 0.39 |
| | | July 1987 to June 1988 | 10.00 | 9.33 | 2.00 | 1.84 | 0.16 |
| | | July 1988 to June 1989 | 12.00 | 9.89 | 2.40 | 1.95 | 0.45 |
| O.N.C.Gems Jewellery | Delhi | April 1988 to March 1989 | 14.40 | 8.61 | 2.88 | 2.23 | 0.65 |
| | | April 1989 to March 1990 | 17.40 | 6.78 | 3.46 | 2.88 | 0.58 |
| | | Total | | | | | 2.59 |

(114)

(ii) The agreements executed by the Company with two silk parties during February 1987 and October 1987 for four emporia were valid for a period of three years. During validity period of contracts, the Company decided in September 1988 to reduce the rate of commission recoverable from parties on sales from December 1988 and waived minimum guaranteed sale during 1988-89 on the ground of revision in Marketing Development Assistance Scheme by Government regulating reimbursement of rebate to the Company. Up to 1987-88 the Company was entitled to reimbursement of 20 per cent rebate on handloom textiles allowed to customers during 30 days in a year and rebate allowed by S&R parties was reimbursed to them on receipt of grant against rebate. However, under the revised scheme operative from 1988-89, lump sum rebate equal to the amount of rebate for the year 1987-88 was admissible to the Company irrespective of actual rebate allowed by the Company to the customers. The revision of agreement before expiry of validity period resulted in short recovery of commission of Rs.12.86 lakhs as detailed below:

| Name of emporium | Period | Commission recoverable at the agreed rate | Commission recovered | Commission short recovered |
|-------------------|----------|---|----------------------|----------------------------|
| 1 | 2 | 3 | 4 | 5 |
| (Rupees in lakhs) | | | | |
| Lucknow | February | 4.50 | 2.56 | 1.94 |

| 1 | 2 | 3 | 4 | 5 |
|-----------------------|------------------------------------|-------|------|-------|
| (Rupees in lakhs) | | | | |
| (Hazaratganj) | 1988 to January 1989 | | | |
| Lucknow (Aminabad) | April 1989 to March 1990 | 4.50 | 3.00 | 1.50 |
| | April 1988 to March 1989 | 1.62 | 1.56 | 0.06 |
| Delhi | September 1988 to March 1989 | 8.83 | 6.03 | 2.80 |
| | April 1989 to March 1990 | 11.32 | 6.53 | 4.79 |
| Allahabad | April 1989 to March 1990 | 3.96 | 2.19 | 1.77 |
| Total.. | .. | .. | .. | 12.86 |

(iii) Besides, the following emporia had deducted commission at lower rate than those prescribed in the agreements involving undue benefit to the parties amounting to Rs.2.65 lakhs.

| Name of emporium | Period | Commission | | |
|-----------------------|--|------------------|----------------|-------------------------|
| | | Recover- able | Recov- ered | Short reco- vered |
| (Rupees in lakhs) | | | | |
| 1 | 2 | 3 | 4 | 5 |
| Lucknow (Aminabad) | November 1987 to October 1988 | 2.33 | 2.23 | 0.10 |
| Allahabad | August 1987 to July 1988 | 3.28 | 3.17 | 0.11 |
| Delhi | September 1987 to August 1988 | 11.47 | 9.03 | 2.44 |
| Total | -- | -- | -- | 2.65 |

2A.11.5 Inventory control

2A.11.5.1 Control procedure

In their Fourteenth Report for the year 1988-89, the COPU recommended the framing and adoption of stores manual. No stores manual has been prepared nor have maximum limit of inventory for each emporium considering its turnover and maximum, minimum and reordering level for each category of handicraft item been fixed by the Management.

2A.11.5.2 Shopsoiled and damaged goods

Position of shopsoiled and damaged goods at the close of five years up to 1989-90 was as under:

| Year | Handicraft division (Rupees in lakhs) | Delhi emporium |
|---------|---|-------------------|
| 1 | 2 | 3 |
| 1985-86 | 6.08 | N.A. |
| 1986-87 | 14.17 | N.A. |
| 1987-88 | 13.84 | 2.75 |
| 1988-89 | 15.26 | 3.12 |
| 1989-90 | 14.26 | 2.57 |

Although the Board of Directors had decided in February 1976 that sale of slow moving items should be taken up as a continuous process to avoid accumulation of inventory and to secure better availability of fund and had constituted in November 1978 a committee consisting of Chief Manager (Commercial), Chief Manager (Finance) and Administrative Officer having full power to fix discount below cost price, no such effort was made to identify slow moving items at regular intervals.

Following points were noticed in Audit of emporia and central stores:

(i) Damaged stock of Rs.16.83 lakhs as on 31st March 1990 included damaged stock held for over four years in Central Stores, Art (Rs.6.32 lakhs), Textile (Rs.1.52 lakhs) and Delhi emporium (Rs.2.57 lakhs) without

any action for disposal. Due to delay in disposal of goods and their storage for a long time the possibility of further loss in their realisable value can not be ruled out.

(ii) In Central Store (Art) the value of damaged stock held at the close of 1988-89 was Rs.8.86 lakhs as against which physical verification report for 1989-90 indicated value of stock at Rs.6.32 lakhs only, even though no transaction had taken place during the year. However, the reasons for shortages to the extent of Rs.2.54 lakhs were not investigated by the Management.

2A.11.5.3 Lack of control over stores at emporia

Handicraft division at Lucknow makes payment to suppliers for goods supplied by them to various emporia including goods transferred. However, control over the stores of the emporia had the following deficiencies:

(i) The division did not maintain priced store ledger for each emporium on the basis of payment made and liabilities incurred so as to derive book balance for comparison with physical inventory and to correctly determine shortages, if any.

(ii) The division has not maintained any record to indicate the transfer of stores from one emporium to other so as to ensure proper accountal thereof.

(iii) Up to 1982-83 the division had maintained control records over emporia transactions which indicated a difference of Rs.9.41

lakhs when compared to the total stock holding as reflected in stock registers of the emporia. The stock difference had remained unreconciled even after lapse of over seven years. The Board of Directors approved in September 1984 deputing a team to each emporium for reconciliation under the Executive (Accounts) of handicraft division. However, no progress had been made and in view of discontinuance of stock control account at handicraft division from 1983-84, any discrepancies in store account of emporia remained undetermined.

2A.11.6 Sundry debtors

Credit sale to Government departments is allowed by Managers of emporia at their discretion. The table below indicates agewise break-up of outstanding dues on account of credit sale as on 31st March 1988 (till finalisation of accounts):

| | Handicraft division (Rupees in lakhs) | Delhi emp- orium | Total |
|-----------------------------------|---|------------------------|-------|
| Dues outstanding for a period- | | | |
| Up to six months | 7.56 | 8.71 | 16.27 |
| more than six months | 8.28 | 2.22 | 10.50 |

Total debts of Rs.10.50
lakhs outstanding for a period exceeding six

months included Rs.7.22 lakhs outstanding for recovery since 1985-86 against 47 Government offices to whom sale on credit was made by Lucknow (Hazaratganj) emporium. In test check of cases of old dues, it was noticed in Audit that sale on credit were allowed without obtaining formal supply orders and acknowledgements for goods supplied from the receiving departments. Besides, there was delay in follow-up action for recovery of dues as would be seen from the following cases:

(1) Of Rs.2.97 lakhs outstanding against two Government departments for credit sales made during 1981-82 to 1985-86 by the Hazaratganj emporium, challans for issue duly acknowledged by the concerned departments were available for Rs.1.77 lakhs only.

(2) Outstanding dues included Rs.0.83 lakh against two Government departments for credit sale made during 1982-83 and 1983-84 by the Hazaratganj emporium for which payment had already been made by the departments in the year 1983-84 but had not been accounted for by the emporium.

(3) Dues of Rs.0.55 lakh outstanding against a Government company since 1984-85 included Rs.0.14 lakh already paid by it but remained unaccounted for by Hazaratganj emporium. Further the receipt of goods against four challans (credit memos) valuing Rs.0.16 lakh

was denied by that Company (September 1990).

2A.12 Impelementation of other schemes

2A.12.1 Carpet weaving training scheme

2A.12.1.1 The Company has been imparting training in carpet weaving since 1976 with the object of strengthening production base for export by increasing the number of trained weavers and fulfilling the social objectives of providing means for self employment. The scheme was financed up to 1978-79 by the All India Handicraft Board of the Government of India and thereafter by the State Government, which releases grants to the Company for meeting expenditure on training at specified rates.

Under the scheme, the Company appoints a carpet manufacturer as an associate to set up and run carpet weaving training centre for imparting training to 50 children between 12 and 18 years of age for a period of one year. The associate provides the raw material and the production from each of the centre is the property of the associate. For running each centre, grant of Rs.0.79 lakh is released by Government to the Company for meeting expenditure on stipend of trainees (Rs.0.45 lakh), 50 per cent of salary of two master craftsmen and two assistant master craftsmen (Rs.0.13 lakh), rent of building (Rs.0.06 lakh), full salary of centre in-charge of Company (Rs.0.10 lakh), contingency (Rs.0.03 lakh)

and wastage of raw material by trainees (Rs.0.02 lakh). Out of grant of Rs.0.79 lakh, the Company releases grant of Rs.0.66 lakh to the associate for running the centre and Rs.0.13 lakh is retained for salary of centre in-charge and office contingency. As per agreement executed by the Company with the associate from time to time, the associate is required to run the training centre for a period of one year and thereafter convert the centre into regular production centre to run for a minimum period of three years. In case of default, the associate is liable to refund the amount spent by the Company on the training centre.

2A.12.1.2 Achievement of targets

The table given on the next page indicates the training targets and achievements thereagainst during five years up to 1989-90:

| Year | Centres sanct- ioned | Persons to be train- ed | Actual cen- tres ope- ned | Centres for which detai- ls ava- ilable | Persons enrol- led for train- ing | Persons trained | Percent- age of drop outs during train- ing period |
|------|----------------------------|----------------------------------|---------------------------------------|--|---|--------------------|---|
|------|----------------------------|----------------------------------|---------------------------------------|--|---|--------------------|---|

(In numbers)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---------|-----|------|-----|----|------|------|------|
| 1985-86 | 27 | 1350 | 24 | 9 | 450 | 424 | 5.8 |
| 1986-87 | 35 | 1750 | 30 | 25 | 1250 | 1179 | 5.7 |
| 1987-88 | 12 | 600 | 10 | 6 | 300 | 207 | 31.0 |
| 1988-89 | 30 | 1500 | 25 | 24 | 1200 | 1018 | 15.2 |
| 1989-90 | 25 | 1250 | 19 | NA | NA | NA | NA |
| TOTAL | 129 | 6450 | 108 | 64 | 3200 | 2828 | |

NA= Not available

Following points deserve mention:

- (1) Number of persons trained was far below the targets fixed mainly due to non-operation of prescribed number of centres and increasingly heavy dropout of trainees during training period. A major reason for dropouts as reported in November 1983 by the Consultant-Ferguson and Company of Delhi, appointed in September 1982 to evaluate the scheme, was diversion of trainees to more lucrative employment in carpet and other industries. The Management has, however, not taken remedial action so far by introducing any gradual increase in the stipend during the training period to encourage trainees to complete the training, as suggested by the Consultant (December 1990).
- (2) Grant sanctioned was to be utilised within the ceiling per centre fixed by Government. The Company had not maintained any details of centre-wise expenditure with a view to determining excess of expenditure over grant. The aggregate of expenditure incurred on the scheme is deducted from the grant available with the Company. The table given on the next page indicates position of grant available and expenditure incurred for the five years up to 1989-90:

| Year | Grant received | Expenditure incurred | | Total expenditure |
|------|----------------|----------------------|-----------------------|-------------------|
| | | on prescribed heads | on inadmissible heads | |
| 1 | 2 | 3 | 4 | 5 |

(Rupees in lakhs)

| | | | | |
|---------|---------|-------|--------|--------|
| 1985-86 | 113.98* | 5.31 | 21.05 | 26.36 |
| 1986-87 | 124.76 | 20.48 | 20.12 | 40.60 |
| 1987-88 | 104.60 | 21.03 | 22.27 | 43.30 |
| 1988-89 | 87.62 | 22.28 | 26.46 | 48.74 |
| 1989-90 | 59.41 | 19.42 | 28.71 | 48.13 |
| Total | | 88.52 | 118.61 | 207.13 |

* Includes unutilised grant from previous year.

In this connection it was noticed in Audit that:

(i) The Company had utilised grants aggregating Rs.118.61 lakhs during the five years up to 1989-90 to meet salary and other establishment expenses of carpet weaving training scheme's office at Lucknow comprising 128 officials related with the implementation of the scheme.

(ii) The expenditure incurred by the Company on prescribed heads (stipend, salary of master craftsmen and centres in-charge, contingency, raw material wastage and rent) was also more than the norms of expenditure. In the absence of details of centrewise expenditure, a comparison of total expenditure incurred under three heads was made with norms in respect of 108 centres opened during the period 1985-86 to 1989-90 which revealed extra expenditure of Rs.113.69 lakhs as detailed below:

| | Expenditure As per norms | Actual | Extra expendi- ture |
|---|-----------------------------|--------|---------------------------|
| | (Rupees in lakhs) | | |
| I. Rent | 6.48 | 10.94 | 4.46 |
| II. Travelling and and office contingency | 3.12 | 7.79 | 4.67 |
| III. Salary of master craftsmen | 14.04 | 18.60 | 4.57 |
| Total | 23.64 | 37.33 | 13.69 |

(iii) The expenditure against grant shown in the above table also includes salary and allowances amounting to Rs.6.23 lakhs on surplus staff who had been shifted to other divisions of the Company from 1987-88 onwards but their salary had not been charged to concerned activity of the Company.

2A.12.1.3 Conversion of training centres

Evaluation of performance of the training scheme was last carried out by the Company during 1982-83 through a consultant who in their report of November 1983 reported following mortality rate of centres on the basis of testcheck of 208 training centres opened during 1979-80 to 1981-82:

| | 1979-80 | 1980-81 | 1981-82 | Total |
|---|---------|---------|---------|-------|
| 1. Number of training centres started | 63 | 73 | 72 | 208 |
| 2. Number of production centres working | 36 | 41 | 60 | 127 |
| 3. Number of training centres closed | 27 | 32 | 22 | 81 |
| 4. Percentage of centres closed to centres opened | 42.9 | 43.8 | 30.6 | 38.9 |

In spite of the consultant's report indicating a high rate of failure in conversion of training centres into regular production centres for the period 1979-82, the Company had still not introduced any regular system of inspection of units and close monitoring of performance of training and production centres to ensure that the objectives of the scheme are realised and suitable penal action by way of recovery of amount be taken against defaulting associates. In case of premature closure of production centres, pointed out by consultant as far back as in 1983, the Company has not so far initiated any penal action for recovery of expenditure of Rs.63.99 lakhs against 81 defaulting associates as per provisions of agreements executed with them whereas cases of default occurring since 1984 remained unidentified due to lack of any follow up inspection.

2A.12.1.4 Premature closure of training centres

Agreements executed with the associates provided that in case of breach of any conditions of agreement, the training centre would be closed and expenditure incurred by the Company recovered from the associates. The Company, however, issued recovery certificates of Rs.0.29 lakh in August 1987 on three associates whose centres had been cancelled in 1985-86 against which one party obtained stay order from the Court against recovery proceedings of Rs.0.10 lakh. The Company, however, did not pursue recovery of Rs.0.19 lakh against two other firms and had not issued

recovery certificate for Rs.1.14 lakhs in remaining six cases cancelled during 1987-88 and 1988-89. Main reasons leading to failure of centres, as noticed in Audit in respect of six out of nine cancelled centres, were as under:

(i) Incorrect survey report leading to appointment of an associate of Allahabad, not having suitable building and prescribed number of looms.

(ii) Three centres at Kalpi were sanctioned in favour of associates under the same management.

(iii) Delay of four months in posting of centre in-charge by Company leading to delay in release of grant to an associate of Agra.

(iv) Selection of an associate of Gonda who had no building and had previously defaulted during 1986-87 by not converting an earlier training centre into production centre.

2A.12.2 Drought relief scheme

In March 1988, the Government of India introduced drought relief scheme in handicraft sector with a view to preventing unemployment amongst artisans in concentrated drought affected areas due to lack of demand of their product in rural populace. The Company was required to submit comprehensive schemes

so tht these craftsmen could be gainfully employed in pursuing their own craft under the projects organised by the Company. The scheme provided issue of raw material by implementing agencies and payment of wages from June 1988 to October 1988 at Rs.10 per day to each artisan out of Central assistance. The balance wages, if any, beyond the prescribed rate was payable by the agencies out of their own sources.

Accordingly, the Company submitted in April and June 1988 two schemes for providing employment to craftsmen in chikan embroidery (1400) in Lucknow, wood carving (500) at Saharanpur, cotton durries weavers (590) in Aligarh and woollen durries (400) in Mirzapur. The proposal was accepted by the Government of India in May and June 1988. Entire fund of Rs. 43.16 lakhs was released between May 1988 and September 1988 and utilised by the Company during June 1988 to December 1988 on the various schemes. A review of expenditure under scheme in Audit, however, revealed the following:

(i) The Company, which had no production unit of its own to provide direct employment to artisans, continued procurement of handicraft items under the scheme from existing private manufacturers and also did not open the two new centres for chikan embroidery to provide additional employment to artisans, as envisaged in the scheme. The Company, however, allocated the wage element on estima-

ted basis and adjusted entire amount of assistance as expenditure against the scheme without obtaining Government approval to dispense with the direct employment of artisans by it and, thus, retained the entire amount of grant, irregularly.

(ii) The scheme was to be operated for 150 days during June 1988 to October 1988. However, the wages to artisans engaged in wooden handicraft and chikan workers were adjusted for the period of 210 days up to December 1988 even after expiry of the scheme in October 1988. Wages for the period beyond October 1988 adjusted against the scheme aggregated to Rs. 8.64 lakhs.

The above matters were reported to Management and Government in January 1991; their replies had not been received (March 1991).

SECTION 2B

**UTTAR PRADESH STATE FOOD AND ESSENTIAL
COMMODITIES CORPORATION LIMITED**

SECTION 2B

FOOD AND CIVIL SUPPLIES DEPARTMENT

UTTAR PRADESH STATE FOOD AND ESSENTIAL COMMODITIES CORPORATION LIMITED

HIGHLIGHTS

The Company was incorporated in October 1974 with the main object of meeting the needs of the Community for essential commodities. The accounts of the Company were in arrears from 1983-84. Based on provisional accounts, the Company has been continuously incurring losses since 1986-87 and the accumulated losses aggregated to Rs.469.36 lakhs, as on 31st March 1990 as against the paid-up capital of Rs.387.39 lakhs.

The Company had not so far drawn any corporate plan to achieve its primary object of procurement, distribution and sale of food grains, oil seeds, other agricultural products and items of mass consumption essential to the needs of the community.

The gross contribution earned by the Company in the trading of four major items - edible oils, sugar, tea and pulses - was

not sufficient to cover the overheads expenses in any of the five years up to 1989-90. The net loss incurred during the above period in the trading of these items aggregated to Rs.364.32 lakhs, out of which a net loss aggregating Rs.241.24 lakhs was incurred in the trading of imported edible oils alone.

The Regional Manager, Lucknow, during 1988-89, made a total purchase of Rs.38.10 lakhs of which, purchases made in excess of delegated powers amounted to Rs.26.37 lakhs. During January 1988 to October 1988, on 70 occasions, purchase ranging from Rs.2000 to Rs.99000 were made on each occasion against the delegated limit of Rs.1000, and during November 1988 to March 1989 on 56 occasions, purchases ranging from Rs. 11000 to Rs.1.15 lakhs were made on each occasion against the enhanced limit of Rs.10,000. In none of the cases, quotations were obtained, nor were purchase proposals submitted by the Regional Manager to Regional Purchase Committee. Inventory of such items in the region increased from Rs. 5.71 lakhs as on 31st March 1988 to Rs.19.42 lakhs as on 31st March 1989.

Under the 'price support scheme', the Company failed to achieve the targets fixed for procurement of wheat in each of the five years up to 1989-90. Actual procurement of wheat per centre decreased from 480 tonnes in 1985-86 to 110 tonnes in 1988-89 whereas there was an increase in expenditure per tonne of wheat procured from Rs.116.07 in 1985-86

to Rs.323.11 in 1988-89. However, reasons thereof were not analysed by the Management. Besides, the Company incurred incidental charges in excess of those reimbursed by the Food Corporation of India resulting in a loss of Rs.123.62 lakhs during the three years from 1986-87 to 1988-89.

Under the paddy procurement scheme, the Company had incurred a loss of Rs.14.65 lakhs, including interest of Rs.2.13 lakhs on cash credit, on the sale of rice obtained from paddy procured during 1984-85, as its cost was much higher than the prevailing market prices. During the year 1985-86, the Company had to sustain a loss of Rs.5.01 lakhs due to short recovery of rice from paddy sent to millers for milling.

The Company started operation of Janta stores in 1975-76 by opening 51 stores. As against 422 Janta stores to be opened by the end of 1989-90, there were 195 stores as on 31st March 1990. However, most of these stores were not economically viable. Besides, the Company was also engaged in operation of mobile vans so as to reach inaccessible and remote areas in the State. Out of Rs.44.38 lakhs received from Government as share capital and Rs.133.12 lakhs as loan up to March 1990, the Company purchased 71 mobile vans of which 42 vans were in operation and 2 vans were out of order. Twenty-seven chassis, purchased in March 1990, were lying with the suppliers as the Company did not have sufficient funds for fabrication of their bodies, resulting in blocking of Company's funds to the extent of Rs.62.05 lakhs involving an interest liability of Rs.4.09 lakhs up to March 1991.

There were delays up to 1909 days in transfer of sale proceeds aggregating Rs.18.35 crores pertaining to the period 1981-82 to 1987-88 to cash credit account for procurement of wheat and paddy, resulting in excess payment of interest of Rs.31.51 lakhs to the banks. The claim of Rs.29.16 lakhs raised by the Company in July 1988 had not been accepted by the bank so far (October 1990).

As on 31st March 1989, cases of embezzlement, misappropriation and shortages involving a sum of Rs.67.20 lakhs were outstanding against seasonal employees and contractors, connected with procurement of wheat and paddy.

2B.1 Introduction

Uttar Pradesh State Food and Essential Commodities Corporation Limited was incorporated in October 1974 as a wholly owned Government Company with the main object of meeting the needs for essential commodities of all sections of consumers with a distinct bias for the weaker sections of the society.

2B.2 Objectives

The main objectives of the Company are:

- to undertake procurement, purchase, storage, movement (inter-state) distribution and sale of food grains, oil seeds, other agricultural products and any other items of mass consumption which are essential to the needs of the community;
- to plan, promote, set up or assist in promoting or setting up rice mills, flour mills, oil and food based industries;
- to manage, control and run any mill, factories or undertakings, carrying on any trade or business analogous to the objects of the Company.
- to investigate and examine conditions, prospects, value, circumstances of any business undertaking engaging in manufacturing/processing of food produce, dairy products, etc.

The activities of the Company have,

remained, confined to:

- sale of various essential commodities like imported edible oils, controlled/non-controlled cloth, sugar, pulses, tea as well as items of general merchandise and confiscated foreign goods through various Janta stores spread all over the State; and
- procurement of wheat and paddy under the 'price support scheme' of the Government of India.

2B.3 Scope of Audit

The activities of the Company relating to procurement of wheat and paddy and distribution of essential and non-essential commodities through various Janta stores including mobile vans during the five years ending 31st March 1990 were reviewed in Audit. Besides head office of the Company, 5 out of 13 regional offices covering 120 Janta stores, located in 26 districts were reviewed in Audit conducted during February to October 1989 and September to November 1990. The results of Audit are set out in succeeding paragraphs. Important points pertaining to earlier period noticed during audit have also been incorporated in the succeeding paragraphs.

2B.4 Organisational set-up

The management of the Company is vested in a Board of Directors comprising not less than three and not more than eleven directors.

As on 31st March 1990 there were six directors all nominated by the State Government including a whole-time Managing Director.

The Managing Director, who is the Chief Executive of the Company, is assisted in day-to-day work of the Company by two Commercial Managers, a Company Secretary and a Finance Manager. The Company as on 31st March 1990 had 13 regional offices, each headed by a Regional Manager. There were frequent changes in the incumbency of the Managing Directors and the post was held by six officers during the period of five years ending March 1990. The shortest and the longest tenure of the Managing Director was nine months and two years respectively.

2B.5 Capital structure

The Company was incorporated with the authorised share capital of Rs.1 crore, divided into one lakh equity shares of Rs.100 each which was raised in August 1987 to Rs.5 crores. As on 31st March 1990 the paid-up capital of the Company was Rs.387.39 lakhs, wholly contributed by the State Government.

Borrowings from the State Government and bank, as on 31st March 1990 was Rs.152.39 lakhs and Rs.306.02 lakhs respectively.

2B.6 Delay in finalisation of accounts

The accounts of the Company from 1983-84 were in arrears. Banks and inter-unit transactions

of the Company have also not been reconciled since 1st April 1984 to ensure timely and correct accountal of cash and stores so transferred. The work of preparation of balance sheet for the year 1988-89 had been given to a firm of Chartered Accountants in November 1988 and for the year 1987-88 to another firm of Chartered Accountants in March 1989. The work of preparation of balance-sheets for the years 1984-85 to 1986-87, which was to be done by the Company's own staff was in progress (October 1990). Neither of the two firms of Chartered Accountants had completed the job assigned to them so far (October 1990).

2B. 7 Violations of the provisions of the Companies Act, 1956

(i) As per provisions of Section 113 of the Companies Act, 1956, the Company was required to issue share certificates within three months after allotment thereof. However, the Company had issued share certificates for only Rs.50 lakhs, as against the paid-up capital of Rs.387.39 lakhs as on 31st March 1990.

(ii) As per provisions of Section 166 of the Act, *ibid*, the Company is to hold Annual General Meeting (AGM) within 15 months of the last AGM. It was, however, noticed during audit that the Company did not hold its AGM for the years 1987-88 and 1988-89. The AGM for the years 1982-83, 1983-84, 1984-85, 1985-86, and 1986-87 which were adjourned in December 1983, September 1984, September 1985, and September 1987 (for 1985-86 and 1986-87) respectively were not held again (October 1990).

(iii) As per provisions of Section 285 of the Act, *ibid*, at least four meetings of the Board of Directors should be held in a calendar year whereas only three meetings each in 1985 and 1986, two meetings each in 1987 and 1988 and one meeting in the year 1989 were held.

2B.8 Financial position and working results

2B.8.1. Financial position

The financial position of the Company at the end of each of the five years up to 1989-90, based on tentative accounts is given on the next page.

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|---|-------------------|----------------|----------------|----------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| | (Rupees in lakhs) | | | | |
| A. Liabilities | | | | | |
| Paid-up capital | 50.00 | 55.00 | 118.13 | 327.50 | 387.39 |
| Reserves and Surplus | 80.28 | 21.08 | -- | -- | -- |
| Borrowings | 566.35 | 477.63 | 406.88 | 456.64 | 458.41 |
| Trade dues and other current liabilities including provisions and unreconciled inter- unit balances | 1654.21 | 1807.88 | 840.38 | 742.10 | 635.13 |
| Total A | 2350.84 | 2361.59 | 1365.39 | 1526.24 | 1480.93 |
| B. Assets | | | | | |
| Gross block | 34.88 | 44.14 | 101.10 | 124.74 | 159.51 |
| <u>Less:</u> Depreciation | 13.77 | 18.33 | 27.85 | 42.64 | 60.81 |
| Net fixed assets | 21.11 | 25.81 | 73.25 | 82.10 | 98.70 |
| Current assets, loans and advances | 2329.73 | 2335.78 | 1242.21 | 1186.78 | 912.87 |
| Accumulated losses | -- | -- | 49.93 | 257.36 | 469.36 |
| Total B | 2350.84 | 2361.59 | 1365.39 | 1526.24 | 1480.93 |

| 1 | 2 | 3 | 4 | 5 | 6 |
|--------------------|--------|--------|--------|--------|----------|
| C.Capital employed | 696.63 | 553.71 | 475.08 | 526.78 | 376.44 |
| D. Net worth | 130.28 | 76.08 | 68.20 | 70.14 | (-)81.97 |

2B.8.2 Working results

The working results of the Company during the five years up to 1989-90 are summarised below:

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--------------------------------|--|---------|---------|---------|-----------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| | (Provisional figures) (Rupees in lakhs) | | | | |
| Value of business | | | | | |
| (a) Sales | 6156.07 | 4348.21 | 4782.90 | 3060.68 | 3595.62 |
| (b) Accretion/ decretion(-) | (-)51.77 | 91.18 | 127.16 | 150.48 | (-)285.87 |
| Value of business (a+b) | 6104.30 | 4439.39 | 4910.06 | 3211.16 | 3309.75 |

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.

| 1 | 2 | 3 | 4 | 5 | 6 |
|------------------------------------|----------|----------|----------|-----------|-----------|
| Less: Purchases | 5547.95 | 4074.92 | 4574.18 | 2974.86 | 3059.12 |
| Value added | 556.35 | 364.47 | 335.88 | 236.30 | 250.63 |
| Expenses less miscellaneous income | 542.49 | 427.21 | 406.90 | 443.72 | 462.63 |
| Profit(+)/Loss(-) before tax | (+)13.86 | (-)62.74 | (-)71.02 | (-)207.42 | (-)212.00 |
| Provision for income tax | 7.28 | -- | -- | -- | -- |
| Profit(+)/Loss(-) after tax | (+)6.58 | (-)62.74 | (-)71.02 | (-)207.42 | (-)212.00 |

(145)

Main reasons for increasing losses as analysed in Audit were:

- increase in overhead expenditure, disproportionate to increase in turnover.
- continuous decline in procurement and sale of wheat under 'price support scheme' from 1.82 lakh tonnes in 1985-86 to 0.38 lakh tonnes in 1988-89 and 0.73 lakh tonnes in 1989-90 and in sale of sugar from Rs.805.73 lakhs in 1985-86 to Rs.234.85 lakhs in 1988-89 and Rs.535.92 lakhs in 1989-90.

2B.9 Appraisal of the activities

Even after its existence for more than 16 years, the Company had not so far drawn any corporate plan to achieve its primary object of procurement, distribution and sale of food grains, oil seeds, other agricultural products and items of mass consumption essential to the needs of the community. In July 1985, Government directed the Company to submit a detailed plan for the implementation of the scheme of distribution of the essential commodities amongst the various sections of the consumers for next 10 years in conformity with its aims and objects. The plan was submitted to Government in November 1985 which, inter alia, envisaged distribution of items like edible oils, controlled and non-controlled cloth, sugar, rice, pulses, etc., through its Janta stores, to be increased at the rate of 50 stores in each financial year so as to establish 422 stores by the end of Seventh Five Year Plan, i.e. 1989-90 of which at least one store was to be in each tehsil/block headquarter. Besides, the plan also envisaged transfer of entire public distribution system of wheat, rice and sugar to the Company.

The plan so submitted by the Company was not approved in February 1986 by Government on the ground that the plan contained taking over of the public distribution system from other Government agencies, heavy public investment and proposals for taking up many non-viable projects.

The Company was directed in February 1986 to resubmit a more practical and workable

plan and analyse the reasons for declining profitability in spite of increase in turnover during the five years period up to 31st March 1985. The Company has, however, not so far (October 1990) submitted any plan or analysed reasons for declining profitability.

In the absence of any plan for implementation coupled with non-identification of essential commodities, the Company had been trading in commodities like edible oils, cloth and sugar assigned to it by the State Government and had frequently shifted emphasis on procurement and distribution from one item to another including sale through Janta stores of luxury consumer items like cosmetics and confiscated foreign goods.

2B.9.1 Procurement and sale of essential and non essential commodities

The profitability of each commodity has not been analysed by the Management. Sales performance of certain commodities was, however, reviewed in Audit, on the basis of provisional figures available with the Company and results thereof are tabulated as on the next page.

| Particulars | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|-------------------|---------|---------|---------|---------|---------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| (Rupees in lakhs) | | | | | |

1. Palm Oil

| | | | | | |
|---|----------|----------|---------|----------|----------|
| (a) Cost of sales | 1347.84 | 1337.89 | 1122.50 | 892.71 | 196.64 |
| (b) Sales realisation | 1500.09 | 1490.40 | 1228.49 | 970.38 | 205.31 |
| (c) Gross contribution | 152.25 | 152.51 | 105.99 | 77.67 | 8.67 |
| (d) Expenses | 164.38 | 193.21 | 98.16 | 134.25 | 26.43 |
| (e) Net profit (+)/ loss (-) | (-)12.13 | (-)40.70 | (+)7.83 | (-)56.58 | (-)17.76 |
| (f) Percentage of gross contribution to sales | 10.15 | 10.23 | 8.63 | 8.00 | 4.22 |

(148)

2. Rapeseed oil

| | | | | | |
|---|---------|---------|----------|---------|---------|
| (a) Cost of sales | 239.56 | 42.96 | 197.58 | 186.30 | 10.40 |
| (b) Sales realisation | 264.74 | 47.36 | 226.55 | 204.79 | 11.38 |
| (c) Gross contribution | 25.18 | 4.40 | 28.97 | 18.49 | 0.98 |
| (d) Expenses | 29.00 | 6.13 | 18.10 | 28.34 | 1.47 |
| (e) Net profit(+)/ loss (-) | (-)3.82 | (-)1.73 | (+)10.87 | (-)9.85 | (-)0.49 |
| (f) Percentage of gross contribution to sales | 9.51 | 9.29 | 12.79 | 9.03 | 8.6 |

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---|----------|----------|----------|----------|----------|---|
| 3. Palmoline | | | | | | |
| (a) Cost of sales | -- | 47.03 | 1186.81 | 339.50 | 193.81 | |
| (b) Sales realisation | -- | 47.94 | 1228.94 | 354.36 | 197.95 | |
| (c) Gross contribution | -- | 0.91 | 42.13 | 14.86 | 4.14 | |
| (d) Expenses | -- | 6.22 | 98.19 | 49.04 | 25.47 | |
| (e) Net profit(+)/ loss(-) | -- | (-)5.31 | (-)56.06 | (-)34.18 | (-)21.33 | |
| (f) Percentage of gross contribution to sales | -- | 1.90 | 3.43 | 4.19 | 2.09 | |
| 4. Sugar | | | | | | |
| (a) Cost of sales | 744.18 | 442.16 | 357.31 | 213.10 | 512.88 | |
| (b) Sales realisation | 805.73 | 483.71 | 382.62 | 234.85 | 535.92 | |
| (c) Gross contribution | 61.55 | 41.55 | 25.31 | 21.75 | 23.04 | |
| (d) Expenses | 88.28 | 62.71 | 30.57 | 32.48 | 68.97 | |
| (e) Net profit(+)/ loss (-) | (-)26.73 | (-)21.16 | (-)5.26 | (-)10.73 | (-)45.93 | |
| (f) Percentage of gross contribution to sales | 7.64 | 8.59 | 6.61 | 9.26 | 4.30 | |
| 5. Pulses | | | | | | |
| (a) Cost of sales | 2.47 | -- | 10.93 | 31.21 | 61.93 | |
| (b) Sales realisation | 2.16 | -- | 11.19 | 33.68 | 63.75 | |

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|----------|-----------|----------|---------|---------|
| (c) Gross contribution | (-)0.31 | -- | 0.26 | 2.47 | 1.82 |
| (d) Expenses | 0.24 | -- | 0.89 | 4.65 | 8.21 |
| (e) Net profit(+)/ loss(-) | (-)0.55 | -- | (-)0.63 | (-)2.18 | (-)6.39 |
| (f) Percentage of gross contribution to sales | (-)14.35 | -- | 2.32 | 7.33 | 2.85 |
| 6. Tea | | | | | |
| (a) Cost of sales | 1.06 | 3.44 | 1.19 | 3.10 | 5.40 |
| (b) Sales realisation | 0.77 | 1.57 | 1.03 | 3.36 | 5.33 |
| (c) Gross contribution | (-)0.29 | (-)1.87 | (-)0.16 | 0.26 | (-)0.07 |
| (d) Expenses | 0.09 | 0.20 | 0.08 | 0.32 | 0.70 |
| (e) Net profit(+)/ loss(-) | (-)0.38 | (-)2.07 | (-)0.24 | (-)0.06 | (-)0.77 |
| (f) Percentage of gross contribution to sales | (-)37.66 | (-)119.11 | (-)15.53 | 7.74 | (-)1.31 |

(150)

Notes: (1) Cost of sales represents opening stock plus purchases less closing stock.

(2) Expenditure has been allocated on pro rata basis of the total turnover (excluding procurement under 'price support scheme')

The following points deserve mention:

1. The Company has continuously incurred losses in the business of these commodities (except in palm oil and rapeseed oil during 1987-88) reasons for which were, however, not analysed by the Management.

2. The gross contribution to sales was low in all the five years up to 1989-90. Gross contribution to sales in respect of pulses during 1985-86 and tea during 1985-86 to 1987-88 and 1989-90 was negative and ranged between 1.31 and 119.11 per cent during the same period. The gross contribution from other activities during the same period ranged between 1.9 and 12.79 per cent. Most of the activities of the Company are financed through borrowings, carrying interest ranging from 14 to 17 per cent per annum. In case of edible oils alone the Company paid Rs.24.31 lakhs interest on the cash credit facility availed from the bank during the year 1989-90 against total gross contribution of Rs.13.79 lakhs during that year.

3. The percentage of gross contribution to sales realisation has declined in each of these activities during the year 1989-90.

2B.9.2 Pricing policy

The sale prices in respect of commodities like imported edible oil, controlled cloth, levy sugar, LPG cylinders, wheat, etc., were fixed by Government. Sale prices in respect of other commodities were fixed by the Company after

taking into account direct and indirect expenses at the rate of 6 per cent and a net margin of 10 to 12 per cent subject to condition that the prices so fixed did not exceed the prevailing market price. In this connection the following observations are made:

- In case of pulses (arhar dal), sale price fixed by the Company was reduced five times during October 1988 to April 1989 and it was sold at the rate of Rs. 9 per kg (fixed in april 1989) which was less than the purchase price ranging between Rs.9.59 and Rs.9.72 per kg. As the quantities sold at different rates were not available with the head office of the Company, loss sustained on this account could not be ascertained in Audit. However, it was noticed in Audit that indirect and direct expenditure during the five years up to 1989-90 ranged between 8.1 and 14.9 per cent as against the norm of 6 per cent prescribed by the Management; resulting in an excess expenditure of Rs.7.63 lakhs.

- In the case of sugar which comprised levy and non-levy sugar, it was noticed in Audit that pro rata overhead expenditure on the trade of sugar ranged between 10.12 and 29.29 per cent during the five years up to 1989-90, as against 6 per cent prescribed by the Management, resulting in an excess expenditure of Rs.146.85 lakhs.

2B.9.3 Edible oil

The Company was appointed in June

1977 as one of the agencies for distribution of the imported edible oils in the State. The table given below indicates the consolidated position of sales, stock and profit/loss in respect of distribution of the imported edible oils during each of the five years up to March 1990 (Based on tentative figures):

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|-------------------------------------|-------------------|----------|----------|-----------|----------|
| | (Rupees in lakhs) | | | | |
| Sales | 1764.83 | 1585.70 | 2683.98 | 1529.53 | 414.64 |
| Closing stock | 45.78 | 65.69 | 299.71 | 283.76 | 14.58 |
| Gross margin | 177.43 | 157.82 | 177.09 | 111.02 | 13.79 |
| Percentage of gross margin to sales | 10.1 | 10.0 | 6.6 | 7.3 | 3.3 |
| Net Profit(+)/ loss(-) | (-)15.95 | (-)47.74 | (-)37.36 | (-)100.61 | (+)39.58 |

The sale price of the imported edible oils (palm oil, rapeseed oil and palmoline) are fixed by Government and out of the gross margin, the Company had to meet all its expenses on the activity and earn profit.

Following points deserve mention:

(i) Before January 1988 the Company was earning a gross margin of 11.4 and 12.8 per cent on the bulk sale of palm/palmoline oil and rapeseed oil respectively which declined to 5.4 and 5.5. per cent by August 1988 respectively. In spite of the Board's decision taken

in April 1989 to submit a proposal to Government incorporating details of sale price, purchase price, loss incurred (on account of interest paid and holding cost) and to request Government to reimburse the loss incurred by the Company, no action has been taken by the Management so far (October 1990).

(ii) The State Trading Corporation Limited (STC) - a Government of India undertaking, allowed an interest free credit in respect of edible oil for three days from the date of lifting of the oil from the depots and charged, thereafter, an interest of 16 to 19.75 per cent per annum depending upon the period of delay. During the period 1985-86 to 1989-90, the STC claimed interest on this account amounting to Rs.85.76 lakhs for delay in payments ranging from 4 to 199 days. The Company had paid Rs.50.80 lakhs and a sum of Rs. 34.96 lakhs was yet to be paid (October 1990). Besides, the Company also availed of a cash credit facility for purchase of edible oils from a nationalised bank at the rate of 14 per cent interest per annum and had to pay during the above period an interest of Rs.60.29 lakhs.

(iii) Huge stock holding of edible oils during 1987-88 and 1988-89 was attributed by the Management in October 1990 to supply of 2 kg tins by STC which were not easily sold because of their high prices as compared to the smaller packs of indigenous oil available in the market. Reasons for lifting such slow moving tins in huge quantity from STC were, however, not available on record. Palmoline

oil more than six months old has to be reprocessed before sale. Accordingly, the Management decided in April 1990 to stop sale of more than six months' old stock. In August 1990, the Hindustan Vegetable Oil Corporation Limited intimated the Company that such stock can be purchased by them at Rs.15,000 per MT provided it was declared 'off-specification' by the Government of India. However, disposal of such 35 MT stocks valuing Rs. 7.65 lakhs, could not be made by the Company so far (October 1990).

(iv) Sale price of edible oils was enhanced with effect from 15th November 1985 and Regional Managers were intimated telegraphically to stop sale till revised prices were intimated. In response to the Managing Director's orders of February 1986 to recover the difference, if any, in sales effected by any salesman on old rates, only four regions (Allahabad, Agra, Varanasi and Meerut) intimated that a sum of Rs.0.81 lakh was recoverable from salesmen. Neither any efforts were made to call for the information from other regions nor had the recovery of above amount been effected (October 1990).

2B.9.4 Central purchase of soaps

On the basis of discussions held in August 1988 between the Managing Director of the Company and the representative of Oswal Agro Mills Limited, New Delhi orders valuing Rs.8.94 lakhs for supply of 'OASIS' 'KALPA' and 'TARUN' brands of toilet soaps were placed with the firm in September 1988. Purchase of

this item for such a high value was made by the Company for the first time. This was, however, done without making any assessment of the sale potential or consumers' preference for these brands. Supply of these soaps to most of the regional offices of the Company were completed by the end of September 1988.

In October 1988, the Regional Manager, Allahabad intimated that the firm had supplied soaps (OASIS) which had been manufactured in November 1987 with a printed sale price of Rs. 3 per cake whereas the soap manufactured in 1988 was available in market at Rs.2.50 per cake. However, the Company did not refer the matter to the firm. The firm on its own intimated the Company in October 1988 that rebate of 27 paise per cake was admissible on account of certain excise concessions extended by Government. The firm agreed to allow the above rebate even on the supplies already made to the Company. The Company, however, for no reasons on records, availed the rebate on OASIS brand alone.

In December 1988, the Company without ascertaining the stock position placed a second order for Rs.3.65 lakhs on the firm without availing excise duty concession of 27 paise per cake on TARUN and KANPA brand. The amount or rebate not claimed from the firm amounted

to Rs.0.91 lakh. The Management stated in September 1989 that a sum of Rs. 0.66 lakh had been withheld from the pending bills of the firm on account of this rebate. Action to recover the balance amount has not been taken so far (October 1990).

The soap brands did not appear to be popular with the consumers, as large quantities of soaps were lying unsold in the stock of the Company. The Management replied in January 1990 that almost entire stock of soap has been sold out. However, a scrutiny of physical verification reports of Agra (excluding Mathura) and Allahabad regions (excluding Fatehpur) in April 1990 revealed that out of soaps valuing Rs.2.25 lakhs sent in September and December 1988 to these two regions, soaps valuing Rs.1.15 lakhs were lying unsold as on 31st March 1990. Details in respect of other 11 regions were not available at the head office of the Company.

2B.9.5 Unauthorised purchases

Regional Managers were delegated powers in January 1988 for making purchases of general items up to Rs. 1000 at a time with the prior approval of the Regional Purchase Committee. This was revised to Rs.10,000 in November 1988. To enable these purchases, funds amounting to Rs. 1 lakh were transferred by the head office to each region.

On the total purchase amounting to Rs.35.10 lakhs made by the Regional Manager, Lucknow during the period from April 1988 to

March 1989, purchases valuing Rs.32.67 lakhs were test checked in Audit and the following points were noticed:

1. The purchases made by the Regional Manager in excess of the powers delegated amounted to Rs.26.37 lakhs. Purchases of various items were made in excess of prescribed limit on 70 occasions, during January 1988 to October 1988, ranging from Rs. 2000 to Rs.99,000 each against the limit of Rs.1000 and on 56 occasions during November 1988 to March 1989, ranging from Rs. 11,000 to Rs.1.15 lakhs each against the limit of Rs.10,000.

2. In none of the cases, quotations were obtained nor were purchase proposals submitted by the Regional Manager to Regional Purchase Committee.

3. Formal supply orders indicating the rates payable to the firm and quantity to be supplied were not issued.

4. The region made no effort to contact directly the manufacturers or their sole selling agents for purchase of various items to ensure economical rates.

5. The Regional Manager further delegated powers to the godown in-charge of Khadyan godown (December 1988) to make purchases from the market on the basis of his own assessment of requirements. The godown in-charge, however, without collecting offers from the dealers made direct cash purchases aggregating

Rs.9.59 lakhs up to March 1989, ranging between Rs.0.05 lakh and Rs.1.15 lakhs at a time which were approved by the Regional Manager.

6. The region did not follow any system to decide and evaluate the brands/types of commodities to be procured. This resulted in the locking up of the Company's funds in the stock which increased from Rs.5.71 lakhs as on 31st March 1988 to Rs.19.42 lakhs as on 31st March 1989 for this region alone.

The Management stated in March 1990 that the officer, who exercised the powers over and above the limits, was no more with the Company and due care would be taken in future.

2B.10 Procurement under 'price support scheme'

2B.10.1 Wheat procurement

Under the 'price support scheme' of the Government of India, the Company was appointed as one of the agents of Government from 1976-77 for procurement of wheat. Under the scheme, wheat was procured from the farmers at the minimum support price fixed by the Government of India for each crop year and delivered to the Food Corporation of India (FCI) at separate rates fixed by Government for payment by FCI which includes procurement cost, packing charges at actuals and incidental charges. The difference between the incidentals received and actual expenditure incurred in procurement and delivery of the wheat is profit/loss of the Company.

Details of targets fixed, quantity procured and delivered to FCI, profit/loss sustained for the five years period ending March 1990 are given below:

| Particulars | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|---|---------------------------|----------|----------|----------|---------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Number of procurement centres operated | 379 | 425 | 431 | 347 | 295 |
| | (Quantity in lakh tonnes) | | | | |
| Targets for procurement | 2.46 | 2.58 | 3.50 | 3.00 | 2.50 |
| Actual procurement | 1.82 | 1.16 | 0.80 | 0.38 | 0.73 |
| Percentage of target achievement | 74.00 | 45.00 | 22.90 | 12.70 | 29.20 |
| Procurement per centre (in tonnes) | 480.21 | 279.94 | 185.61 | 109.51 | 247.46 |
| | (Rupees in lakhs) | | | | |
| Incidental charges earned | 253.11 | 166.99 | 114.55 | 55.10 | 112.90 |
| Incidental expenditure | 211.26 | 191.43 | 146.05 | 122.78 | N.A. |
| Profit(+)/loss(-) | (+)41.85 | (-)24.44 | (-)31.50 | (-)67.68 | N.A. |
| Expenditure per tonne of wheat procured (in rupees) | 116.07 | 143.95 | 143.18 | 323.11 | N.A. |

(160)

The following points deserve mention:

(i) The Company could not achieve the targets for procurement fixed in any of the five years up to 1989-90 and the actual achievement ranged between 12.7 and 74 per cent.

(ii) While number of procurement centres increased in each of the three years up to 1987-88 alongwith higher procurement targets, the actual procurement per centre decreased from 480 tonnes in 1985-86 to 110 tonnes in 1988-89. However, it was 247 tonnes in 1989-90. The Management has not analysed reasons for shortfall in procurement per centre during the year 1986-87 to 1988-89 and the extent to which opening of new centres had resulted in increase in incidental expenditure.

(iii) Expenditure per tonne of wheat procured increased steadily from Rs.116.07 in 1985-86 to Rs.323.11 in 1988-89. The actual incidental expenditure incurred during the year 1989-90 was not made available to Audit. Reasons for increase in incidental expenditure per tonne of wheat have also not been analysed by the Management.

(iv) Incidental expenditure during the four years from 1985-86 to 1988-89 given above did not include Rs.12.21 lakhs, Rs.7.08 lakhs, Rs.6.28 lakhs and Rs.4.51 lakhs respectively on account of handling losses which were pending investigation. Similar figure for the year 1989-90 were not available.

(v) Procurement targets for the year 1988-89 was reduced to 3 lakh tonnes from 3.50 lakh tonnes fixed for the year 1987-88. It was subsequently reduced to 2.5 lakh tonnes for the year 1989-90, yet the Company could achieve only 29 per cent of the targets.

(vi) The Company incurred incidental charges in excess of those reimbursed by the Food Corporation of India resulting in a loss of Rs.123.62 lakhs during the three years from 1986-87 to 1988-89.

2B.10.1.1 Refund claims with FCI

In the procurement year 1981, FCI downgraded 0.89 lakh tonnes of wheat and disallowed a sum of Rs. 1.77 lakhs without affording any opportunity for joint inspection to the Company. In a joint meeting at Government level with the representatives of FCI in September 1981, it was decided that FCI would refund the amount so deducted. In June 1985, Government directed the Company to make available to FCI, depot-wise details of deductions made on account of downgrading so that refund could be made. Depot-wise details could be collected from field units and furnished by the Company in August/September 1990 only. However, the claim had not been accepted by the FCI so far (October 1990).

2B.10.1.2 Procurement of substandard wheat

During the three years up to 1986-87, wheat rejected by the FCI was 456.59 tonnes, 77 tonnes and 1008.5 tonnes respectively which

was required to be disposed of in such a manner that no loss was sustained by the Company. In case of loss, responsibility was to be fixed and action taken against the erring officials. It was, however, noticed that the Company incurred a loss of Rs.2.54 lakhs in 1984-85, Rs.0.19 lakh in 1985-86 and Rs.0.46 lakh in 1986-87 in disposal of rejected wheat in auction. Against a loss aggregating Rs.3.19 lakhs, the Company had been able to recover a sum of Rs.0.40 lakh so far from the staff responsible for the loss and balance amount of Rs.2.79 lakhs is not recoverable as the officials concerned were employed on seasonal basis for about four months period only and were no more on the rolls of the Company. There was nothing on record to show that the securities obtained from such employees were ever invoked to recoup the loss so sustained.

2B.10.1.3 Transportation

As per guidelines / instructions issued by the Company in the year 1976-77 for transportation of wheat, truck driver (T.D.) slips were required to be prepared in quadruplicate and three copies were to be given to the transporter for obtaining acknowledgement from FCI in token of the receipt of the grains. Payments to the transporters were to be released only after verification of the quantity of wheat acknowledged by the FCI on T.D. slips. A test check revealed that the system was not followed and as a result thereof, the Company suffered losses as given below:

(a) A transporter at Kakod procurement centre in Bulandshahr was awarded the work

of transporting wheat during the year 1982-83, without executing any agreement. During the period from May to June 1982, 3210 quintals of wheat were handed over to the transporter for delivery to FCI and payments were made without obtaining acknowledgement of FCI on T.D.slips. Subsequently in June 1982 it was noticed that 292 quintals wheat valuing Rs. 0.70 lakh were delivered short by the transporter. An FIR was lodged in June 1982. The Company could recover only Rs.0.13 lakh from the pending bills of the transporter. The Management stated in October 1990 that the matter was pending in the District Court.

(b) During the period from May 1984 to July 1984, 10737 quintals of wheat were despatched from Khuttar centre (Shahjahanpur) to FCI (Shahjahanpur). Acknowledgements of FCI for 1644 quintals wheat valuing Rs.2.55 lakhs were not given by a transport contractor. When accounts with FCI were reconciled in July 1984, it was found that the above quantity (1644 quintals) of wheat was actually not handed over to FCI. An FIR for misappropriation of Rs.3.08 lakhs, (including other miscellaneous items) was lodged against the centre in charge and the transporter in July 1984. After adjustment of pending bills of the transporter, recovery certificate for balance Rs.1.60 lakhs was issued against the centre in-charge, a seasonal employee in May 1987. No amount has been recovered so far (October 1990). The security required to be obtained from the transporter was also not obtained in this case.

(c) A wheat procurement centre was

opened in Bunda (I) in Shahjahanpur district in April 1986 and one Marketing Inspector and one Accounts Clerk was appointed on seasonal basis. The above officials were subsequently found to have embezzled a sum of Rs.2.56 lakhs, including Rs. 1.82 lakhs on account of 995.6 quintals of wheat not delivered to FCI. An FIR was lodged with the police in August 1986. A sum of Rs. 0.78 lakh was adjusted from the pending bills of the contractor and the recovery certificates for Rs.1.39 lakhs against the Marketing Inspector and for Rs.0.39 lakh against the Accounts Clerk were issued in October 1987 and May 1987 respectively. No recovery has been effected so far (October 1990).

(d) After the closure of Bhuria farm procurement centre at Bareilly in September 1983, the centre in-charge - a seasonal employee did not hand over 3038 quintals of wheat valuing Rs.4.59 lakhs. The wheat was stated to be lying in three godowns hired by the centre in-charge in his personal capacity. Instead of reporting the matter to the police immediately, the Company accepted 2342 quintals wheat in piecemeal from the centre in-charge between December 1983 and March 1984. Reports of inspection of the centre, if any, as required to be carried out by the Divisional Manager, were not available on records. The shortages were reported to the police in May 1984. Recovery certificate for the balance amount of Rs. 1.15 lakhs had not been issued so far (October 1990).

2B.10.2 Paddy procurement

The procurement of paddy under 'price

support scheme' with effect from Kharif year 1980-81 was also entrusted to the Company. The paddy was to be got milled and rice so obtained was to be delivered to Government for storage. The State Government, however, permitted in July 1985, disposal of paddy or rice by the Company in open market.

During the two crop years 1984-85 and 1985-86, the Company procured 100584 quintals of paddy, out of which 45663 quintals were sold and 53417 quintals sent for milling. The rice obtained was 34024 quintals. The remaining quantity of paddy (1504 quintals) was treated as handling losses by the Management.

From the year 1986-87 to 1989-90, the Company did not get the paddy milled but sold the paddy after purchase.

The average cost of rice obtained during 1984-85 including interest on cash credit was worked out by Company as Rs.299.95 per quintal and accordingly sale price of different varieties was fixed in August 1985 from Rs.300 to Rs.340 per quintal. As the prevailing market prices were lower than the price fixed by the Company and the Food Department was selling common rice at Rs.255 per quintal, the Company could not sell its rice at the rates fixed by it. Consequently, the Company reduced its price to Rs.255 per quintal. But only 213 quintals of rice could be sold at the above reduced rates involving loss of Rs.0.10 lakh. With the arrival of new crop in the market, prices came down further and balance quantity of 11932 quintals

of Company's rice, therefore, could not be sold. The Board of Directors approved in November 1985 the sale of above rice through auction and recommended that responsibility for the loss sustained may be fixed. Remaining 11932 quintals of rice obtained at an average cost of Rs.299.95 per quintal was auctioned in December 1985 at an average rate of Rs.195 per quintal resulting in a loss of Rs. 12.52 lakhs excluding interest of Rs.2.13 lakhs on cash credit for the period from August to December 1985. The Company requested Government in January 1986 to make good the loss on the grounds that it was sustained in pursuance of Government's directive. The request of the Company has not so far been accepted by Government (October 1990).

2B.10.2.1 Milling of paddy

(a) During the year 1985-86, 35162 quintals paddy was sent to millers for milling. As per norms of 68 per cent for recovery of rice fixed by Government in September 1985, 23910 quintals of rice was recoverable from the paddy sent to millers against which only 21879 quintals of rice was recovered. No action, either for the short recovery of 2031 quintals of rice valuing Rs.5.01 lakhs from the millers or for fixing the responsibility for the loss on the officers responsible, had been taken so far.

(b) 1347.50 quintals paddy was handed over to Krishna Rice Mills, Bilsanda (Pilibhit district) between December 1985 and January 1986. The mill had delivered only 204 quintals of rice (out of 300 quintals of paddy milled)

to the Company. On the request of the mill, the Company agreed in February 1986 to sell the balance 1047.5 quintals unhusked paddy to the miller at Rs.150 per quintal. Against the total recoverable amount of Rs.1.63 lakhs (Rs.1.57 lakhs sale value and Rs.0.06 lakh as purchase tax), the miller paid Rs.0.27 lakh in April 1986. In December 1986, a recovery certificate of Rs.1.51 lakhs for unpaid balance (Rs.1.36 lakhs) and interest due (Rs.0.15 lakh) was issued which could not be enforced as the attachment of property was stayed by the Court. No recovery could be effected from the miller so far (October 1990).

2B.11. Operation of Janta stores and mobile sale vans

2B.11.1 Janta stores

The Company started operation of Janta stores by opening 51 Janta stores during the year 1975-76. As on 31st March 1990 there were 195 Janta stores which were mainly located at district and tehsil headquarters. The Board of Directors of the Company reviewed in December 1981 performance of the then existing 87 Janta stores and held that the stores which were not functioning properly may be closed down. In December 1982, on being informed that most of the Janta stores were not economically viable, the Board of Directors fixed the minimum sale of Rs.4.20 lakhs per annum for a store to be economically viable, which was enhanced by the Management in August 1988 to Rs.6.00 lakhs and Rs.9.00 lakhs per annum for mobile vans

and Janta stores respectively at KAVAL (Kanpur, Agra, Varanasi, Allahabad and Lucknow) towns.

The annual average sales of these Janta stores during 1985-86 to 1989-90 are tabulated below:

Number of Janta stores

| Annual turn- over (Rupees in lakhs) | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 | |
|---|---------|---------|---------|---------|---------|-----|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 0.60 | | 6 | 43 | 14 | 6 | 6 |
| 0.61 to 1.20 | | 31 | 34 | 32 | 14 | 10 |
| 1.21 to 1.80 | | 15 | 38 | 34 | 15 | 18 |
| 1.81 to 2.40 | | 22 | 21 | 22 | 14 | 10 |
| 2.41 to 3.00 | | 18 | 14 | 33 | 10 | 6 |
| 3.01 to 3.60 | | 16 | 6 | 13 | 5 | 9 |
| 3.61 to 4.20 | | 10 | 9 | 13 | 1 | 10 |
| 4.21 to 5.99 | | 45 | 10 | 29 | 11 | 6 |
| 6.00 and above. | | — | — | — | 1 | 9 |
| Total | | 163 | 175 | 190 | 77* | 84* |

Percentage of
economically
viable stores
to total
stores

27.6 5.7 15.3 1.3 10.7

* Note: Details of about 132 Janta stores in 1988-89 and 111 stores in 1989-90 were not available.

In spite of the fact that most of the stores were not economically viable, the number of these stores were increased from 163 in 1985-86 to 209 in 1988-89. Thirty-five new Janta stores were opened during the year 1989-90. In January 1990 the Management stated that 49 Janta stores had been closed during September 1988 to December 1989. However, reasons for closing these stores were not made available. The main reason for Janta stores, not being able to achieve the target of sales, as informed to the Board in May 1988, was non-availability of sufficient stock due to shortage of working capital with the Company.

The Company, however, held stock valuing Rs.372.64 lakhs at the end of the year 1987-88 which was equivalent to 1.36 month's sale. The major portion of stock was of edible oils valuing Rs. 299.71 lakhs for which there was low demand in the market due to higher selling price than the prevailing market price for other edible oils. The Management did not provide a balanced mix of inventory to its Janta stores and blocked its working capital in one item, thus notwithstanding shortage of working capital, the available capital was not utilised in a proper manner.

2B.11.2 Mobile sale vans

The Board of Directors approved in June 1983 operation of mobile vans in urban districts. The Company started operation in the year 1983-84 with one mobile van at Lucknow and no further van was added up to March 1987.

In the 'Minimum Need Programme' from the year 1987-88 and to strengthen the public distribution system a scheme for purchase of mobile vans for distribution of essential commodities in remote and hilly districts of Uttar Pradesh with the Central Government assistance was envisaged. Under the scheme, 84 light motor vehicles valuing Rs.210 lakhs at the rate of Rs. 2.50 lakhs each (including cost of chassis and body) were to be purchased so as to cover 291 development blocks in 42 districts comprising hilly, remote and inaccessible areas. The scheme envisaged that out of the total capital outlay of Rs.210 lakhs, 75 per cent would be received as interest free loan and 25 per cent as subsidy from the Central Government. Working capital requirements of Rs.151.20 lakhs for operation of 84 mobile vans for 45 days inventory at the rate of Rs.1.80 lakhs per vehicle was to be arranged from State Government and financial institutions in the ratio of 1:2 respectively.

The commercial viability of the mobile van was assessed at monthly sales of Rs.1.20 lakhs inclusive of an average profit margin of 6 per cent i.e. Rs.7200 per month. After providing for depreciation, salary and wages of staff and other operational expenses e.g. fuel, taxes, insurance, repairs and servicing which were estimated to cost Rs.6730 per month, a net margin of Rs.470 per month per vehicle was envisaged.

During the period from 1986-87 to 1989-90, the Company received from the State Government, Rs.44.38 lakhs as share capital and Rs.133.12 lakhs as loan with interest rates of 8.75 and

9.75 per cent per annum, for purchase of 71 mobile vans.

Up to March 1990 there were 45 mobile vans with the Company out of which only 42 vans were under operation. Information about sale and operational expenses in respect of all the mobile vans under operation were not made available to Audit., However, during the testcheck of operation of seven mobile vans of Lucknow region the following points were noticed:

(i) Out of seven vans, only five were under operation of which only two vans could achieve the target turnover of Rs.1.20 lakhs per month (Rs.14.40 lakhs per annum) during the year 1988-89.

(ii) Against the estimated expenditure of Rs.0.60 lakh on fuel at the rate of Rs.1,000 per month for five mobile vans, the actual expenditure during 1988-89 and 1989-90 was Rs.0.81 lakh and Rs.1.50 lakhs respectively.

(iii) While assessing the commercial viability of mobile vans the element of interest on capital invested was not considered though the Company was financing this activity with borrowed capital.

(iv) Against the viable sales of Rs.1.20 lakhs per month, i.e. Rs.14.40 lakhs envisaged in the scheme, the Management fixed in August 1988 the viable sales at Rs.9 lakhs per annum. Reasons for fixing lower sale targets

were, however, not on records.

Further, in March 1990 the Company placed orders on two firms of Lucknow for supply of 18 numbers of chassis for Rs.41.07 lakhs and 9 numbers of chassis of light commercial vehicles for Rs.20.98 lakhs, with a stipulated delivery period of eight weeks and paid the amount of Rs.62.05 lakhs to the two firms in May and June 1990 respectively. Delivery of none of these vehicles had been taken so far (October 1990), as the Company did not have sufficient funds for fabrication of their bodies. In September 1990, tenders for fabrication of 10 bodies only were invited which were not finalised up to October 1990.

The decision to purchase all the 27 chassis at one time without having sufficient funds for their operation has resulted in locking up of Company's funds to the tune of Rs.62.05 lakhs besides incurring an interest liability of Rs.4.09 lakhs during the period June 1990 to March 1991.

2B.12 Cash management

2B.12.1 Collection and remittance of sale proceeds

Revenue receipts through sales realisation at various sales offices at district level were deposited in non-withdrawable collection accounts at the respective stations and therefrom the balances were transferred to different commodity-wise collection accounts operated at regional level. Regions were required to remit the amount

at regular intervals through telegraphic transfers (TTs) and Mail transfers (MTs) to cash credit accounts operated by the head office of the Company at Lucknow.

During audit of the head office, the following points were noticed:

(i) The Management issued instructions in February 1984 to banks maintaining collection accounts at district/regional level to remit balances in excess of Rs. 100 to the cash credit account at Lucknow by TTs and MTs twice a week. Credits aggregating Rs.18.35 crores pertaining to the period 1981-82 to 1987-88 were transferred to cash credit account (for procurement of wheat and paddy) at long intervals ranging from 1 to 1909 days. This has resulted in excess payment of interest of Rs.31.51 lakhs at 14 per cent applicable for the cash credit account. Had the bank reconciliation been done timely by the Company and delay in passing on credits by the banks been brought to their notice at appropriate time, the payment of interest of Rs.31.51 lakhs could have been avoided.

In July 1988, the Company claimed a sum of Rs. 29.16 lakhs on account of excess interest charged from one of the banks. The claim of the Company had not yet been accepted by the bank (October 1990).

(ii) Similarly, there were delays ranging from 46 to 1084 days in transferring the credits of Rs.11.50 lakhs pertaining to the period October

1981 to June 1984 to the Company's cash credit account (for edible oils) operated by head office resulting in payment of interest to bank amounting to Rs.2.16 lakhs charged by bank on the excess debit balance in the cash credit account at the rate of 15 per cent per annum. The Management introduced in July 1985 transfer of sale proceeds from its district/regional offices to head office through bank drafts instead of transfer of money by banks to avoid delays in passing of credits.

2B.12.2 The Management had issued instructions from time to time to Regional Managers to transfer all the sale proceeds to head office and not to utilise the sale proceeds for any other purpose. It was noticed that the Regional Manager, Lucknow had utilised sale proceeds aggregating Rs.13.25 lakhs and Rs.16.53 lakhs during the years 1985-86 and 1986-87 respectively for purchases and other expenses.

2B.13 Manpower analysis

No work study to assess the requirement of manpower has been conducted by the Company so far. The number of employees at the end of the five years up to 31st March 1990 and percentage of salary and wages to total turnover per employee per month during these years were as given on the next page.

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 | |
|---|---------|---------|---------|---------|---------|---|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Number of employees at the close of the year | 554 | 737 | 765 | 807 | 858 | |
| Turnover (Rupees in lakhs) | 6156.07 | 4348.21 | 4782.90 | 3060.68 | 3595.62 | |
| Turnover per employee per month (Rupees in lakh) | 0.93 | 0.49 | 0.52 | 0.32 | 0.35 | |
| Expenditure on salary and wages (Rupees in lakhs) | 159.11 | 165.79 | 158.98 | 199.38 | 200.00 | |
| Percentage of salary and wages to value of turnover | 2.58 | 3.81 | 3.33 | 6.51 | 5.56 | |

The percentages of cost of salaries and wages to total turnover increased from 2.58 in 1985-86 to 6.51 in 1988-89 and 5.56 in 1989-90, while the turnover per employee per month declined from Rs.0.93 lakh in 1985-86 to Rs.0.35 lakh in 1989-90. This was mainly

because of increase in the manpower from 554 in 1985-86 to 858 in 1989-90, not commensurate with the turnover which actually declined from Rs.6156.07 lakhs in 1985-86 to Rs.3595.62 lakhs in 1989-90.

Further the Company also employed workers on daily wages during Rabi and Kharif seasons for procurement, handling, storage and watch and ward works. The services of the daily wage workers, so employed were to be dispensed with after the close of the procurement season. Regional Managers were required to take prior approval of the head office before making any such appointments as they had no powers for recruitment or appointment even on casual basis. However, it was noticed that in violation of specific and clear instructions from the head office, the Regional Manager, Lucknow had appointed unauthorisedly 75 persons during the year 1984-85. Similarly Regional Manager, Meerut had also appointed 19 salesmen and 2 helpers without approval from head office. In spite of the orders of the Managing Director (June and August 1989) to dispense with their services, these employees were allowed to continue in service. The annual incidence on pay and allowances of 64 persons employed in Lucknow region (information in respect of remaining 11 persons could not be made available by Lucknow region) and 19 salesmen and 2 helpers in Meerut region, worked out to Rs.5.80 lakhs and Rs.2.30 lakhs respectively.

Although the matter was in the notice of the Management since August 1987 in

case of Lucknow region and June 1989 in case of Meerut region, it has neither been investigated nor has any action been taken against the responsible officers so far (October 1990).

2B.14 Accounts and internal audit

An accounting manual incorporating detailed procedures for maintenance and compilation of accounts has not been prepared by the Company so far (October 1990).

Up to 1984-85, the Company had an Internal Audit Wing under the charge of an Assistant Manager (Audit) which had completed internal audit up to 1982-83. In September 1985, the Board decided to utilise the services of staff working under the wing for clearance of arrears in accounts and a firm of Chartered Accountants of Lucknow was appointed in October 1985 to conduct the internal audit of the Company for three years from 1983-84 to 1985-86 on a fee of Rs. 0.25 lakh for internal audit of each year. The firm which was required to complete internal audit of each year in three months period, could, however, complete audit of 1983-84 in January 1988. The delay in completion of internal audit was attributed by the Management to various accounting lapses and non-maintenance of records. The report of internal audit submitted by the internal auditors in January 1988 had not been put up to the Board of Directors and corrective and remedial actions to avoid the recurrence of the irregularities pointed out in the report had not been taken so far (October 1990).

The Company has appointed a firm of Chartered Accountants in November 1988 for internal audit for the year 1988-89, but no action for completion of internal audit for the years 1984-85 to 1987-88 and 1989-90 has been taken by the Company so far (October 1990).

Besides the absence of any accounting manual and internal audit, the accounts of the Company were in arrears since 1983-84 and the head office of the Company had no authentic means of having correct and timely information on matters like sales performance of Janta stores and mobile vans, the actual number of persons employed in the regions, etc. Consequently misappropriation of cash and stock could not be detected timely as discussed in the paragraph 2B.15, supra.

2B.15 Inventory control

The table below indicates value of stock of various commodities at the close of five years up to 1989-90:

| Commo- dities | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|------------------|-------------------|---------|---------|---------|---------|
| | (Rupees in lakhs) | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Palm oil | 44.72 | 19.25 | 134.85 | 192.68 | 5.21 |
| Rapseed oil | 1.06 | 3.44 | 6.87 | 10.68 | 0.28 |
| Palmoline | -- | 43.00 | 157.99 | 80.40 | 9.09 |
| Vegetable oil | 0.06 | -- | -- | 0.06 | - |
| Sugar | 21.45 | 129.84 | 9.54 | 14.92 | 17.02 |
| Cloth | 26.67 | 42.30 | 28.72 | 98.40 | 110.12 |

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| 1 | 2 | 3 | 4 | 5 | 6 |
|--|---------|---------|---------|---------|---------|
| Rice | 51.81 | 4.94 | 14.32 | 32.66 | 9.60 |
| Pulses | 0.04 | -- | 0.18 | 27.29 | 9.98 |
| Tea | 2.35 | 1.01 | 1.01 | 1.18 | 0.79 |
| Gas (LPG) | -- | 0.03 | 0.49 | 0.59 | 0.09 |
| Confiscated goods | -- | -- | -- | -- | 22.80 |
| Public distribution system (PDS) items | -- | -- | -- | 2.04 | 6.12 |
| Other items | 0.06 | 1.99 | 8.67 | 58.74 | 42.59 |
| Total value | 148.22 | 245.80 | 372.64 | 519.64 | 233.69 |
| Value of sales | 2750.70 | 2160.74 | 3284.51 | 2319.75 | 2078.82 |
| Value equivalent to month's sale | 0.65 | 1.37 | 1.36 | 2.69 | 1.35 |

- Notes: 1. All the figures are provisional
 2. Figures do not include value of stock/sale of wheat which is procured under 'price support scheme' and delivered to FCI.

The inventory control system prevailing in the Company was deficient to the following extent:

(i) The Company has not fixed any limit for maximum and minimum stock holding for each item. As a result thereof, inventory

equivalent to 0.65 month's sale in 1985-86 increased to 2.69 months' sale in 1988-89 and 1.35 month's sale by the end of 1989-90.

(ii) Priced stores ledgers were not maintained by the Accounts Wing as a result of which authentic book balances were not available for comparison with balances noticed during physical verification of stock at the close of year. In the absence of authentic book balances of various store items, the comparison of physical balances was done by store verifiers with reference to book balances as per records of the stores in-charge which were subsequently found to be incorrect, leading to huge shortages.

(iii) As on 31st March 1989, 2647 cases of embezzlement, misappropriation and shortages involving a sum of Rs.67.20 lakhs were outstanding against seasonal employees and contractors connected with procurement of wheat and paddy. The final position as on 31st March 1990 was not made available by the Company. Out of above, 519 cases involving a sum of Rs.19.63 lakhs pertained to the period prior to April 1983. Recovery certificates were issued in 221 cases only involving a sum of Rs.33.57 lakhs against which recovery was yet to be effected. The age-wise break-up of pending cases was not available with the Company. In addition, 105 cases involving a sum of Rs.17.54 lakhs were pending against salesmen and godowns in-charge, at the end of December 1988.

Some of the interesting cases have been discussed below:

(a) During internal audit of Jhansi godown for the period from February 1985 to January 1987 (conducted between September 1986 and January 1987), it was reported that an amount of Rs.4.81 lakhs in cash (Rs.2.36 lakhs) and stocks (Rs.2.45 lakhs) had been embezzled by the godown in-charge. Subsequently records of Kanpur godown, where he was in-charge from June to December 1984 and February 1987 to August 1987, were taken up for internal audit between November 1987 and January 1988 and shortages in stock (Rs.0.86 lakhs) and cash embezzlement (Rs.3.30 lakhs) aggregating Rs.4.16 lakhs were further detected. The amount recoverable from the employee was finally determined after making adjustments and reconciliation at Rs.3.90 lakhs for Jhansi godown in May 1988 and at Rs.0.92 lakh for Kanpur godown in March 1989. The employee was suspended in April 1988. An FIR for Jhansi case was lodged in November 1988 and for Kanpur case in April 1989. No recovery has been effected so far (October 1990).

(b) No security, as required under the existing rules, was obtained from a helper, who was given charge of Alamnagar Janta store, in Lucknow region from October 1985 to October 1986. Embezzlement of Rs.1.90 lakhs on account of cash and stores, noticed by internal audit against him, was reported to the Regional Manager, Lucknow in October 1987. An FIR was lodged in October 1987 and recovery certificate was issued in December 1987. Even though the employee was in service, no recovery was made from his pay. The employee was suspended in September 1988. No recovery has been effected till date (October

1990).

(c) An ad hoc employee was given charge of two godowns in Mirzapur between April 1985 and March 1986, without obtaining any security. As per orders of May 1984, Regional Managers, were required to conduct physical verification at least two godowns every month. However, physical verification of godown of Mirzapur was not conducted after July 1985. When in March 1986 Regional Manager, Varanasi visited the godown to ascertain reasons for heavy balances of rapeseed oil, the godown in-charge could not be found and the godown had to be sealed. Physical verification of godown in April 1986 and May 1986-conducted in presence of the City Magistrate, Mirzapur-revealed embezzlement of stock valuing Rs.1.65 lakhs. An FIR against the employee, who was absconding, was lodged in May 1986. However, the recovery certificate issued in January 1987 was returned in April 1988 with the remark that the person was not traceable and no moveable /immoveable property was available.

Thus, non-compliance of orders for conducting timely verification of godowns had resulted into a loss of Rs.1.65 lakhs to the Company, responsibility for which has not been fixed so far (October 1990).

(d) During the internal audit of the records of a salesman of Varanasi region, for the year 1982-83, embezzlement of cash and stock valuing Rs.0.30 lakh was detected (May 1984 to July 1984) and the salesman was suspended in August 1984. Internal audit of the records

for the year 1983-84 and 1984-85 was conducted in August 1985 and a further embezzlement of stock and cash valuing Rs.1.24 lakhs was detected. An FIR with the police was lodged in November 1985, the enquiry was completed in November 1988 and the recovery certificate was issued in June 1990. In this connection following lapses were noticed:

(1) Reasons for not detecting these shortages during the physical verification and reconciliation of bank account were not enquired into by the Management.

(2) There were considerable delay in lodging the FIR (15 months) and issuing the recovery certificate (70 months).

(3) There was a delay in lodging the claim with the insurance company, against the fidelity insurance cover for the period from 3rd July 1984 to 2nd July 1985 which was lodged on 2nd December 1985, i.e., after the validity of fidelity bond had expired. It was also noticed that no claim against fidelity bond for the period 4th January 1984 to 2nd July 1984 was lodged by the Management.

(e) A test check of records in Audit of the Lucknow godown of other essential commodities (items of general merchandise) in August 1989, revealed that incorrect entries were made in the stores ledgers for the year 1987-88 and 1988-89, involving shortages of Rs.0.92 lakh. Physical verification after the close of the years 1987-88 and 1988-89 were conducted on the basis

of these incorrect balances and shortages/excesses noticed during physical verification were not taken on books. On matter being reported by Audit (August 1989), the godown in-charge had been relieved of his charge and his accounts records have been taken into custody for further verification. No progress has so far (October 1990) been made in the case.

(iv) During the physical verification of 'Lucknow Khadyan Godown' for the years 1987-88 and 1988-89, 22.33 quintals of tea granules and tea dust valuing Rs.0.67 lakh were reported to be damaged. This tea was purchased during the year 1983-84. No action to fix the responsibility for the above loss and to dispose of above tea has been taken by the Management so far (October 1990).

(v) The Company had not fixed any norm for storage loss for Soyabean oil. In July 1984, the maximum storage loss for rapeseed oil was fixed at 0.25 per cent.

The consolidated figures of storage loss of edible oil in various regions during the five years period ending March 1990 were not available with the head office of the Company. A test check of records of Lucknow and Agra regional offices revealed excess storage loss amounting to Rs.4.37 lakhs based on above norms:

| Year | Particulars | Quantity | Storage loss as per norms | Actual loss (Quintals) | Loss in excess of norms | Value (Rup- ees in lakhs) |
|---------|-----------------|----------|------------------------------------|----------------------------------|----------------------------------|------------------------------------|
| 1984-85 | Soyabean Oil | 2360.70 | 5.90 | 112.50 | 106.60 | 1.20 |
| 1985-86 | Rapeseed Oil | 535.25 | 1.34 | 283.31 | 281.97 | 3.17 |
| Total | | | | | | 4.37 |

Neither the matter has been investigated nor any action to fix responsibility taken so far (October 1990).

2B.16 Other topics of interest

One Commercial Inspector and one Accounts Clerk who were appointed on seasonal basis at wheat procurement centre at Bulandshahr issued, in May 1983, 17 cheques for a total sum of Rs.1.14 lakhs under their joint signatures. However, no wheat was procured against these payments. The matter was reported to police in May 1983. Subsequent inquiry revealed that the appointment was made without proper verification of antecedents of the employees. It was also noticed that Rs.1 lakh was transferred to the centre in May 1983 without any demand for additional fund. The service records of the centre in-charge was found missing as a result of which information required by the police could not be made available. Neither recovery has been made nor has any responsibility for appointment without verification, loss of service records and transfer of fund without demand been fixed so far (October 1990).

The above matters were reported to the Management and Government in December 1990; their replies had not been received (March 1991).

SECTION 2C

VARANASI MANDAL VIKAS NIGAM LIMITED

SECTION 2C

KSHETRIYA VIKAS DEPARTMENT VARANASI MANDAL VIKAS NIGAM LIMITED

HIGHLIGHTS

The Company was incorporated in March 1976 with a view to promoting and advancing economic, industrial and agricultural development in the five districts of Varanasi Mandal.

The paid-up capital of Rs.45 lakhs subscribed during 1976-77 and 1977-78 and grants/subsidy of Rs.49 lakhs received during 1979-80 to 1981-82 could not be utilised by the Company up to 1980-81 and 1985-86 respectively on account of its meagre activities. Surplus funds ranging from Rs.25.77 lakhs to Rs.57.63 lakhs were kept in bank deposits during these years.

The Company undertook to establish and operate four projects wool yarn dyeing plant, cold storage, agricultural workshop and a rice mill. The dyeing plant installed in August 1982 at a capital cost of Rs.74.19 lakhs, on which a revenue expenditure of Rs.13.31 lakhs was incurred from September 1982 to March 1990, had been lying idle ever since and was a major cause for the cash crunch of the Company. The other three projects also could not be successfully implemented and an extra expenditure

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of Rs.1.77 lakhs incurred on these projects became unfruitful.

The Company was primarily engaged in sale and purchase of various specified goods like fertilizers, cement, pesticides, seeds, etc. However, no annual targets for the Company's trading activities were fixed prior to 1986-87. The targets fixed in annual budgets for 1986-87 onwards were also not achieved. The actual turnover during the three years up to 1989-90 fell short of target by 53 to 73 per cent whereas the administrative expenses exceeded the budgeted limit by 16 to 65 per cent.

Fertilizer business constituted more than 80 per cent of the trading activities of the Company. However, the Company failed to cover the overheads and other expenses relating to this activity, and the Company sustained losses aggregating to Rs.9.16 lakhs during 1982-83 to 1985-86.

Contrary to the instructions of the Commissioner, Agriculture Production and Rural Development to purchase rice and pulse from Food and Civil Supplies Department and Pradeshiya Cooperative Federation/U.P.State Food and Essential Commodities Corporation Limited respectively, the Company purchased Pushta Ahaar under Bal Vikas Pariyojna and Flood Relief scheme from private parties on the basis of limited

quotations/tenders. Due to purchase of rice, moong and gur at higher rates from private parties, the Company incurred an extra expenditure of Rs.19.16 lakhs, thereby reducing to that extent the quantity of Pushta Ahaar to be supplied to beneficiaries under these schemes, as the expenditure per day per beneficiary was limited only in monetary terms.

To make available assured supply of water for irrigation to small/marginal farmers at reasonable rates, the Company got 30 community tubewells constructed at a cost of Rs.17.60 lakhs through the Minor Irrigation Department during 1981-82 to 1986-87, as against 60 tubewells envisaged in the scheme. Of the 30 tubewells constructed, 2 tubewells failed, 6 were incomplete, and 9 tubewells constructed at a cost of Rs.8.71 lakhs in June 1986 were yet to be taken over, and in respect of the balance 13 tubewells, there was a short fall in revenue aggregating Rs.8.83 lakhs during July 1986 to March 1989. As the Company could not run the scheme economically, the Board decided, in August 1988, to dispose of all the tubewells at their salvage value. These were, however, yet to be disposed of (November 1990).

2C.1 Introduction

Varanasi Mandal Vikas Nigam Limited was incorporated in March 1976 as a wholly owned Government company with a view to promoting economic, industrial and agricultural development in the mandal comprising Varanasi, Ballia, Ghazipur, Jaunpur and Mirzapur districts.

2C.2 Objectives

The aims and objectives of the Company, as set out in its Memorandum of Associations, cover a wide range of developmental activities in all fields of economic development in the five districts under the Mandal.

The Company, besides dealing in sale of fertilizers, cement, pesticides, seeds, etc., procurement and supply of Pushta Ahaar under Bal Vikas and Flood Relief schemes and agricultural implements, rickshaw trollies, sewing machines, etc., under Integrated Rural Development Programme (IRDP) and providing services like hiring of tractors and supply of water for irrigation through community tubewells also undertook the following projects :

(a) establishment of a modern wool yarn dyeing plant at Barwapur(Varanasi),

(b) setting up a rice mill at Pathora (Mirzapur),

(c) setting up a cold storage of 4000 tonnes capacity at Siddiquipur (Janupur), and

(d) establishment of an agricultural workshop at Ayar (Varanasi).

2C.3 Organisation al set-up

The Management of the Company is vested in the Board of Directors, consisting of not less than 3 and not more than 25 directors (including the Managing Director) who are nominated by the State Government. As on 31st March 1990, there were 15 directors on the Board (including the Chairman and Managing Director). The Managing Director in his day-to-day function is assisted by a Company Secretary, an Assistant Accounts Officer and two Sales Officers.

The post of Company Secretary has been lying vacant since September 1989 although it is mandatory for a Company (with paid-up capital of Rs.25 lakhs or more) to have a Company Secretary under Section 383-A of the Companies Act, 1956.

2C.4 Scope of Audit

The manufacturing and trading activities including supply of material and

provision under the various social welfare schemes of the Company were reviewed in Audit conducted during the period from June 1990 to September 1990. The results of the Audit are set out in the succeeding paragraphs.

2C.5 Funding

2C.5.1 Share capital

The authorised share capital of the Company was Rs.100 lakhs, divided into 1 lakh equity shares of Rs.100 each. The total paid-up capital was Rs.70 lakhs as on 31st March 1990 which was wholly contributed by the State Government. Although Government contributed Rs.35 lakhs in 1976-77 towards paid-up capital, the Company commenced business activities only from 1977-78 and that to on a small scale up to 1980-81.

2C.5.1.1 Grants

During the years 1979-80 to 1981-82 the Company also received grants/subsidy of Rs.49.00 lakhs from Government for construction of community tubewells and soil conservation. The expenditure incurred thereagainst by the Company up to 31st March 1989 was Rs.31.01 lakhs. The grants could not be utilised fully due to construction of 30 tubewells as against 60 tubewells envisaged in the grant, as discussed in paragraph 2C.13 supra.

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2C.5.1.2 Utilisation of funds

The surplus capital fund together with unutilised grants/subsidy was kept in bank deposits. The table on the next page indicates the details of paid-up capital, unutilised grants, the amounts kept in bank deposits, interest earned thereon, and profit/loss during the years 1976-77 to 1985-86.

| Year | Paid-up capital | Unutilised amount of grants and subsidy | Total Investmets Fixed Saving depo- banks sits | | | Total | Interest earned | Profit(+)/ loss(-) |
|--------------|--------------------|--|---|-------|-------|-------|--------------------|-----------------------|
| | (| | Rupees in lakhs | | | | |) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1976-77 | 35.00 | - | 35.00 | 35.00 | - | 35.00 | 1.41 | (+)1.08 |
| 1977-78 | 45.00 | 5.50 | 50.50 | 43.00 | 6.49 | 49.49 | 3.39 | (+)1.45 |
| 1978-79 | 45.00 | 10.96 | 55.98 | 43.00 | 4.46 | 47.46 | 2.50 | (-)1.06 |
| 1979-80 | 45.00 | 24.70 | 69.70 | 32.50 | 4.66 | 37.16 | 2.32 | (-)1.67 |
| 1980-81 | 45.00 | 40.45 | 85.45 | 46.00 | 2.76 | 48.76 | 3.30 | (-)0.56 |
| 1981-82 | 55.00 | 40.67 | 95.67 | 53.63 | 4.00 | 57.63 | 4.37 | (-)0.37 |
| 1982-83 | 60.00 | 40.06 | 100.06 | 26.94 | 10.87 | 37.81 | 3.66 | (-)3.82 |
| 1983-84 | 70.00 | 39.30 | 109.30 | 32.64 | 22.27 | 54.91 | 2.16 | (-)7.13 |
| 1984-85 | 70.00 | 28.51 | 98.51 | 24.65 | 9.98 | 34.53 | 2.40 | (-)3.67 |
| 1985-86 | 70.00 | 20.14 | 90.14 | 16.77 | 9.00 | 25.77 | 2.33 | (-)2.47 |
| Total | | | | | | | 27.84 | (-)18.22 |

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It would appear from above details that the profits of the Company during the years 1976-77 and 1977-78 were mainly due to interest earned on bank deposits and the losses incurred by the Company in the succeeding years up to 1985-86 were largely due offset by the interest earned on bank deposits. The unutilised grants and subsidy of Rs.20.14 lakhs at the end of 1985-86, were utilised subsequently in trading activities of the Company.

Although Government had directed in April 1980 that the interest earned on share capital and grants kept in fixed deposits with banks should be credited to the Government account, the Company irregularly retained and treated it as its income.

2C.5.2 Borrowings

In addition to share capital, the Company had obtained term loans of Rs.86.90 lakhs from financial institutions (Rs.22.84 lakhs) and Government (Rs.64.06 lakhs). As on 31st March 1989, Rs.59.76 lakhs were overdue on account of repayment of principal (Rs.36.11 lakhs) and payment of interest (Rs.23.65 lakhs).

2C.5.2.1 A term loan of Rs.13.32 lakhs to finance construction of a modern wool yarn dyeing plant at Barwapur (Varanasi) was sanctioned by Uttar Pradesh Financial Corporation (UPFC) in April 1978. This was

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further increased to Rs.26.60 lakhs in March 1981 out of which only Rs.22.84 lakhs were drawn during March 1981 to March 1982.

The following points deserve mention :

(a) Delay in drawal of the loan on account of non-registration of the land in favour of the Company resulted in payment of commitment charges of Rs.0.30 lakh for the period from October 1978 to March 1981 to UPFC in March 1981.

(b) The loan had been sanctioned initially in April 1978 at an interest rate of 14.5 per cent per annum subject to a rebate of 3 per cent for timely repayment of principal and interest. The interest rate was increased to 16.5 per cent from 1st March 1981 subject to a rebate of 3 per cent, as the legal formalities (execution of loan agreement and hypothecation deed) had not been completed by the Company before 1st March 1981. As the land had been registered in favour of the Company in January 1981, the legal formalities could have been completed before 1st March 1981, and thereby extra payment/liability of interest of Rs.2.67 lakhs up to June 1990 at additional 2 per cent could have been avoided.

2C.5.2.2 Short-term loans of Rs.64.60 lakhs were sanctioned by Government in December 1985 (Rs.5.00 lakhs) and November 1986

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(Rs.59.60 lakhs) for purchase and distribution of agricultural inputs to farmers.

The following points deserve mention :

(a) Though the amount was required to be utilised exclusively for purchase of agricultural inputs and their distribution to farmers, Rs.15.80 lakhs were utilised for purchase of utensils for the Integrated Children Development scheme and Rs.26.14 lakhs were utilised for purchase of fertilisers sold to private dealers during March 1987 to March 1988.

(b) The entire amount of loan of Rs.59.60 lakhs received from Government in January 1987 was kept in saving bank account (non-interest bearing) with Banaras State Bank Limited, Varanasi. The funds ranging from Rs.20.60 lakhs to Rs.36.72 lakhs were available in the saving bank account during February 1987 to August 1987. A sum of Rs.19.60 lakhs out of the saving bank account together with Rs.10 lakhs kept in fixed deposit with another bank since 1979-80 was utilised in August 1987 towards repayment of the loan of Rs.29.60 lakhs. Thus, the Company could have avoided drawal of the loan of Rs.29.60 lakhs from Government initially. The excessive drawal of loan of Rs.29.60 lakhs resulted in an extra avoidable liability of interest of Rs.2.46

lakhs, even after considering interest of Rs.0.46 lakh earned on the fixed deposit of Rs.10 lakhs during January to June 1987.

2C.6 Cash management

Cash management involves projection of cash inflows/outflows and financing needs coupled with cash control. However, neither cash flow statements nor cash budgets were prepared by the Company, resulting in lack of control over its ways and means as mentioned below :

(i) During 1984-85 to 1986-87, the Company kept Rs.9.32 lakhs to Rs.40.12 lakhs in 8 to 10 current/saving bank accounts while it paid Rs.4.78 lakhs towards interest on cash credit availed of during the same period ranging between Rs.0.02 lakh and Rs.25.76 lakhs. If the Company had kept a single account incorporating all the transactions, the interest liability for cash credit would have been reduced by Rs.2.17 lakhs.

(ii) Funds ranging from Rs.1.01 lakhs to Rs.2.59 lakhs remained in bank accounts at the various centres of the Company for one to five years during 1981-82 to 1985-86 resulting in loss of interest of Rs.1.45 lakhs at 12 per cent per annum.

(iii) Cheques/bank drafts for Rs.1.20 lakhs sent to a bank for collection during the period from November 1984 to March 1985 were actually collected during

June 1985 to May 1988 involving delay in collection ranging from 7 to 38 months whereas those for Rs.2.93 lakhs sent during 1984-85 to 1988-89 had not been collected so far (September 1990).

(iv) Five cheques for Rs.1.74 lakhs received from debtors during October 1983 to April 1987 were dishonoured by banks during May 1985 to September 1987 but these amounts together with interest, collection charges and cash discounts were not debited to the debtors' account. No action had been taken by the Company to recover the same (September 1990).

(v) Rs.22.44 lakhs debited to the Company's account during 1986-87 and 1987-88 as per statements/pass books issued by the banks were not found accounted for in the records of the Company (September 1990).

(vi) 164 receipt books were issued during 1983-84 to 1986-87, 1988-89 and 1989-90 to staff for realisation of revenue but used receipt books were not checked and recorded to ensure proper accountal of the revenue realised. The details of receipt books issued during the year 1987-88 were not made available to Audit.

2C.7 Setting up of plants/projects

2C.7.(i) Modern wool yarn dyeing plant

A mention was made in para

3B.1 of the Report of the Comptroller and Auditor General of India for the year 1984-85 (Commercial)- Government of Uttar Pradesh that the proposal to transfer the modern wool yarn dyeing plant, set up by the Company at Barwapur (Varanasi) at a cost of Rs.74.19 lakhs and which remained idle since the date of its commissioning in August 1982, to Bhadhoi Woollens Limited - another State Government company was under consideration with Government. The plant had, however, not yet been transferred and remained idle (November 1990). Meanwhile, the Company had further incurred revenue expenses of Rs.13.31 lakhs during September 1982 to March 1990.

(ii) The proposal for setting up a rice mill at Pathora (Mirzapur), on which a sum of Rs.0.56 lakh had been spent for purchase of land (Rs.0.45 lakh) and preparation of feasibility report and estimate (Rs.0.11 lakh) during April 1977 to May 1979, was dropped as it was considered not economically viable.

(iii) A proposed cold storage (4000 tonnes) at Siddiquipur (Jaunpur), on which a sum of Rs.0.24 lakh had been spent for preparation of feasibility report in 1977-78, was not set up on the ground that it will be undertaken by Uttar Pradesh Agro-Industrial Corporation Limited, Lucknow.

(iv) The Company decided in March 1980 to establish an agricultural

workshop at Ayar (Varanasi) at a total estimated cost of Rs.7.82 lakhs. However, only a building was constructed at a cost of Rs.0.97 lakh in 1980-81, which was since being used as a godown.

Thus, the dyeing plant installed in August 1982 at a capital cost of Rs.74.19 lakhs on which a revenue expenditure of Rs.13.31 lakhs was incurred from September 1982 to March 1990 had been lying idle ever since and was a major cause for the cash crunch of the Company. The other three projects also could not be successfully implemented and an expenditure of Rs.1.77 lakhs incurred on these projects became unfruitful.

2C.8 Trading activities

2C.8.1 The Company was primarily engaged in sale and purchase of various specified goods, yet it had laid down no procedures or rules regarding invitation of quotations/tenders, holding negotiations, margin for overheads and profits, period and volume of credit sales, norms and inventory level, etc. The Board of Directors delegated in May 1977, the power to sanction expenditure to the extent of Rs.50,000 at a time subject to a total limit of Rs.1 lakh, and Rs.25,000 at a time subject to a total limit of Rs.50,000 up to next meeting of the Board to the Chairman and Managing Director respectively. In January 1984, the Board enhanced the power of the Managing Director for making

payments up to Rs.1 lakh in case of fertilizers and Rs.0.50 lakh in other cases at a time. The Managing Director was delegated full powers in April 1988. In this connection, it was noticed that a sum of Rs.1666.05 lakhs was incurred on purchase of goods during April 1981 to March 1988 under the approval of the Chairman and Managing Director against the aggregate authorised limit of Rs.28 lakhs as 16 meetings of the Board were held during April 1981 to March 1988.

2C.8.2 No annual targets for the Company's trading activities were fixed prior to 1986-87. The targets fixed in the annual budgets for 1986-87 onwards were also not achieved. The table below shows the budgeted annual turnover, administrative expenses (including interest relating to trading activities) and the actual achievement for the three years from 1986-87 to 1988-89 :

| Year | As per budget | | Achievement | |
|---------|---------------|--|---------------|--|
| | Turn- over | Administra- expenses including interest | Turn- over | Adminis- trative expenses including interest |
| | (Rupees | in | lakhs |) |
| 1986-87 | 336.22 | 10.06 | 91.38 | 11.29 |
| 1987-88 | 386.48 | 10.57 | 142.97 | 16.99 |
| 1988-89 | 448.52 | 12.73 | 211.64 | 15.53 |

Thus, the actual turnover during 1986-87 to 1988-89 fell short by 53 to 73 per cent of budgeted turnover for these years whereas the administrative expenses exceeded the budgeted limit by 16 to 65 per cent. The Company did not analyse the reasons for shortfalls in turnover except in April 1988 when it attributed the shortfall in turnover to non-availability of funds.

2C.8.3 The performance of the Company's trading activities in the major items is discussed in the following paragraphs.

2C.8.3.1 Fertilizers

In accordance with the decision (May 1977) of the Board of Directors, the Company started sale of fertilizers from its centres and during 1977-78 to 1980-81 and sold 619 tonnes of fertilizers for Rs.10.42 lakhs. The Managing Director decided in August 1981 for no reasons on record and without any approval of the Board to sell the fertilizers through private dealers. Sale of fertilizers by the Company continued up to 1988-89. During the eight years from 1981-82 to 1988-89, the Company purchased 65094 tonnes of fertilizers costing Rs.1337.89 lakhs and sold it for Rs.1448.71 lakhs.

The following points deserve mention:

- (i) Although fertilizers business

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constituted more than 80 per cent of the trading activities of the Company during 1981-82 to 1985-86, it failed to absorb even proportionate expenses (including interest relating to trading activities) as indicated in the table on the next page.

| | 1981-82 (| 1982-83 Rupees | 1983-84 in | 1984 85 lakhs | 1985-86) |
|--|--------------|-------------------|---------------|------------------|--------------|
| | 1 | 2 | 3 | 4 | 5 |
| Total sales (A) | 175.22 | 416.63 | 267.46 | 390.49 | 309.41 |
| Fertilizer sales(B) | 164.85 | 386.70 | 227.53 | 325.96 | 257.01 |
| Percentage of (B) to (A) | 94.1 | 92.8 | 85.1 | 83.5 | 83.1 |
| Total administrative expenses including interest | 4.12 | 7.14 | 6.36 | 7.95 | 9.80 |
| Proportionate exp- enses relating to fertilizer sale | 3.88 | 6.63 | 5.41 | 6.64 | 8.14 |
| Net commission on sale of fertilizers | 4.02 | 6.46 | 2.39 | 4.31 | 4.50 |
| Profit(+)/loss (-) | (+)0.14 | (-)0.17 | (-)3.02 | (-)2.33 | (-)3.64 |

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Except for a marginal profit of Rs.0.14 lakh in 1981-82 there was continuous loss during 1982-83 to 1985-86 aggregating Rs.9.16 lakhs.

(ii) The consumer price of urea (Rs.2150 to 2350 per tonnes as fixed by the Central Government) provided for distribution margin of Rs.115 to 150 per tonne applicable to sales to cooperatives Government and institutional buyers, as against Rs.100 to Rs.130 per tonne applicable to sales to private dealers. The Company decided in August 1981 to pass on to dealers Rs.60 per tonne out of Rs.115 per tonne, available as margin to the Company which was increased to Rs.70 per tonne (out of Rs.140 per tonne) in November 1981 on the ground that the dealer had to invest more capital on account of increase in sales tax. The amounts per tonne passed on to dealers continued to be increased from time to time without any recorded reasons, as detailed on the next page.

| | 1981-82 | 1982-83 | 1983-84 | 1984-85 | 1985-86 |
|---|---------|---------|---------|---------|---------|
| | (| Rupees | in | lakhs |) |
| | 1 | 2 | 3 | 4 | 5 |
| Cost of fertilizers sold (opening stock plus purchase less closing stock plus freight) | 153.67 | 357.88 | 211.51 | 301.58 | 234.05 |
| Sales(at consumers price) | 164.85 | 386.70 | 227.53 | 325.96 | 257.01 |
| Gross margin allowed by fertilizer producers | 11.18 | 28.82 | 16.02 | 24.38 | 22.96 |
| Commission allowed to dealers | 7.16 | 22.36 | 13.63 | 20.07 | 18.46 |
| Margin available to the Company | 4.02 | 6.46 | 2.39 | 4.31 | 4.50* |
| Sales(in tonnes) | 7416 | 16188 | 11215 | 14201 | 11662 |
| | (| Rupees |) | | |
| Average gross margin per tonne | 151 | 178 | 143 | 172 | 197 |

| | 1 | 2 | 3 | 4 | 5 |
|---|----|-----|-----|-----|-----|
| Average commission allowed (per tonne) to dealer | 97 | 138 | 122 | 141 | 158 |
| Average margin available (per tonne) to the Company | 54 | 40 | 21 | 30 | 39* |

(Note : * This includes Rs.2.09 lakhs being commission earned on sale of 732 tonnes of urea at the Company's centres under Government subsidy and hence the net commission available to the Company on sale of 10,930 tonnes of fertilizers through dealers amounted to Rs.2.41 lakhs which worked out to Rs.22 per tonne).

A test check in Audit revealed as under :

(a) 863.75 tonnes of Urea was purchased from IFFCO in September 1983 for Rs.15.41 lakhs at the rate of Rs.1784.25 per tonne under special rebate scheme, to be sold to the farmers directly at the rate of Rs.2023.25 per tonne. The entire quantity was, however, sold to private dealers for Rs.16.14 lakhs at the rate of Rs.1856.75 to Rs.1881.75 per tonne and a margin of Rs.87.24 per tonne was earned as against a margin of Rs.239 per tonne if sold by the Company directly to farmers at the rate of Rs.2023.25 per tonne. Thus, the Company lost an income of Rs.1.34 lakhs.

(b) During 1983-84 and 1984-85, in the sale of 6338 tonnes of fertilizers to dealers the Company retained a margin of Rs.15 to Rs.73 per tonne whereas the Gorakhpur Mandal Vikas Nigam during the same period in the sale of the same item of fertilizers to dealers was able to retain margins from Rs.20 to Rs.121 per tonne. The Company, therefore, earned lower margins, resulting in loss of revenue aggregating to Rs.2.34 lakhs on sale of 6338 tonnes of fertilizers test checked in Audit.

(c) Under the terms of appointment of dealers, they were required to place their demands of fertilizers and were also required to deposit 10 per cent value one month in advance. However, neither

any demand nor any value was received in advance and the Company procured fertilizers on the basis of its own assessments of demands. A test check in Audit revealed that 2094 tonnes of fertilizers procured during December 1982 to November 1987 for Rs.50.08 lakhs could be sold after 3 to 24 months of the dates of their procurements for Rs.47.38 lakhs. This resulted in loss of Rs.6.60 lakhs (including Rs.3.90 lakhs spent on interest paid on borrowings).

(d) Fertilizer prices were fixed FOR destination falling on motorable road. In case of supplies by rail (on freight paid basis) or from producers' godowns/warehouses, rebates for equated freight were allowed by producers to compensate transportation expenses. In this connection, it was noticed that 615 tonnes of Urea was received in September 1982 (126 tonnes) and January 1983 (489 tonnes) at the railway station, Varanasi for Rs.13.62 lakhs (after rebates for road transport). The Company transported Urea to Rasra (Ballia) at a cost of Rs.0.40 lakh and delivered the same to local dealers for Rs.12.64 lakhs. Thus, the Company did not recover even procurement cost including transportation cost.

Similarly, rebates/subsidy of Rs.0.67 lakh for road transport were passed on to dealers in respect of 1367 tonnes of Urea delivered to them locally in November 1983 (300 tonnes) and December 1985/January 1986 (1067 tonnes).

(e) Priced store ledgers are basically meant to maintain an up-to-date account both quantity-wise and value-wise of an item. However, in case of fertilizers, these were found (September 1990) neither complete in respect of valuations nor reconciled with the finalised accounts of the Company. The quantities of the fertilizers purchased and sold were at variance with those disclosed in the accounts finalised up to 1985-86.

2C.8.4 Cement

The Company sold 168 tonnes of levy cement (value: Rs.1.06 lakhs) through its centres during 1980-81 to 1982-83 and earned a profit of Rs.0.22 lakh. No business was done in cement during 1983-84 to 1986-87. The sale of non-levy cement to stockists was, however, started in April 1987 where the Company collected the full value of cement at factory's rates prevailing on the date of collection from stockists and deposited the same on the same day with Uttar Pradesh State Cement Corporation's factory at Chunnar (Mirzapur) through its own representative at Chunnar. Cement was lifted by the Company from the factory and delivered to the respective stockists at the same price. The Company was, however, entitled to commission from the cement factory at Rs.10 to Rs.30 per tonne depending upon the quantity purchased from the factory in a month. The Company passed on a part of the commission of Rs. 8 to

Rs.15 per tonne to the stockists. Out of the total commission of Rs.8.79 lakhs earned by the Company in procurement of 40241 tonnes of cement during 1987-88 to 1989-90, Rs.5.30 lakhs were paid in cash by the dealing clerk posted at the factory site at Chunnar (Mirzapur district) to the various dealers. No cash book to record these transaction, i.e., receipt of money from dealers, payment thereof to factory and payment of commission to dealers was maintained. Stock register of cement was also not maintained with the result that correctness of the amounts paid as commission could not be checked in Audit.

2C.8.5 Other trading activities

The table on the next page indicates the purchase, sales and profit/loss incurred in trading of some other items during 1977-78 to 1988-89.

| Serial number | Particulars | Period | Procure- ment cost (Rupees | Sales in | Profit(+)/ loss(-) lakhs) | Remarks |
|------------------|-------------|-----------------------|--------------------------------------|-------------|---------------------------------|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 | Pesticides | 1977-78 to 1988-89 | 40.66 | 41.33 | (+)0.67 | - |
| 2 | Seeds | - do - | 53.62 | 54.30 | (+)0.68 | In contravention of the Board's decision (May 1977), seeds were sold to the dealers instead of farmers |

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|--------------------------------|------|------|---------|--|---|
| 3 | | Steel tubes 1980-81 to 1983-84 | 2.47 | 2.49 | (+)0.02 | (i) Rs.0.36 lakh still outstanding against Minor Irrigation Department | |
| | | | | | | (ii) Unsold stock of 653 numbers of steel tube valuing Rs.0.40 lakh not accounted for. | |
| 4 | | Timber 1983-84 | 0.39 | 0.11 | (-)0.28 | - | |

2C.9 Supply of 'Pushta Ahaar' under Flood Relief scheme

Government sanctioned in December 1985 Rs.24.77 lakhs for distribution for 'Special Pushta Ahaar' under Flood Relief scheme in Varanasi (Rs.0.13 lakh), Jaunpur (Rs.12.38 lakhs) and Mirzapur (Rs.12.26 lakhs) districts. The scheme envisaged distribution of special Pushta Ahaar (Khichri) for 75 days among the flood affected persons identified by the District Magistrates/ Chief Development Officers at the rate of Re.1 per day to pregnant women/breast feeding mothers and Re.0.70 to the children up to the age of six years (inclusive of cost of transportation). Distribution was to be done in packets of 5 kg rice and 1 kg pulses per beneficiary once in a month. The scheme was to be implemented in such blocks which were not covered under Integrated Bal Vikas Pariyojana.

The Joint Development Commissioner, Varanasi Mandal, identified 42964 beneficiaries in the districts of Varanasi (220), Jaunpur (21194) and Mirzapur (21550) and the Company was asked in February and March 1986 to procure and supply 'Special Pushta Ahaar' to the concerned Block Development Officers.

A test check of the Company's records revealed the following deficiencies/

irregularities :

(i) The Commissioner, Agriculture Production and Rural Development (APC) informed the Company on 28th January 1986 that rice and pulse should be purchased from Regional Food Controller (RFC) and Pradeshiya Co-operative Federation (PCF)/Uttar Pradesh State Food and Essential Commodities Corporation Limited (UPSFECC) respectively. The Company, however, purchased 1150 quintals of dal from private parties at Rs.545 per quintal (900 quintals) and Rs.730 per quintal (250 quintals) during January 1986 to March 1987, while the rate of dal ranged between Rs.519 and Rs.596 per quintal during the period from May 1986 to December 1986 in the PCF depots at Gorakhpur and Kanpur. Had the total quantity of 1150 quintals of dal been purchased from the PCF at its prevailing rates, the Company would have saved an amount of Rs.0.57 lakh. Reasons for not purchasing dal from PCF/UPSFECC were not on record.

(ii) The Company purchased 3120 quintals of common rice at Rs.245 per quintal (value: Rs.7.64 lakhs) and 1138 quintals of fine rice at Rs.272.50 per quintal (value: Rs.3.10 lakhs) from PCF and 117 quintals of common rice at Rs.255 per quintal (value: Rs.0.30 lakh) from RFC during February to August 1986. However, 1399 quintals of common rice was purchased from a firm of Varanasi at Rs.290 per quintal (value: Rs.4.06

lakhs) in March 1987, although PCF was having a stock of 1500 quintals of common rice with sale price of Rs.245 per quintal in October 1986 as mentioned in the records of the Company itself. Reasons for not purchasing the same from PCF were not on record. RFC was also not asked to supply common rice. The purchase of rice at higher rate resulted in an extra expenditure of Rs.0.63 lakh.

(iii) The distribution of Pushta Ahaar was continued up to October 1987 although purchase of rice and dal for Pushta Ahaar had been completed by March 1987.

A total number of 1,13,922 packets containing 5696 quintals of rice and 1139 quintals of dal were supplied by the Company from February/March 1986 to October 1987 while the Government's order sanctioning the scheme required the distribution to be completed within 75 days so as to provide immediate relief and succour to the flood affected targeted persons.

2C.10 Supply of Pushta Ahaar under Bal Vikas Pariyojana

Under Integrated Bal Vikas Pariyojana, formulated by Government for years 1987-88, 1988-89 and 1989-90, Pushta Ahaar was to be distributed to under fed and ill-fed children up to the age of six years, pregnant women and breast-feeding mothers. The total

expenditure for each category of the beneficiary at the rates of 45,95 and 75 paise per day for 300 admissible days in a year worked out to Rs.135, Rs.285 and Rs.225 per persons respectively. Besides, an expenditure of 20 paise per beneficiary per day towards cost of transportation and fuel was also admissible under the scheme. The amount sanctioned under the scheme was to be utilised during the respective year.

The Company purchased utensils, wheat, dalia (broken wheat), rice, gram, gur, dal (Moong), salt, sugar, etc. worth Rs.40.15 lakhs, Rs.75.32 lakhs and Rs.55.45 lakhs and supplied these items for Rs.41.81 lakhs, Rs.78.07 lakhs and Rs.57.82 lakhs during 1987-88, 1988-89 and 1989-90 respectively.

A test check in Audit revealed the following points :

(i) Orders for supply of items for Pushta Ahaar were received from the District Programme Officers in the months of September to November every year at the rates and samples offered by the Company in the months of August to October. No basis for rates offered were on record nor were samples offered and accepted kept by the Company.

(ii) Although the samples of Pushta Ahaar had already been tendered by the Company and accepted by the District

Programme Officers, tender/quotations inquiries floated by the Company required tenderers to quote alongwith their own samples and quality of goods. Notices of tenders for supply of items of Pushta Ahaar to be received by 13th October 1987, 14th November 1988 and 9th November 1989 were published in only two local daily newspapers on 12th October 1987, 10th November 1988 and 4th November 1989 respectively, with the result that there was no adequate response, and purchases were made at higher rates as discussed in subpara (iii)(b) below.

(iii) As the expenditure per day per beneficiary was limited in monetary terms, the Company was required to procure Pushta Ahaar at economical rates to make available more quantitative benefits. The Company, however, procured Pushta Ahaar at excess rates as mentioned below :

(a) Stock of common rice was available with the Regional Food Controller, Varanasi (RFC) during May 1987 to March 1990 at Rs.259/Rs.264 per quintal. The Company, however, purchased during 1987-88 to 1989-90, the entire quantity (5522 quintals) of rice at Rs.375/Rs.435 per quintal (value: Rs.23.72 lakhs) from private parties by incurring an avoidable extra expenditure of Rs.9.29 lakhs.

(b) On the basis of four quotations received in September 1988, the Company

purchased various items of Pushta Ahaar for Rs.48.17 lakhs at higher rates than those allowed by the neighbouring Allahabad Mandal Vikas Nigam Limited (AMVN) which also made similar purchases during August 1988 to November 1988. This resulted in an extra expenditure of Rs.8.67 lakhs as mentioned below:

| Item | Period of supply | Rate of purchases by VMVN AMVN (Rupees per qunital) | | Difference in rates | Quantity purchased by the Company (quintal) | Extra expenditure (Rs. in lakhs) |
|-------------|-------------------------------|---|-----|---------------------|---|----------------------------------|
| Moong khara | October 1988 to November 1989 | 1065 | 864 | 201 | 2011 | 4.04 |
| Moong dal | - do - | 1140 | - | 201 [*] | 1671 | 3.36 |
| Gur | November 1988 to March 1989 | 540 | 456 | 84 | 1013 | 0.85 |
| | | 560 | 456 | 104 | 400 | 0.42 |
| Total | | | | | 5095 | 8.67 |

* It is based on difference in rates for Moong khara

Thus, but for the extra expenditure of Rs.17.96 lakhs, the quantitative benefits available to the beneficiaries would have been more by 65 to 68 per cent.

(iii) The supplies of 15915 quintals of Pushta Ahaar valuing Rs.84.68 lakhs were delayed by 1 to 14 months for which no penalty was recovered from the suppliers in the absence of penal provisions in the purchase orders. Moreover, it resulted in delayed distribution of Pushta Ahaar to beneficiaries.

(iv) No records showing the amounts due from the Programme Officers of the districts on account of supplies made under the scheme were made available to Audit. The provisional accounts of the Company for the year 1988-89, however, indicated a sum of Rs.30.10 lakhs outstanding against the various Programme Officers.

2C.11 Supply of items under Integrated Rural Development Programme (IRDP)

The District Development Officers (DDO)/District Rural Development Agencies (DRDA) placed demands with the Company for items to be supplied under IRDP. Bills for the materials received from the Company and delivered to the beneficiaries were to be raised with banks who eventually disbursed both loan and subsidy on this account. DDOs/DRDA were required to collect the full value

of the materials delivered to the beneficiaries from banks, and remit the same to the Company.

Under the scheme, the Company undertook purchase and supply of chaff cutters, foot sprayers, kalin kath and kargha sets, grain bins, sewing machines, rickshaw trollies, etc. which were purchased for Rs.252.05 lakhs and supplied for Rs.255.58 lakhs.

A test check in Audit revealed the following :

(i) Purchase at excessive rates

The Company did not invite open tenders for purchase of the above items under the scheme, and procured them on the basis of limited quotations either personally collected by its staff or delivered by firms. It did not even maintain any list of licensed manufactureres, authorised distributors/dealers and suppliers under rate contract executed by the Director of Industries, Kanpur with a view to inviting offers from the genuine and reputed firms at the most competitive rates. A test check in Audit revealed cases of purchases at excessive rates, as under ;

(a) On the basis of quotations received in April 1985, the Company placed purchase orders during May to September 1985 for 1646 chaff cutters at Rs.690 each

(value : Rs.11.36 lakhs) and 100 chaff cutter at Rs.670 each (value : Rs.0.67 lakh) which were supplied during September 1985 to March 1986 by two firms of Varanasi and Mirzapur who under the rate contracts executed with the Director of Industries, Kanpur (valid from October 1984 to September 1985) had agreed on rates of Rs.615 and Rs.622 per chaff cutter respectively.

Thus, the purchases by the Company at higher rates resulted in an extra expenditure of Rs.1.28 lakhs.

(b) The Company received in May 1987 from the Project Director, Varanasi, a demand for supply of 1100 chaff cutters to 22 blocks in Varanasi district. The Company, however, placed orders on a firm of Varanasi for 500 chaff cutters at Rs.725 each in November 1987 and 600 chaff cutters at Rs.840 each in February 1988. The piecemeal purchases from the same firm against a single demand, thus, resulted in an extra expenditure of Rs.0.69 lakh on the purchase of 600 chaff cutters at Rs.840 each.

(c) On the basis of three quotations received in November 1988, the Company purchased 4372 kg of wool yarn (Bikaner 60 count) at Rs.84.10 per kg from two firms of Varanasi during December 1988 to March 1990. On the other hand, 503 kg of wool yarn (Bikaner 60 count) was purchased from a co-operative society in July 1989 at Rs.61.75 per kg. As compared to this rate, the

purchases at Rs.84.10 per kg resulted in an extra expenditure of Rs.0.98 lakh.

(d) The Company purchased 3476 foot sprayers (value: Rs.18.27 lakhs) at Rs.474.50 to Rs.881.64 each during 1983-84 to 1988-89 and 595 winowing fans (value: Rs.2.98 lakhs) at Rs.500 each during 1987-88 and 1988-89, whereas Gorakhpur Mandal Vikas Nigam Limited during the same period purchased foot sprayers at Rs.549.53 each and winowing fans at Rs.470.34/Rs.470.50 each. Thus, the purchases by the Company at higher rates resulted in an extra expenditure of Rs.1.79 lakhs.

(e) Purchases of grain bins made during 1986-87 and 1987-88 were on higher rates as compared to the rates fixed by Natinoal Bank for Agriculture and Rural Development (NABARD) in February 1988 and also higher than the local prevailing rates as allowed by Gorakhpur Mandal Vikas Nigam (GMVN) resulting in an extra expenditure as detailed on the next page.

| Capacity | Quantity | Company | Rate | | Difference | | Excess expenditure | |
|-----------|----------|---------|--------|--------|---------------|--------|--------------------|--------|
| | | | GMVN | NABARD | with refer- | | with reference to | |
| | | | | | ence to rates | | rates of | |
| | | | | | of | | | |
| | | | | | GMVN | NABARD | GMVN | NABARD |
| | | (| Rupees | | | | |) |
| 1986-87 | | | | | | | | |
| 1 quintal | 235 | 239 | 186 | 205 | 53 | 34 | 12455 | 7990 |
| 2 quintal | 10 | 346 | - | 300 | - | 46 | - | 460 |
| 3 quintal | 228 | 419 | 341 | 390 | 78 | 29 | 17784 | 8062 |
| 5 quintal | 179 | 585 | 425 | 480 | 160 | 105 | 28640 | 18795 |
| 1987-88 | | | | | | | | |
| 1 quintal | 571 | 275 | 186 | 205 | 89 | 70 | 50819 | 39970 |
| 2 quintal | 339 | 398 | - | 300 | - | 98 | - | 33222 |
| 3 quintal | 793 | 482 | 341 | 390 | 141 | 92 | 111813 | 72956 |
| 5 quintal | 812 | 673 | 425 | 480 | 248 | 193 | 201376 | 156716 |
| Total | | | | | | | 422887 | 338171 |

(ii) Accumulation of stock

The Company was required to procure items under the scheme as per demands received from DDOs/DRDA and banks disbursing Government subsidy and loans. The Company, however, procured these items without ascertaining any specific demand which resulted in accumulation of stock of these items as mentioned below:

(a) Under free boring scheme of the State Government, farmers were extended the facility of loans from Kshetriya Gramin Banks to purchase diesel engines/pump sets of ISI mark from the Mandaliya Vikas Nigams or from any authorised dealer. The District Coordination Committee of Ballia district asked the Company in October 1989 to arrange for diesel engines/pump sets as per demand of the Ballia Kshetriya Gramin Bank. The Company, however, purchased 209 diesel engines/pump sets of different makes for Rs.17.93 lakhs without receipt of specific demands from the banks during November 1989 to March 1990, of which only 88 engines/pump sets costing Rs.7.91 lakhs could be sold to farmers through banks for Rs.8.81 lakhs up to March 1990, out of which a sum of Rs.3.67 lakhs was still outstanding against banks. Thus, 121 diesel engines/pump sets costing Rs.10.02 lakhs were lying unsold (March 1990) while the Company had been incurring liability of interest at 16.5 per cent per annum on Government loan.

(b) Unsold stock of Rs.1.74 lakhs comprising shamiana (Rs.0.63 lakh), petromax (Rs.0.21 lakh), band baza (Rs.0.32 lakh), sewing machines (Rs.0.30 lakh), fishing nets (Rs.0.16 lakh) and typewriters (Rs.0.12 lakh), purchased during August to October 1988, were lying with the Company (September 1990).

(iii) Outstanding dues

A sum of Rs.30 lakhs was outstanding against the Block Development Officers on account of value of goods purchased and supplied to them under the scheme. The age-wise position of the dues as on 31st March 1990 was as under :

| | Amount (Rupees in lakhs) |
|---|--------------------------------|
| Less than one year | 1.94 |
| More than one year but less than two years | 7.01 |
| More than two years but less than three years | 13.03 |
| More than three years | 8.02 |
| Total | 30.00 |

It would be seen from the above that a sum of Rs.28.06 lakhs was outstanding for more than one year.

2C.12 Custom service

With a view to providing custom service by way of hiring tractors with implements for agricultural purposes to poor farmers of the Mandal, the Company purchased nine tractors at a cost of Rs.4.94 lakhs and their accessories/implements at a cost of Rs.5.83 lakhs during March 1977 to May 1979. A test check of records revealed the following irregularities/ deficiencies.

(i) (a) Implements costing Rs.3.32 lakhs (out of which total purchase of Rs.5.83 lakhs) were purchased at higher rates than the rates offered by Uttar Pradesh Agro-Industrial Corporation for implements suitable for tractors of 35 horse powers resulting in an extra expenditure of Rs.1.57 lakhs.

(b) Implements for Rs.2.58 lakhs were purchased without any requirement and remained unutilised till they were sold through negotiations for Rs.0.82 lakh only during September 1985 to September 1989 resulting in a loss of Rs.1.76 lakhs.

(ii) The Board of Directors set a target of operation of 1800 hours annually for each tractor in March 1981. The table on next page indicates the targeted as well as actual operating hours, expenditure incurred (including depreciation but excluding interest on capital investment), and income earned during the period from 1977-78 to 1988-89 in respect of nine tractors up to

September 1983 and five tractors thereafter (four tractors having been sold):

| Year | Operating hours) | | Expenditure | Income | Profit(+)/ |
|--------------|------------------|---------------|---------------|--------------|----------------|
| | targeted | actual | (Rs.in Lakhs) | | loss(-) |
| 1977-78 | Not Available | | 0.40 | 0.22 | (-)0.18 |
| 1978-79 | - do - | | 1.94 | 0.67 | (-)1.27 |
| 1979-80 | 16200 | 5294 | 3.69 | 1.58 | (-)2.11 |
| 1980-81 | 16200 | 6861 | 3.56 | 2.14 | (-)1.42 |
| 1981-82 | 16200 | 6592 | 3.37 | 2.25 | (-)1.12 |
| 1982-83 | 16200 | Not Available | 2.80 | 1.85 | (-)0.95 |
| 1983-84 | 12600 | 4024 | 2.33 | 2.46 | (+)0.13 |
| 1984-85 | 9000 | 5543 | 1.86 | 2.16 | (+)0.30 |
| 1985-86 | 9000 | 3548 | 1.73 | 1.70 | (-)0.03 |
| 1986-87* | 9000 | 5510 | 2.18 | 2.78 | (+)0.60 |
| 1987-88* | 9000 | 4590 | 1.78 | 2.14 | (+)0.36 |
| 1988-89* | 9000 | 4514 | 1.94 | 2.26 | (+)0.32 |
| Total | | | 27.58 | 22.21 | (-)5.37 |

* Figures for these years are provisional.

Thus, the Company suffered a loss of Rs.5.37 lakhs from its custom service and the small amount of profits in 1983-84 onwards were attributable to reduction in the amount of depreciation under written down value method. The target of operation of 1800 hours annually for each tractor was never achieved. In this connection, the Managing Director informed the Chairman of the Company in July 1983 that the custom service had not proved profitable on account of irregularities committed by tractor operators, lack of effective control over the actual operation and excessive diesel consumption and repairs.

(iii) The Board of Directors approved in December 1982 sale of four tractors and implements. Accordingly, tenders were invited in August 1983 with last date of receipt as 15th September 1983. The purchase price of four tractors with implements was Rs.2.11 lakhs. These tractors were also offered to other State Government organisations at their purchase prices. Five offers were received up to 24th August 1983 from private parties who offered to purchase the tractors at their purchase prices to be reduced by estimated cost of repairs required to put them in running condition and implements at their depreciated value. On the basis of these offers the Management fixed in September 1983 the sale price of Rs.1.40 lakhs for four tractors against cost price of Rs.2.41 lakhs and the tractors were sold to the private parties during September 1983

to February 1986. Besides, implements costing Rs.1.45 lakhs were sold for Rs.0.15 lakh in April 1989 on the basis of negotiations..

2C.13 Community tubewells

With a view to making available assured supply of irrigation water, specifically to small and marginal farmers at reasonable rates, for furthering individual cultivation through intensive cropping pattern, the Company was asked in October 1979 by Government to take up community tubewells programme in consultation with the Chief Engineer, Minor Irrigation Department. The cost of construction of tubewells was to be financed from the share capital of Rs.25 lakhs given to the Company in 1976-77 for extension of minor irrigation programme. Later on the Company became entitled for grant under IRDP/Small Farmers Development Programme to the extent of half of the ratio which the cultivation of small/marginal farmers bears to the total cultivation falling within the command area of tubewell.

Accordingly, estimates for construction of 60 tubewells in Ghazipur (30) and Jaunpur (30) districts for Rs.25.10 lakhs and other estimate for construction of 23 tubewells in Varanasi district for Rs.14.93 lakhs were received from the Minor Irrigation Department in November and December 1979 respectively. The estimate for Rs.25.10 lakhs was subsequently reduced to Rs. 18 lakhs (Rs. 30,000 per tubewell) in January 1981 as only medium class tubewells were to be constructed. The Company entrusted to the

Minor Irrigation Department construction of 4 tubewells in Ghazipur district in 1981-82 and 17 tubewells in Jaunpur district and 9 tubewells in Varanasi district in 1984-85. The position of district-wise construction of tubewell and expenditure incurred up to June 1986 is given below :

| | Varanasi | Ghazipur | Jaunpur | Total |
|--------------------------------------|--------------------|-----------------------|-----------------------|-------|
| Tubewells taken up for construction | 9 | 4 | 17 | 30 |
| Tubewells completed | 9 | 3 | 10 | 22 |
| Tubewells incomplete | - | - | 6 | 6 |
| Tubewells failed | - | - | 1 | 2 |
| Period of construction and | 1984-85 1985-86 | 1981-82 to 1985-86 | 1984-85 to 1986-87 | |
| Actual expenditure (Rs. in lakhs) | 8.71 | 1.53 | 7.36 | 17.60 |

In this connection the following points deserve mention :

(i) In July 1981, the Board questioned the economic viability of the scheme on account of shortage of electricity. However, the scheme was revived in June 1984 on the

ground that tubewell operators would be entrusted with sale of fertilizers, pesticides, seeds, etc., to make the scheme economically viable. Accordingly, construction of tubewells was restarted by the local Minor Irrigation divisions and continued up to July 1986 when the scheme was stopped.

The Company spent Rs.8.60 lakhs in excess of the original estimated cost of Rs.9.00 lakhs for 30 tubewells (at the rate of Rs.30,000 per tubewell).

(ii) Although nine tubewells in Varanasi district had been completed by June 1986 at a cost of Rs.8.71 lakhs, these had not yet been taken over (September 1990) by the Company for no reasons on record.

(iii) The estimates for construction of tubewells had envisaged command area of 20 acres per tubewell, but the position of actual irrigated area was not on record.

(iv) The estimates had envisaged operation of each tubewell for 2500 hours in a year, and accordingly, the Company should have earned an income of Rs.8.94 lakhs during July 1986 to March 1989 at the rate of Rs.10 per hour for the 13 tubewells completed and in operation. However, only Rs.0.11 lakh was earned as against Rs.0.60 lakh incurred on diesel and salary of operators during the above period. The period of actual operating hours and actual conditions of tubewells were not made available to Audit.

(v) The Board decided in August 1988 to dispose of the tubewells at their salvage value due to continuous loss on their operation. No further progress in this direction was available on record (September 1990).

2C.14 Accounts and audit

(a) Accounts

The Company had no accounting manual laying down accounting procedures and defining the functions, duties and responsibilities of various functionaries for appropriate financial control. The accounts of the Company were in arrears since 1986-87. The accounts for the year 1982-83 to 1985-86 were compiled after delays of 5 to 33 months after expiry of the statutory period of 9 months from the date of closing of the accounts. Consequently, the working results of the Company were not available with the Management for determining accountability and adopting remedial measures in view of recurring losses suffered by the Company.

(b) Internal audit

The internal audit was entrusted to two firms of Chartered Accountants at Rs.400 per month from April 1985 to March 1990. However, neither the scope of audit was specified nor was any cycle/programme register maintained to ensure audit at regular intervals. The internal auditors submitted their quarterly reports which were neither

placed before the Board, nor acted upon for compliance. Some of the points made out in the quarterly reports pertained to non-maintenance of fixed assets registers and statutory registers of the Board of Directors, non-deduction of income tax from salaries of staff, irregular maintenance of stock accounts, etc.

2C.15 Financial position and working results

2C.15.1 Financial position

The financial position of the Company at the end of each of the five years up to 1988-89 was as detailed on the next page.

| 1984-85 (| 1985-86 Rupees | 1986-87 (P) in | 1987-88 (P) lakhs | 1988-89 (P)) |
|--------------|-------------------|----------------------|-------------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |

A. LIABILITIES

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Paid-up capital | 70.00 | 70.00 | 70.00 | 70.00 | 70.00 |
| Reserves and surplus | 5.26 | 4.18 | 5.26 | 5.26 | 5.26 |
| Borrowings | 25.36 | 31.16 | 110.54 | 37.69 | 41.33 |
| Current liabilities (including provisions) | 39.17 | 37.31 | 611.72 | 632.32 | 669.93 |
| Total (A) | 139.79 | 142.65 | 797.52 | 745.27 | 786.52 |

B. ASSETS

| | | | | | |
|--|-------|-------|--------|--------|--------|
| Gross block | 52.17 | 51.96 | 40.37 | 41.51 | 41.39 |
| Less: depreciation | 18.10 | 18.13 | 23.84 | 24.30 | 24.65 |
| Net fixed assets | 34.07 | 33.83 | 16.53 | 17.21 | 16.74 |
| Current assets, loans, and advances | 83.78 | 85.25 | 743.98 | 687.45 | 725.95 |

(238)

| | 1 | 2 | 3 | 4 | 5 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Miscellaneous expenditure | 4.64 | 3.80 | 5.51 | 5.51 | 4.96 |
| Accumulated losses | 17.30 | 19.77 | 31.50 | 35.10 | 38.87 |
| Total (B) | 139.79 | 142.65 | 797.52 | 745.27 | 786.52 |
| C. Capital employed | 78.68 | 81.77 | 148.79 | 72.34 | 72.76 |
| D. Net worth | 53.32 | 50.61 | 38.25 | 34.65 | 31.43 |

(P) = Provisional

Notes : (i) Capital employed represents net fixed assets plus working capital.

(ii) Net worth represents paid-up capital plus reserves and surplus less intangible assets.

2C.15.2 Working results

The working results of the Company for the five years up to 1988-89 were as detailed below :

| | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 |
|---|---------------|---------------|--------------|---------------|---------------|
| | | | (P) | (P) | (P) |
| | 1 | 2 | 3 | 4 | 5 |
| A EXPENSES | | | | | |
| Cost of goods sold | 362.45 | 282.54 | 85.34 | 137.14 | 208.04 |
| Commission on sale of fertilizers | 20.07 | 18.46 | - | - | - |
| Cost of tractor custom services | 1.23 | 1.17 | 0.83 | 1.21 | 0.86 |
| Administrative expenses | 6.73 | 7.19 | 6.28 | 9.83 | 11.21 |
| Interest | 3.88 | 4.67 | 1.03 | 0.66 | - |
| Preliminary/pre-production expenses written off | 0.65 | 0.84 | - | - | 0.55 |
| Depreciation | 3.89 | 0.46 | 2.60 | 0.46 | 0.34 |
| Total (A) | 398.90 | 315.33 | 96.08 | 149.30 | 221.00 |

(240)

| | 1 | 2 | 3 | 4 | 5 |
|--|----------------|----------------|----------------|----------------|----------------|
| B INCOME | | | | | |
| Sales | 390.49 | 309.41 | 91.38 | 142.97 | 211.64 |
| Service rendered-tractor custom service | 2.16 | 1.70 | 0.69 | 2.32 | 2.25 |
| Interest | 2.40 | 2.33 | 0.26 | - | 0.50 |
| Other income | 0.19 | 0.19 | - | 0.41 | 2.84 |
| Total (B) | 395.24 | 313.63 | 92.33 | 145.70 | 217.23 |
| C Profit(+)/loss(-) | (-)3.66 | (-)1.70 | (-)3.75 | (-)3.60 | (-)3.77 |

(P) = Provisional

Note : The provisional accounts for 1986-87, 1987-88 and 1988-89 did not include interest payable by the Company on Government loans to the extent of Rs.2.82 lakhs, Rs.6.88 lakhs and Rs.4.95 lakhs respectively.

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The above matters were reported to the Management and Government in December 1990; their replies had not been received (March 1991).

The above matters were reported to the Management and Board in December 1990. The results had not been reported (March 1991).

SECTION 2D

UTTAR PRADESH CARBIDE AND CHEMICALS LIMITED

SECTION 2D

INDUSTRIES DEPARTMENT

UTTAR PRADESH CARBIDE AND CHEMICALS LIMITED

HIGHLIGHTS

The Company was incorporated in April 1979 as a wholly owned subsidiary of Uttar Pradesh State Mineral Development Corporation Limited (UPSMDC) for implementation and execution of a project for manufacture of calcium carbide estimated to cost Rs.726.30 lakhs.

Setting up of calcium carbide plant of 16500 tonnes capacity on turnkey basis was awarded in February 1979 to Engineering Projects (India) Limited (EPI) at a lump sum fixed price of Rs.575 lakhs, to be completed within a period of 25 months. Due to increase in the capacity of plant to 21000 tonnes, the contract price was revised to Rs.607 lakhs and schedule of completion of the project was extended by four months. The estimated project cost was revised to Rs.806.16 lakhs in May 1979 and further revised to Rs.1470 lakhs in January 1984. The plant was commissioned in December 1985 at a final cost of Rs.1603.62

lakhs. The increase in the project cost from Rs.806.16 lakhs to Rs.1603.62 lakhs was attributed by the Management in September 1990 mainly to inclusion of additional plant facilities (Rs.128.62 lakhs), additional liability of sales tax (Rs.52.29 lakhs), installation of pollution control plant (Rs.76 lakhs) and additional liability (Rs.490.08 lakhs) of interest, establishment cost and cost escalation paid to EPI.

The Company has been continuously incurring losses since its inception and accumulated losses of Rs.727.19 lakhs at the end of March 1990 had completely wiped off the paid-up capital of Rs.658.73 lakhs. The losses were mainly due to higher interest burden, consumption of raw materials in excess of the requirement as envisaged in the project report and extra expenditure on transportation of lime by road instead of by ropeway.

Norms for consumption of raw material for manufacture of calcium carbide and drums have not been fixed by the Management so far (September 1990). However, as compared to requirement of raw material for production of calcium carbide as per agreement with EPI there was an excess consumption of raw material valuing Rs.375.17 lakhs during the five years up to 1989-90. Similarly, in case of manufacture of steel drums for packing of calcium carbide as

compared to requirement of material adopted for working out the cost of drums for excise purposes, there was an excess consumption of sheets valuing Rs.102.09 lakhs during the same period.

Due to transportation of limestone by road instead of by the existing ropeway of UPSMDC, the Company had to incur an extra expenditure of Rs.16.27 lakhs during the four years up to 1989-90.

Loss of Rs.34.43 lakhs due to inadequate insurance coverage of furnace transformer and loss of production of Rs.23.42 lakhs due to stoppage of plant, even after the improvements required by the Uttar Pradesh State Pollution Control Board having been implemented, were other points of interest noticed in Audit.

2D.1 Introduction

The Uttar Pradesh Carbide and Chemicals Limited, Dehradun was incorporated in April 1979 as a wholly owned subsidiary of Uttar Pradesh State Mineral Development Corporation Limited (UPSMDC).

2D.2 Objectives

The Company is primarily concerned with the manufacture of calcium carbide and other chemicals, and to construct, establish, promote the setting up of units for manufacturing calcium carbide, lime, carbide and lime based chemicals through processing of minerals and other materials or commodities and to produce and sell within the country or abroad, products and by-products resulting from mineral processing and manufacture of lime and calcium carbide.

2D.3 Scope of Audit

The Company has so far confined its activities mainly to the production and sale of calcium carbide only. Audit in this review has, therefore, assessed the implementation of the project with special reference to the time/cost overruns and the production and marketing activities of the Company and findings are set out in succeeding paragraphs.

2D.4 Organisational set-up

The Management of the Company vests in a Board of Directors comprising not less than three and not more than twelve directors including those nominated by financial institutions, banks and including the Managing Director of the Company.

As on 31st March 1990 the Board consisted of eight directors nominated by Government (three), holding company (two), the Board of Directors of the Company (two) and industrial Finance Corporation of India (IFCI) (one).

The Board of Directors has delegated full powers for conducting day-to-day affairs of the Company to a full time Managing Director who is assisted by a Director Finance, Works Manager, Deputy Commercial Manager and Company Secretary.

2D.5 Funding

2D.5.1 Share capital

The Company was registered with an authorised share capital of Rs.500.00 lakhs divided into fifty lakhs equity shares of Rs.10.00 each which was increased to Rs.660 lakhs in May 1989. The paid-up capital of the Company as on 31st March 1990 was Rs.658.73 lakhs, fully contributed by the holding company.

2D.5.2 Borrowings

The Company obtained term loans of Rs.948.71 lakhs from the financial institutions (Rs.872 lakhs), Government (Rs.60 lakhs) and banks (Rs.16.71 lakhs) up to 1989-90.

As the Company could not repay the loans in time, Rs.1268.11 lakhs became overdue on account of repayment of principal (Rs.324.21 lakhs) and payment of interest thereon (Rs.943.90 lakhs) up to March 1990, of which the Company paid a sum of Rs.16.71 lakhs to banks towards overdues of principal and Rs.213.26 lakhs towards overdue interest to IFCI (Rs.80.90 lakhs) and to IDBI (Rs.132.35 lakhs).

Under the terms and conditions of loans of IFCI and IDBI, the Company was to pay commitment charges at one per cent per annum on the undrawn amount of loan for a period of one year commencing on the expiry of six months from the date of issue of letter of intent and thereafter such charges were payable at the rate of half per cent per annum on the undrawn portion of the loan. Company could not draw loan in time due to non-completion of formalities and as such had to pay commitment charges amounting to Rs.17.77 lakhs during the period from 1980-81 to 1985-86.

The following table indicates the agencies from which loans were taken, period and amount of loan received, purpose for which loans were received, rate of interest payable and the amount outstanding as on 31st March 1990.

| Ser- ial Num- ber | Agency from which loan taken | Period of receipt | Amount received (Rs. in lakhs) | Purpose | Rate of interest | Amount outsta- nding as on 31st March 1990 (Rs. in lakhs) | Remarks |
|----------------------------|--|---|---|--|--|--|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. | Industrial Finance Corporation of India (IFCI) | Novem- ber 1981 to Sept- ember 1988 | 325.00 | For meeting capital cost of the project | 11 per cent to 14 per cent per annum | 640.23 | In case of defa- ult in payment of prin- cipal and int- erest liquida- ted dama- ges by way of addition- al inter- |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|
|---|---|---|---|---|---|---|---|

est of 2
per cent
per annum
was pay-
able. The
Company
has become
liable for
payment of
Rs.90.14
lakhs and
Rs.98.83
lakhs as
liquidated
damages on
account of
non-payment
of instal-
ments of
principal
and interest
on due dates
in case of
IFCI and
IDBI
respectively.

(251)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|----|---|-----------------------|--------|--|--------------------------------------|---------|---|
| 2. | Industrial Development Bank of India (IDBI) | May 1982 to June 1987 | 547.00 | For meeting capital cost of the project | 11 per cent to 14 per cent per annum | 1011.11 | |
| 3. | Government of Uttar Pradesh | March 1987 | 60.00 | For purchase of pollution control stand-by equipment | 16.5 per cent per annum | 89.70 | In case of timely payment of instalments of principal and interest a rebate of 3.5 per cent in interest was permissible. Due to non-payment of instalments of principal and interest on due dates |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|----|----------------------|------------|--------|--|-----------------------|---------|---|
| | | | | | | | the Company could not avail of a rebate of Rs.6.30 lakhs. |
| 4. | Indian Overseas Bank | March 1984 | 16.71 | For meeting capital cost of steel Drum Plant | 15 per cent per annum | Nil | -- |
| | Total | | 948.71 | | | 1741.04 | |

2D.5.3 Cash credit arrangements

To meet its working capital requirements, the Company has cash credit arrangement with Indian Overseas Bank, Dehradun. The maximum cash credit limit sanctioned by the bank as on 31st March 1990 was Rs.180.00 lakhs against which the facility availed of was to the extent of Rs.156.08 lakhs.

2D.6 Implementation of the project

The Company had two plants-one for the manufacture of carbide and chemicals and another for manufacture of drums for packing of carbide.

2D.6.1 Carbide and chemical plant

Based on the observations of the United Nations Mineral Surveys in Uttar Pradesh carried out during 1973-75, UPSMDC drew up a plan to develop high grade marble and limestone deposits in Lambidhar hills near Mussoorie and utilise a certain portion of these valuable depleting assets for establishing viable lime based industries in Denradun district. Calcium carbide which is a basic industrial chemical requires good quality of limestone in its manufacture. Since limestone was available in this district, the UPSMDC was granted a letter of intent by the Government of India in May 1975

for establishing a calcium carbide plant of 15000 tonnes per year capacity in district Dehradun.

In March 1977, UPSMDC asked Engineering Projects (India) Limited (EPI) to prepare a techno-economic feasibility report for a calcium carbide plant of 16500 tonnes per year capacity to be located in Dehradun district. EPI submitted the feasibility report in November 1977 which envisaged a capital outlay of Rs.726.30 lakhs.

The State Public Investment Board (PIB) approved the project in April 1978 and a subsidiary company of UPSMDC, viz., Uttar Pradesh Carbide and Chemicals Limited was incorporated in April 1979.

In October 1978, an agreement was executed between UPSMDC and EPI for construction of the entire plant on a turnkey basis at a fixed lump sum price of Rs.575 lakhs, to be completed within a period of 25 months. The agreement could become effective in February 1979, when the advance payment could be released. This agreement was later converted into a tripartite agreement between the holding company, the Company and EPI in October 1982 but made effective from February 1979.

The financial institutions (IDBI

and IFCI), to whom loan applications were moved by the Company in May 1979, observed that installed capacity of the plant should be increased from 16500 to 21000 tonnes per year to make it commercially viable. For enhancing the installed capacity while planned facilities in other sections of the plant were considered adequate, the capacity of the electric reduction furnace was enhanced by EPI from 9 MVA to 12 MVA rating at an additional cost of Rs.14 lakhs and additional time of four months. Besides this, the work of construction of housing for the key personnel at factory site, initially not included in the turnkey contract, was also entrusted to EPI at a negotiated cost of Rs.18.00 lakhs. Thus, the revised contract price for enhanced capacity of 21000 tonnes per year was Rs.6.07 lakhs and project cost was revised in May 1979 from Rs.726.30 lakhs to Rs.806.16 lakhs. The project cost was again revised in January 1984 to Rs.1470 lakhs by the Company which was approved by the State PIB in February 1984. The plant was finally commissioned in December 1985, at a total cost of Rs.1603.62 lakhs, which, inter alia, included a negotiated lump sum contract price of Rs.832 lakhs in respect of EPI.

The break-up of the project cost as envisaged initially in 1979, revised in

1984 and the actual final cost on completion in 1985 into major heads of expenditure was as under :

| Serial number | Major heads of expenditure | 1979 (Rupees in lakhs) | 1984 | 1985 |
|---------------|---|----------------------------|----------------|----------------|
| 1 | 2 | 3 | 4 | 5 |
| 1 | Land and site development | 11.34 | 13.41 | 25.28 |
| 2 | Buildings | 87.89 | 158.97 | 189.86 |
| 3 | Plant and machinery | 415.03 | 583.19 | 607.43 |
| 4 | Technical knowhow | 21.37 | 45.00 | 61.88 |
| 5 | Expenditure on foreign and Indian technicians | 10.86 | 14.45 | - |
| 6 | Miscellaenous fixed assets | 11.35 | 164.75 | 127.26 |
| 7 | Cost of transmission line paid to UPSEB | 43.71 | 88.56 | 88.56 |
| 8 | Interest during construction period | 53.93 | 168.71 | 267.70 |
| 9 | Preoperative expenses | 25.42 | 70.81 | 76.73 |
| 10 | Preliminary expenses | 2.50 | 3.07 | 3.07 |
| 11 | Margin money for working capital | 41.32 | 70.12 | 70.12 |
| 12 | Sales tax liability of turnkey contractors | 33.44 | 85.73 | 85.73 |
| 13 | Contingencies | 48.00 | 3.23 | - |
| Total | | 806.16 | 1470.00 | 1603.62 |

Increase in the cost of project from Rs.806.16 lakhs to 1603.32 lakhs was attributed by the Management in September 1990, to the followings:

- Installation of drum manufacturing plant and additional plant facilities, equipments and buildings (Rs.128.62 lakhs), not envisaged earlier.
- Additional liability of sales tax (Rs.52.29 lakhs) paid to EPI due to increase in the quantities of steel and cement consumed by them.
- Installation of pollution control plant (Rs.96.00 lakhs approximately) not considered earlier.

The Management further stated that delay in completion of project was due to (a) delay in completion of metalled road, (b) non-availability of power for construction work, (c) heavy monsoon eroding the roads inside the plant area thereby adversely affecting the construction, (d) delay in re-designing of plant to enhance installed capacity, and (e) procedural delays in placing purchases orders.

Due to delay in completion of the project and commissioning of the plant in December 1985, the Company had to bear cost overrun of Rs.490.08 lakhs towards additional liability on account of interest

on term loan (Rs.213.77 lakhs), additional establishment cost (Rs.51.31 lakhs), cost escalation paid to EPI (Rs.225 lakhs).

2D.6.2 Capacity utilisation

The table below indicates the installed capacity, actual production and percentage of capacity utilisation during each of the four years up to 1989-90 :

| Year | Installed capacity (In M.T.) | Actual production | Percentage utilisation of installed capacity |
|---------|-----------------------------------|-------------------|---|
| 1986-87 | 21000 | 10157.707 | 48.37 |
| 1987-88 | 21000 | 10837.00 | 51.60 |
| 1988-89 | 21000 | 13978.00 | 66.56 |
| 1989-90 | 21000 | 15069.34 | 71.76 |

It would be evident from the above table that even though the production of calcium carbide had shown increasing trend every year yet it was still much below the installed capacity during all these years.

2D.6.3 Targets and achievements

The table below indicates the targets fixed for production of calcium

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carbide, production achieved and sales for four years up to 1989-90 :

| | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--|---------|---------|---------|---------|
| (i) Target for production and sales (in tonnes) | 12600 | 13650 | 14700 | 15750 |
| (ii) Production achieved (in tonnes) | 10158 | 10837 | 13978 | 15069 |
| (iii) Percentage of production achieved to targets | 80.6 | 79.4 | 95.1 | 95.7 |
| (iv) Sales (in tonnes) | 9575 | 11018 | 14190 | 14185 |

Note :- Figures for production and sales for the years 1987-88 to 1989-90 are provisional, as accounts for these years are not yet certified. Figures of target for production have been taken from the annual budget of the Company.

Though the Company was able to achieve more than 95 per cent of the production targets by 1989-90, the targets were, however, set much below the installed capacity of 21000 tonnes per annum of the plant.

The reasons attributed by the

Management for shortfall even in the targeted production and sales were as under :

- 1986-87 to 1988-89 - Erratic power supply
- 1986-87 to 1989-90 - Slump in demand due to permission given by Government for import of calcium carbide
- 1986-87 - Stoppage of production due to pollution control
- 1987-88 - Plant stoppage due to damage to 'on-load tap changer' of furnace transformer.

2D.6.4 Excess consumption of raw materials

Norms for consumption of raw material for the manufacture of calcium carbide were not fixed (July 1990). However, requirement of raw materials for production of calcium carbide under the performance guarantee as per the agreement of February 1979 executed between EPI and the Company were as follows :

- Limestone : 2.48 tonnes per tonne of calcium carbide packed
- Charcoal : 0.50 tonne per tonne of calcium carbide packed
- Hard coke: 0.25 tonne per tonne of calcium carbide packed

On scrutiny of records, it was observed that while the consumption of limestone was well within the norms during the years 1986-87 to 1989-90, the consumption of other raw materials was much in excess of above norms, as indicated on the next page resulting into extra expenditure of Rs.375.17 lakhs.

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 (Provisional) | 1989-90 |
|--|---------|----------------|----------------|--------------------------|----------------|
| | 1 | 2 | 3 | 4 | 5 |
| Calcium carbide produced (in M.tonnes) | 2942.40 | 10157.71 | 10837 | 13978 | 15069.34 |
| Limestone actually consumed (in M.tonnes) | 8522.32 | 22784.00 | 22357.00 | 29533.47 | 31222.50 |
| Consumption of lime- stone required as per norms (in M.tonnes) | 7297.15 | 25191.12 | 26875.76 | 34665.44 | 37371.96 |
| Excess consumption (in M.tonnes) | 1225.17 | (-) 2407.12 | (-) 4518.76 | (-) 5131.97 | (-) 6149.46 |
| Average cost of lime- stone (in Rs.) | 222.28 | - | - | - | - |
| Value of excess consumption (in Rs.) | 272331 | - | - | - | - |
| Charcoal actually consumed (in M.tonnes) | 2061.58 | 7363.27 | 7831.15 | 9442.68 | 11998.97 |
| Consumption of char- coal as per norms (in M. tonnes) | 1471.20 | 5078.85 | 5418.50 | 6989.00 | 7534.67 |

| | 1 | 2 | 3 | 4 | 5 |
|--|---------|---------|---------|---------|----------|
| Excess consumption (in M.tonnes) | 590.38 | 2284.42 | 2412.65 | 2453.68 | 4464.30 |
| Average cost of char- coal per MT (in Rs.) | 1563.22 | 1904.18 | 2407.83 | 3011.73 | 2729.65 |
| Value of excess cons- umption (in Rs.) | 922894 | 4349947 | 5809251 | 7389822 | 12185976 |
| Hard coke/SLV actually consumed (in M.tonnes) | 1382.15 | 3323.90 | 4228.13 | 4188.55 | 5946.41 |
| Consumption of hard coke/SLV required as per norms (in M.tonnes) | 735.60 | 2539.43 | 2709.25 | 3494.50 | 3767.25 |
| Excess consumption (in M.tonnes) | 646.55 | 784.47 | 1518.88 | 694.05 | 2179.16 |
| Cost of SLV per MT (in Rs.) | 874.89 | 958.27 | 997.18 | 1206.00 | 1339.16 |
| Value of excess consu- mption (in Rs.) | 565660 | 751734 | 1514597 | 837024 | 2918244 |
| Total value of excess consumption (in Rs.) | 1760885 | 5101681 | 7323848 | 8226846 | 15104220 |

Grand Total Rs.37517480

Reasons for excess consumption of raw materials as compared to the norms indicated in the agreement were not analysed and put on record.

Management stated in September 1990 that the Company would now be standardising norms for material consumption.

2D.6.5 Avoidable loss of production

As per verbal instruction issued by the Member Secretary of Uttar Pradesh State Pollution Control Board on site, production in the calcium carbide plant of the Company was stopped on 20th July 1986 to improve the efficiency of pollution control system by installing and operating second blower of the dedusting system and skirt plate in the furnace gas hood to minimise the volume of air intake. These improvements were made in July 1986, itself and got inspected by the U.P. Pollution Control Board, Dehradun unit on 2nd August 1986. However, the written orders of Pollution Control Board to restart the production could not be obtained. The Board decided to restart the production from 1st September 1986 on the ground that Company had neither received any instructions in writing for stoppage nor for restart of the plant. The plant restarted production after remaining closed from 20th July 1986 to 31st August 1986 during which it suffered a production loss of Rs.34.52 lakhs.

The plant, which was stopped under verbal orders of the Member Secretary, of Pollution Control Board, could have been restarted from 3rd August 1986 when all the formalities relating to pollution control were completed and duly inspected by Pollution Control Board. The undue delay in protracted correspondence for getting permission had put the Company to an avoidable production loss of Rs.23.42 lakhs during the period from 3rd August 1986 to 31st August 1986.

2D.6.6 Drum manufacturing plant

Calcium carbide being a highly explosive and heavy chemical is required to be packed in steel drums. The project estimates of carbide and chemicals did not envisage the inhouse production of M.S. drums, as it was considered that the Company would promote ancillary industries for the project such as drum manufacturing units, fabrication shop, machine shop, foundry etc.

As no entrepreneur was willing to manufacture M.S. drums as an ancillary unit, the Company decided in April 1981 to set up a captive drum manufacturing plant. A feasibility report for manufacturing 128700 and 151800 numbers of drums of 50 and 90 litres capacity respectively at a capital cost of Rs.25.21 lakhs was approved by

the Board of Directors in August 1982. The project was completed and commissioned in January 1985 at a capital cost of Rs.26.51 lakhs.

2D.6.7 Capacity utilisation of drum plant

Following table indicates the installed capacity, actual production and percentage of capacity utilisation during the five years up to 1989-90:

| Year | Installed capacity (In numbers) | Actual production | Percentage utilisation of installed capacity |
|---------|---|----------------------|---|
| 1985-86 | 280500 | 27136 | 9.67 |
| 1986-87 | 280500 | 104231 | 37.16 |
| 1987-88 | 280500 | 72405 | 25.81 |
| 1988-89 | 280500 | 114722 | 40.90 |
| 1989-90 | 280500 | 117406 | 41.86 |

It would be clear from the above table that the production of drums was far below the installed capacity in all the years. In spite of the installed capacity of the plant having remained underutilised, the Company purchased 4160,2259,1815 and 12833 drums of 100 litres capacity valuing Rs.24.37 lakhs from open market during the years 1986-87 to 1989-90.

The Management stated in September 1990 that the production of steel drums was costlier than purchasing the drums from market.

The reply of Management is not tenable as the Company cancelled all the orders placed for purchase of drums in October 1989 on the ground that the purchase of drums from market was costlier than its own production. However, the extra expenditure incurred on purchase of drums could not be ascertained in Audit in the absence of cost records.

2D.6.8 Excess consumption of CRCA sheets

Norms for raw materials required for manufacture of drums had not been fixed by the Management so far (July 1990). However, while working out the cost of drums for excise purposes the consumption of 5.40 kgs and 3.40 kgs CRCA sheets was assumed for manufacture of 90 litres and 50 litres drums respectively. The excess consumption based on the above norms worked out to 858.108 tonnes valuing Rs.102.09 lakhs during

the five years ended March 1990, as detailed below:

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--|---------|---------|---------|---------|---------|
| Production of drums (In numbers) | | | | | |
| 90 litres | 22528 | 88288 | 69783 | 112073 | 117133 |
| 50 litres | 4608 | 15943 | 2622 | 2646 | 273 |
| CRCA sheets actually consumed (in M.T.) | 194.32 | 766.595 | 579.594 | 797.91 | 821.347 |
| CRCA sheets required as per norms for production (in M.T.) | | | | | |
| 90 litres drum | 121.651 | 476.755 | 376.828 | 605.194 | 632.518 |
| 50 litres drum | 15.667 | 54.206 | 8.915 | 8.996 | 0.928 |
| Excess consumption(inM.T.) | 57.002 | 235.634 | 193.851 | 183.72 | 187.90 |
| Average cost of CRCA sheets per M.T.(in Rs.) | 10417 | 10037 | 10633 | 11832 | 16044 |
| Value of excess consu- mption (in Rs.) | 593790 | 2365058 | 2061218 | 2173775 | 3014684 |

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Management stated in September 1990 that norms could not be fixed till then as the Company had been receiving iron sheets required for manufacturing drums in different sizes and these would now be fixed for manufacturing drums from sheets of different sizes and dimensions.

2D.7 Credit control

The Board of Directors decided in May 1985 to sell its products on credit for 20 to 45 days. This policy was, however, not followed as out of total debts of Rs.217.54 lakhs outstanding as on 31st March 1990, debts of Rs.49.55 lakhs were more than six months old of which debts amounting to Rs.26.07 lakhs were outstanding since October 1987.

It was also noticed that the maximum financial limit for credit sales was also not fixed. Thus due to non-realisation of debts the Company's funds to the extent Rs.26.07 lakhs remained locked up during the last two and half years resulting in loss of Rs.9.78 lakhs by way of payment of interest at the rate of 15. per cent to the banks on cash credit accounts.

2D.8 Financial position and working results

2D.8.1 Financial position

The table on the next page summarises the financial position of the Company at the end of each of the five years up to 1989-90.

| | 1985-86 (| 1986-87 Rupees | 1987-88 (| 1988-89 in Provisional | 1989-90 lakhs) |
|------------------------------------|----------------|-------------------|----------------|------------------------------|-----------------------|
| | 1 | 2 | 3 | 4 | 5 |
| Liabilities | | | | | |
| Paid-up capital | 497.36 | 497.36 | 497.36 | 497.36 | 658.73 |
| Reserves and surplus | 21.25 | 21.25 | 25.00 | 25.00 | 25.00 |
| Borrowing including cash credit | 999.02 | 1146.31 | 1300.68 | 1424.23 | 1815.34 |
| Trade dues and other liabilities | 265.45 | 288.96 | 605.18 | 702.03 | 484.06 |
| Total | 1783.08 | 1953.88 | 2428.22 | 2648.62 | 2983.13 |
| Assets | | | | | |
| Gross block | 1385.97 | 1393.18 | 1391.37 | 1393.30 | 1395.67 |
| Less: depreciation | 81.37 | 81.37 | 81.37 | 81.37 | 81.37 |
| Net fixed assets | 1304.60 | 1311.81 | 1310.00 | 1311.93 | 1314.30 |
| Current assets, loans and advances | 312.51 | 385.86 | 701.82 | 716.96 | 9-6.25 |

| | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Miscellaneous expenses | 63.46 | 56.44 | 49.42 | 42.41 | 35.39 |
| Losses | 102.51 | 199.77 | 366.98 | 577.32 | 727.19 |
| Total | 1783.08 | 1953.88 | 2428.22 | 2648.62 | 2983.13 |
| Capital employed [*] | 1351.66 | 1408.71 | 1406.64 | 1326.87 | 1736.49 |
| Net worth ^{**} | 455.15 | 462.17 | 472.94 | 479.95 | 648.34 |
| Debt equity ratio :- | 2.01:1 | 2.14:1 | 2.62:1 | 2.86:1 | 2.76:1 |

As against the debt equity ratio of 2:1 envisaged in the project report, the actual debt equity ratio was higher during all the five years up to 1989-90 for no reasons on record.

* Capital employed represents net fixed assets plus working capital.

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

2D.8.2 Working results

The Company has been incurring losses since its inception and the accumulated losses as on 31st March 1990 amounted to Rs.727.19 lakhs thereby completely wiping off the paid-up capital of Rs.658.73 lakhs. The Management attributed in September 1990 the losses to :

- higher interest burden due to cost and time overrun of project,
- the slump in calcium carbide market due to which product was sold below cost,
- closure of production in the factory for 43 days during 1986-87 due to air pollution restrictions,
- erratic power supply and its frequent outages,
- major breakdown in furnace transformer of the factory during May 1987, and
- employees strike during 1986.

The above mentioned losses did not take into account the element of depreciation on fixed assets (Rs.325.38 lakhs up to 1986-87) and receipt of electricity at concessional rates. The impact of this concession was to the tune of Rs.173.00 lakhs per annum. Other reasons for losses as analysed in Audit were consumption of raw materials in excess of the requirement as

envisaged in the project report, and extra expenditure on transportation of lime by road instead of by ropeway.

2D.9 Other topics of interest

2D.9.1 Loss due to inadequate insurance cover

The Company was having a general fire insurance policy with the New India Insurance Company. An explosion took place on 13th May 1987 in the furnace transformer of the unit of the plant in which 'on load tap changer' of the transformer was damaged. An insurance claim for Rs.18.60 lakhs was lodged by the Company in July 1988 with the insurance company. The surveyors appointed by the insurance company assessed the claim for Rs.13.65 lakhs in January 1989.

The claim was repudiated by the insurance company in June 1989 on the ground that the loss was due to mechanical breakdown which was not covered under the fire policy.

The Company purchased a substitute 'on load tap changer' from General Electric Company (GEC) at a cost of Rs.4 lakhs and installed it in July 1987 i.e. after closures of production for 74 days. This was again replaced on 30th August 1988 by a new 'on load tap changer' imported

from U.K. at a cost of Rs. 13.13 lakhs in June 1988.

The imported 'on load tap changer' failed on 8th August 1989 again due to explosions and the damage was assessed at Rs.14.85 lakhs. After installation of stand by 'on load tap changer' supplied by GEC the production was restarted from 24th August 1989 i.e. after 16 days. The Company lodged further insurance claim of Rs.15.83 lakhs with the insurance company on 25th November 1989 for this damage but settlement thereof was awaited (September 1990).

A departmental inquiry conducted by the Company in August 1989 revealed that this time also failure of 'on load tap changer' was due to mechanical defects.

Thus due to inadequate insurance policy of a machine (furnace transformer) vulnerable to high explosiveness, the Company not only lost a sum of Rs.34.43 lakhs by way of rejection of its insurance claims but also production loss of Rs.72.68 lakhs due to stoppage of plant for 90 days on account of failure of 'on load tap changer'.

Management stated in September 1990 that the first insurance claim of Rs.13.65 lakhs repudiated by the insurance company had been represented by the Company again on technical grounds. However, nothing had been decided by the insurance company till November 1990.

2D.9.2 Non-recovery of the value of short material from the transporters

The work of unloading, clearance and transportation of charcoal from Dehradun railway station, unloading and stacking the same at plant site of the Company was awarded to following three transporters after the transporter to whom the contract for 1986-87 for this work had been awarded withdrew unilaterally. On receipt of charcoal in the plant during May and June 1986, transit losses of 95.742 M.T. valuing Rs.2.23 lakhs were noticed by the Company as detailed on the next page.

| Name of the transporter | Order number and date | Quantity of char-coal despatched from rail-way station (in M.T.) | Quantity of char-coal received in plant (in M.T.) | Quantity short received (in M.T.) | Value of short receipt of char-coal (in Rs.) |
|--|----------------------------------|--|---|-----------------------------------|--|
| Kolhi Trans- porter and Forwarding Company, Dehradun | CCP/P/86/1081 dated 5.6.1986 | 716.530 | 695.938 | 20.592 | 47954 |
| S.K.Mehra, Dehradun | CCP/P/86/1051 dated 31.5.1986 | 71.090 | 69.720 | 1.370 | 3190 |
| Harinder Singh Dehradun | CCP/P/86/1021 dated 30.5.1986 | 3252.965 | 3179.185 | 73.780 | 171815 |
| Total | | 4040.585 | 3944.843 | 95.742 | 222959 |

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As no transit shortages were allowed to the transporter in the orders placed with them, the transit losses were recoverable from them. This was, however, not recovered. The Management had preferred the claim for these transit shortages with insurance company also in October 1986 but the same was not settled till November 1990.

2D.9.3 Transit shortage of calcium carbide despatched to a party

Sriram Vinyl Chemical Industries, Kota, placed supply order on the Company for 3500 M.T. of calcium carbide of sizes above 100mm in November 1987. The supply order was accepted by the Company with some amendments in the same month.

As per terms of the supply order, any variation in the billed and the actual weight found at purchaser's end was to be on the Company's account. However, actual shortages/ excesses were to be calculated on monthly average basis to be attested by the Company's supervisor and purchaser's representative.

3463.20 M. Tonnes of calcium carbide was supplied to the firm during November 1987 to November 1988. The firm verified receipt for 3431.23 M.Tonnes only and had sought a credit for an amount of Rs.2,28,827 being the value of 31.97 M.Tonnes viz. difference in weight.

The Company, though initially disagreed with the contention of short weight in November 1988 on the ground that the weightment was not certified by its supervisor, accepted the claim of the firm in October 1989 on the ground that they helped the Company during slump period.

As calcium carbide was supplied after weightment duly packed in 90 litre drums and purchasers had neither issued receipted challans duly signed by the Company's supervisor nor communicated the gross weight of the consignments received by them to the Company, allowing credit of Rs.2.29 lakhs by the Company was not justified.

2D.9.4 Preparation of manuals

The Company entrusted in September 1985 the work of preparation of manuals and implementation of costing, purchase stores, budgeting, material accounting and management information systems to A.F. Ferguson & Company, New Delhi at a cost of Rs.1.30 lakhs. As per the terms of payment, Rs.0.70 lakh was to be paid to the firm on submission of draft manuals and remaining Rs.0.60 lakh on implementation of systems and submission of final manuals. The firm submitted all the drafts manuals except Management Information System (MIS) Manual and was paid a sum of Rs.0.86 lakhs (September 1989) against Rs.0.70 lakh payable.

However, implementation of the manuals had not been taken up by the firm so far (August 1990). Thus, the expenditure incurred on preparation of manuals has not been fruitful so far.

It was stated by the Company in September 1990 that after study of the manuals the useful suggestions would be implemented by the Company itself.

2D.9.5 Extra expenditure on carriage of limestone by road

The economic feasibility of the project and selection of site at Purkulgaon, Dehradun was based, inter alia, on the fact that limestone would be made available at cheaper cost by UPSMDC to the Company by ropeway at the site of the plant. It was, however, observed that the Company was getting a meagre quantity of limestone by ropeway and major quantity was got transported by road instead of by ropeway, as indicated below :

| | | | | |
|-------------|---------|---------|---------|---------|
| Particulars | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
| | (| In | M.T. |) |

| | 1 | 2 | 3 | 4 | 5 |
|---|-------|-------|-------|-------|---|
| a) Total quantity of limestone received | 21655 | 22563 | 30819 | 23227 | |
| b) Quantity of limestone received through ropeway | 205 | 3327 | 572 | 1244 | |

| 1 | 2 | 3 | 4 | 5 |
|--|------|-------|------|------|
| c)Percentage of limestone received through ropeway to total limestone received | 0.95 | 14.75 | 1.86 | 5.36 |

This has resulted in an extra expenditure of Rs.16.27 lakhs during 1986-87 to 1989-90 as detailed below :

| Particulars | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--|---------|---------|---------|---------|
| 1 | 2 | 3 | 4 | 5 |
| i) Quantity of limestone got transported by road (in M.T.) | 21450 | 19236 | 30247 | 21983 |
| ii) Landed cost at factory per M.T. including transportation, loading, unloading, municipal tax, etc (inRs.) | 234.02 | 259.26 | 259.26 | 269.36 |

| | 1 | 2 | 3 | 4 | 5 |
|--|--------|--------|--------|--------|---|
| iii) Landed cost at factory per M.T. including unloading, etc., in case of receipt by ropeway (in Rs.) | 214.50 | 239.50 | 244.50 | 252.00 | |
| iv) Difference (ii)-(iii) per M.T. (in Rs.) | 19.52 | 19.76 | 14.76 | 17.36 | |
| v) Amount of extra expenditure (i)x(iv) (Rs. in lakhs) | 4.19 | 3.80 | 4.46 | 3.82 | |

It was stated in reply by the Management in September 1990 that limestone available at the head of the ropeway did not meet the desired size and quality and the Company had to get the required limestone from other area of mines which had to be transported through road. The reply of the Management may be viewed in the light of the fact the size and chemical composition of limestone required by the Company and available at the site/ropeway head of the holding company was known to the Company at the time of setting up of the factory. It was also stated in reply that matter has already been taken up with the holding

company to reduce the price of limestone to compensate the extra financial burden of road transport but decision of the holding company was awaited till November 1990.

2D.9.6 Idle machines

A - Weighbridge

The Company got a weighbridge installed at a cost of Rs.2.98 lakhs alongwith other plant and machinery in 1985-86 through EPI for weighment of carbide going out and raw materials, being received by the Company from outside. It was observed that the weighbridge has been lying defective since its installation in 1985-86 to date (November 1990) and no action had been taken by the Company to get it repaired. The limestone, charcoal and other raw materials being received by the Company were being got weighed from private weighbridge and weighbridge of the holding company situated outside the plant.

It was stated in reply in September 1990 that the cost of defective weighbridge had been included in the claim preferred against EPI. It was also stated that outside weighbridges were used when the weighbridge of the holding company was out of order. Thus, the weighbridge costing Rs.2.98 lakhs remained out of order and without use since its installation in 1985-86 to date.

B - Rotary drier

A rotary drier valuing Rs.21.73 lakhs was installed in the plant during 1985-86 alongwith other plant and machinery through EPI. The plant was installed for drying charcoal and other carbonious materials before use. Originally raw petroleum cake, chips alongwith charcoal was to be used for production. Since use of raw petroleum cake was found not feasible due to excess fire generation and high cost, its use was substituted by chips coke and charcoal. Charcoal catches fire at very low temperature and, therefore, could not be dried in the rotary drier. As such only a small quantity of B.P. hard coke or chips coke was left to be dried in the drier which also did not require any pre-drying as the same were normally available with permissible moisture content. The drier could not be used and has been lying idle since date of its installation in 1985-86.

The Board of Directors approved, in August 1990, the disposal of the drier, but the same has not been made so far (November 1990).

2D.9.7 Non-recovery from a supplier

A purchase order was placed on Sanjay Charcoal Company, Ahmedabad for

procurement of 3000 M.T. of charcoal in March 1988 at the rate of Rs.2715 per M.T. f.o.r.plant site. According to the terms of the purchase order, 80 per cent payment for the quantity received on the previous day was to be made on the following day barring holidays and balance 20 per cent within 15 days of receipt and quality analysis of the material.

According to clause 13 of the purchase order, if any loss is suffered by the Company on account of purchase made from other sources due to failure on the part of the supplier to supply the contracted material, the same was to be recovered from their security deposit or any other dues. It was, however, observed that there was no clause in the purchase order requiring the supplier to deposit security nor did the supplier deposit any amount as security for due performance of the contract.

A representative of the Company was posted at the point of despatch of the supplier in Gujarat to make payments of 80 per cent purchase price of each consignment vide bank drafts on the day following the day the despatch was made. For this purpose 15 bank drafts each for an amount of Rs.4.25 lakhs comprising 80 per cent value of single truck load of supply were got prepared in July 1988 and given to the Company's representative deputed to the supplier's site. All the bank drafts

were delivered to the supplier by the representative of the Company without despatch of the full quantity. The supplier could supply only 1074.36 M.T. and failed to supply balance quantity of 1925.64 M.T. of charcoal which had to be procured by the Company at higher rates from other suppliers by incurring an extra expenditure of Rs.12.05 lakhs. After adjustment of the payment of dues to the supplier, a sum of Rs.3.34 lakhs remained to be recovered from them against the payments made in July 1988. In May 1987 the Company issued a letter to the Collector, Dehradun to get this amount recovered under Uttar Pradesh Public Money (Recovery of Dues) Act, 1972 as arrears of land revenue but recovery had not been made till November 1990.

2D.9.8 Arbitration with a transporter

The work for unloading, clearance and transportation of charcoal and other materials from Railway station, Dehradun to the Company's plant was entrusted to Mann Goods Transport, Dehradun, in March 1986. The contract was valid up to 31st March 1987. In pursuance of this order the transporter commenced the work but abandoned the work without any notice and informed the Company in May 1986 that they were unable to carry out the work. The Company got executed the work through other agencies but had to incur an extra expenditure of Rs.1.63 lakhs besides transit

losses of Rs.0.69 lakh. After adjusting security money of Rs.0.50 lakh, net recoverable amount from the transporter came to Rs.1.82 lakhs.

The matter was referred to the arbitrators in July 1987, but co-arbitrator of the transporter company attended only one meeting held in September 1987 and thereafter, had not attended any of the meetings.

The Company had not taken any suitable action to expedite the proceedings and finalise the case.

The Management stated (September 1990) that the Company had since moved an application before Civil Court, Dehradun to appoint a sole arbitrator but the case had not come up for hearing so far (September 1990).

2D.9.9 Delay in receipt of transport subsidy claim from Government

Transport subsidy equal to 75 per cent of expenditure incurred on transport of raw materials from railway station to factory and finished materials from factory to railway station is provided by the State Government through District Industries Centres to industrial units established in Uttar Pradesh.

For getting this subsidy the industrial units are to be registered with the District Industries Centres and quarterly bills regarding transport subsidy claims are to be submitted alongwith details of material carried and proof of payments made.

The Company submitted the transport subsidy claim for Rs.47.20 lakhs in October 1988 for the period from April 1985 to December 1987 with the General Manager, District Industries Centre, Dehradun without indicating the details of materials transported, proof of expenditure incurred, amount of claim, etc., with the result that the claim of the Company was returned without payment by the District Industries Centre, Dehradun in November 1988 asking the Company to prefer claims for each quarter indicating details of raw materials carried and proof of expenditure incurred on transport. The claim of transport subsidy has not been resubmitted by the Company till August 1990. Claims for the period earlier to April 1985 and from January 1988 and onwards have also not been submitted so far (August 1990).

Thus, due to delay in resubmission of claim, the possibility of getting the claim rejected by the District Industries Centre, Dehradun cannot be ruled out. Reasons for delay in resubmission of transport subsidy claims were also not found on record.

Management stated in September 1990 that due to non-availability of staff the information desired by District Industries Centre could not be compiled nor claim resubmitted.

2D.9.10 Arbitration with EPI

As per tripartite agreement executed between EPI, holding company and the Company in October 1982, but made effective from February 1979, setting up of the entire plant of calcium carbide of 16500 tonnes capacity on a turnkey basis at a lump sum price of Rs.575 lakhs was to be completed within a period of 25 months. Due to enhancement of capacity of the plant from 16500 to 21000 tonnes, certain additional works were also entrusted to EPI and after negotiations held in March 1984 the value of the contract was revised to Rs.832 lakhs and commissioning of the plant extended to December 1984. Even after granting extensions in time for completion and commissioning of the plant up to June 1985, the plant could not be completed and commissioned by EPI as certain works were not completed by them. The Company, after getting these works completed through other agencies at the risk and cost of EPI at a cost of Rs.50.20 lakhs, commissioned the plant itself in December 1985.

As EPI did not complete the work within the specified time schedule, they were liable for payment of damages at the

maximum rate of 5 per cent of contract price amounting to Rs.41.60 lakhs in terms of clause 11.01 of the aforesaid tripartite agreement.

The Company had withheld the payments of EPI amounting to Rs.136.13 lakhs to cover expenditure on incomplete works, expenditure on commissioning and trial run of the plant which was the responsibility of EPI and towards penalty for delay in completion of works. Besides, the Company had also withheld bank guarantees of EPI amounting to Rs.83.20 lakhs which were deposited as security for advance payments and guarantee for successful performance of the plant for 12 months from the date of takeover by the Company.

In December 1986, EPI asked the Company to pay Rs.206.54 lakhs (Rs.137.54 lakhs outstanding payments, Rs.27.40 lakhs interest for the delay in payment of their dues for one year and Rs.41.60 lakhs being 5 per cent contract price to be paid after 12 months of the takeover of the plant) and refund bank guarantees which were held by the Company. The dispute of payment could not be settled between EPI and the Company and EPI appointed in December 1986 one of its engineers as arbitrator in terms of clause 26 of agreement and requested the Company to nominate an arbitrator from its side. The Company put counter claim of Rs.380 lakhs and nominated its Managing Director as arbitrator

on 19th January 1987. Though a few meetings of arbitrators took place in 1987 but nothing was finalised. The Company in its letter of 9th January 1989 proposed EPI that for early settlement of dispute both sides should appoint non-employee arbitrators.

EPI filed a petition in the court of Civil Judge, Malihabad, Lucknow vide notice received by the Company on 31st January 1989 to appoint a sole arbitrator in place of earlier arbitrators. The case was pending with the Court till September 1990. The details of counter claim of Rs.380 lakhs preferred by the Company against EPI were not made available.

The above matters were reported to Government in December 1990; their replies had not been received (March 1991).

SECTION 2E

BHADOHI WOOLLENS LIMITED

SECTION 2E

BHADOHI WOOLLENS LIMITED

HIGHLIGHTS

The Company was incorporated in June 1976 as a public limited company in joint sector with a view to fulfilling the demand for woollen yarn of the local carpet weavers. In April 1981, the Company became a subsidiary of U.P.Export Corporation Limited. However, with a view to improving its physical and financial performance, its management was transferred in April 1982 to U.P.State Textile Corporation Limited.

The Company continued to incur losses and its accumulated loss of Rs.112.46 lakhs at the end of March 1982 increased to Rs483.83 lakhs up to 1989-90 which completely eroded the paid-up capital of Rs.316.55 lakhs. The losses were mainly due to underutilisation of capacity, low yield, excess deployment of labour and consumption of raw material in excess of the norms as envisaged in the project report.

In view of continuous losses since inception, the Company had gone in for expansion of its mill in 1985-86,

with cent per cent financial assistance (Rs.2.00 crores) of Government by way of equity, augmenting the installed capacity to manufacture woollen yarn from 3.80 lakh to 9.50 lakh kgs. and of dyeing job from 5.25 lakh to 8.75 lakh kgs. with the sole objective of improving the working results. While it was projected to earn profit from the second year of expansion by ensuring capacity utilisation at 70 per cent, the maximum capacity utilisation actually achieved in the post-expansion period of four years up to 1989-90 was only 29 per cent (yarn) and 42.6 per cent (dyeing) which was not even 75 per cent of the pre-expansion installed capacity, defeating the very purpose of expansion.

The Company continued to engage workers on the basis of full capacity utilisation and, therefore, the actual output per worker per annum was far below the norms prescribed in expansion project report both for spinning and dyeing of woollen yarn, resulting in an extra expenditure of Rs.57.45 lakhs on payment of wages to the workers employed in excess during the four years up to 1989-90.

The yield of yarn from the Indian and imported wool was low during the years as compared to norms, resulting in short recovery of 1.39 lakh kgs yarn valuing Rs.105.96 lakhs during the four years up to 1989-90.

2E.1 Introduction

The Bhadohi Woollens Limited was incorporated in June 1976 as a public limited company in joint sector with a view to fulfilling the demand for woollen yarn of the local carpet weavers. Up to March 1981, shares of the Company were held by U.P.Export Corporation Limited (UPEC): Rs.10.65 lakhs; British India Corporation Limited (BIC): Rs.10.25 lakhs; and financial institutions and others : Rs.20.10 lakhs in the proportion of 26:25:49 respectively. On UPEC acquiring the share holding of BIC in April 1981, the Company became its subsidiary and thus, a Government company. In December 1981, Government decided to transfer the management from UPEC to Uttar Pradesh State Textile Corporation Limited (UPSTC), with a view to improving the physical and financial performance of the Company on the ground that UPSTC, which was in the business of textile, would be able to give technical guidance and share its expertise with the Company. Accordingly, UPSTC invested in April 1982 Rs.35 lakhs as equity participation in the Company and the Company became a subsidiary of UPSTC with shareholding of UPSTC, UPEC and financial institutions and others in the proportion of 46:28:26 respectively. With subsequent investment of Rs.240.66 lakhs by the UPSTC. up to end of 1989-90, the total shareholding of UPSTC in the Company was Rs.275.66

lakhs as on 31st March 1990.

An analysis of financial performance of the Company indicated that the accumulated loss of Rs.112.46 lakhs up to 1981-82 further increased to Rs.483.83 lakhs during 1982-83 to 1989-90. Thus even on transfer of management, the financial performance of the Company did not improve and infact deteriorated significantly.

2E.2 Objects

The main objects of the Company are:

(i) to manufacture, spin, buy, sell, import, export and otherwise deal in dyed and undyed woollen yarns, fibrous substances, carptes, druggets, rugs, floor coverings;

(ii) to carry on business of spinners, doublers, linen, and cloth manufacturers, wool and yarn merchants, bleachers, dyers and dyeing materials and to transact all kinds of cloth and fabrics whether textile felted, netted, looped and flocked;

(iii). to deal in machinery and conveniences manufactured in connection with aforesaid business;

(iv) to supply regularly the

yarn to carpet weavers at Bhadohi or else;

(v) to provide technical and marketing development guidance and finance for setting up of new or existing carpet units for their improvement;

(vi) to establish or otherwise subsidise research laboratories, design centres and experimental workshops for scientific and technical research.

The Company, however, confined its activities only to manufacturing, dyeing and selling of woollen yarn.

2E.3 Scope of Audit

The overall working of the Company for the four years up to 1989-90, after the Company had completed its expansion programme, was reviewed in Audit conducted during August 1990 to October 1990 and audit findings are discussed in succeeding paragraphs.

2E.4 Organisational set-up

The management of the Company vests in a Board of Directors comprising not less than three and not more than twelve directors (including Chairman and Managing Director) of which seven directors shall be nominee of UPEC and UPSTC in

the proportion of their shareholdings. Managing Director of UPSTC is the ex-officio Chairman of the Company.

The Managing Director is the Chief Executive of the Company and is assisted by an Executive Director and a General Manager. The General Manager manages the day-to-day affairs of the Company and is assisted by Production Manager, Dyeing Master and a Senior and a Deputy Accounts Officer.

2E.5 Capital structure

The authorised share capital of the Company as on 31st March 1990 was Rs.400 lakhs consisting of 40 lakh shares of Rs.10 each. The paid-up capital of the Company as on that date was Rs.316.55 lakhs contributed by UPSTC(holding Company: Rs.275.66 lakhs), UPEC (Rs.20.90 lakhs), financial institutions (Rs.19.35 lakhs), and others (Rs.0.64 lakh). The Company could not realise call in arrears of Rs.0.01 lakh and reissue forfeited shares of Rs.0.13 lakh (1300 shares of Rs.10 each) since 1978-79 against private shareholdings from whom Rs.0.03 lakh was obtained and capitalised to Share Forfeiture Account.

In March 1982 Government sanctioned and released Rs.25 lakhs for investment in share capital of the Company through

UPEC (Rs.9.35 lakhs) and UPSTC (Rs.15.65 lakhs) so as to meet the working capital requirements of the Company. Though UPSTC invested Rs.15.65 lakhs in the share capital of the Company, UPEC did not invest its share of Rs.9.35 lakhs. The Company, therefore, managed its working capital requirements by borrowing at 16.5 per cent per annum and thus incurred interest burden of Rs.12.34 lakhs during April 1982 to March 1990 on the share money of Rs.9.35 lakhs withheld by UPEC.

2E.6 Expansion of project

As the Company had been incurring losses right from its inception and had incurred cash losses of Rs.52.68 lakhs up to the end of March 1981, UPEC- the then holding company - asked the Uttar Pradesh Industrial Consultants Limited (UPICO) to prepare a techno-economic feasibility report for expansion of the mill so as to make it an economically viable unit. The payment of Rs.35000 for preparing the report was made by the Company and UPICO submitted their report in November 1981. The consultants projected augmentation of production capacity of woollen yarn from 3.80 lakh to 9.50 lakh kgs and capacity of dyeing job from 5.25 lakh to 8.75 lakh kgs. The expansion project report submitted by the consultants was for a total cost of Rs.118.25 lakhs towards

installation of machinery (Rs.33.57 lakhs), meeting liability of cash losses (Rs.52.86 lakhs) and working capital (Rs.32 lakhs). Accordingly, the expansion programme was approved in May 1982 by the Board of Directors of UPSTC- the then holding company for a total cost of Rs.200 lakhs and by the Government (Public Investment Board) in July 1983.

In December 1984, Government released share capital of Rs.200 lakhs for extinguishing liability of banks and financial institutions (Rs.86 lakhs) and expansion of capacity (Rs.114 lakhs). The Company utilised the share money in repayment of borrowings (Rs.113.67 lakhs), installation of machinery (Rs.33.48 lakhs) and working capital (Rs.52.85 lakhs). The expansion project was completed by the end of December 1985.

After installation of card machines (2 numbers) and ring frame (3 numbers), spindles (578 numbers) and one dyeing machine, the installed capacity increased to 9.5 lakh kgs of yarn on 1000 spindles and dyeing capacity to 8.75 lakh kgs of woollen yarn. After expansion, it was envisaged that the Company would achieve its breakeven point at the level of 65 per cent of its capacity utilisation and would earn profit from second year onwards at an expected annual turnover of Rs.358 lakhs. Even after augmentation of the

capacity, production of woollen yarn ranged only from 1.88 lakh (20 per cent) to 2.77 lakh kgs (29 per cent) and dyeing woollen yarn ranged between 2.08 lakh kgs (23.77 per cent) and 3.73 lakh kgs (42.63 per cent) during the period from 1986-87 to 1989-90. Thus, the expansion programme completed at a cost of Rs.200 lakhs did not yield the desired results.

2E.7 Financial position and working results

2E.7.1 Financial position

The table below summarises the financial position of the Company as at the end of each of the last four years up to 1989-90:

| 1986-87 | 1987-88 | 1988-89 | 1989- 90 |
|--------------------|---------|---------|----------|
| (Rupees in lakhs) | | | |
| ----- | ----- | ----- | ----- |
| 1 | 2 | 3 | 4 |
| ----- | ----- | ----- | ----- |

Liabilities

(a) Paid-up capital 291.56 291.56 316.55 316.55

(b) Reserves and surplus 22.64 22.64 22.64 22.64

(c) Borrowings 66.94 123.76 196.29 358.44

(302)

| | 1 | 2 | 3 | 4 |
|--|---------------|---------------|---------------|---------------|
| (d) Trade dues and other current liabilities including provisions | 81.46 | 126.42 | 98.06 | 85.14 |
| Total | 462.60 | 564.38 | 633.54 | 782.77 |

Assets

| | | | | |
|--|---------------|---------------|---------------|---------------|
| (a)Gross block | 181.70 | 182.33 | 183.85 | 190.39 |
| (b) Less: depreciation | 101.82 | 120.21 | 130.42 | 139.34 |
| (c)Net block | 79.88 | 62.02 | 53.43 | 51.05 |
| (d) Current assets, loans and advances | 137.95 | 228.91 | 177.73 | 247.89 |
| (c)Accumulated losses | 244.77 | 273.45 | 402.38 | 483.83 |
| Total | 462.60 | 564.38 | 633.54 | 782.77 |

| | | | | |
|---------------------|--------|--------|--------|--------|
| Capital employed | 136.37 | 164.51 | 132.92 | 213.80 |
|---------------------|--------|--------|--------|--------|

| | 1 | 2 | 3 | 4 |
|-----------|-------|----------|----------|--------|
| Net worth | 69.25 | 40.15(-) | 63.19(-) | 144.64 |

Note (i) Capital employed represents net fixed assets plus working capital

(ii) Net worth represents paid-up capital plus reserves and surplus less intangible assets.

The accumulated losses which stood at Rs.483.83 lakhs as at the end of 1989-90 had completely wiped off the paid-up capital of Rs.316.55 lakhs of the Company.

2E.7.2 Working results

The following table summarises the working results of the Company for each of the four years up to 1989-90:

| | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--|----------|---------|---------|---------|
| | (Rupees | in | lakhs) | |
| | 1 | 2 | 3 | 4 |
| A.Expenditure | | | | |
| (i)Consump- tion of raw material (including miscellaneous stores) | 125.26 | 160.85 | 228.12 | 232.56 |

(304)

| | 1 | 2 | 3 | 4 |
|---|---------------|---------------|---------------|---------------|
| (ii) Personnel (establishment) expenses | 25.74 | 29.21 | 34.64 | 43.86 |
| (iii) Selling, administrative and other expenses | 13.50 | 14.19 | 17.41 | 15.68 |
| (iv) Financial expenses (interest) | 10.84 | 18.32 | 31.91 | 41.43 |
| (v) Deprecia- tion | 14.86 | 18.40 | 10.22 | 9.56 |
| (vi) Expenses written off | 0.16 | 0.16 | - | - |
| (vii) Provision for doubtful debts | - | - | 26.15 | 26.15 |
| (viii) Provision for gratuity | - | - | 10.28 | 1.41 |
| Total | 190.36 | 241.13 | 358.73 | 370.65 |

B. Income

| | | | | |
|-----------------------|--------|--------|--------|--------|
| (i) Sales | 117.70 | 174.92 | 193.27 | 237.84 |
| (ii) Job work | 19.00 | 28.45 | 26.03 | 38.93 |
| (iii) Other income | 9.72 | 11.52 | 11.59 | 12.47 |

| | 1 | 2 | 3 | 4 |
|------------------------|---------------|---------------|---------------|---------------|
| (iv) Loss for the year | 43.94 | 26.24 | 127.84 | 81.41 |
| Total | 190.36 | 241.13 | 358.73 | 370.65 |

| | | | | |
|------------------------------------|---|------|------|------|
| C. Prior period adjustment (debit) | - | 2.60 | 1.09 | 0.04 |
|------------------------------------|---|------|------|------|

The expansion project report envisaged that the Company would start earning profit from second year (1987-88) and onwards of the expansion of the project at the rate of 0.41, 4.31 and 5.48 per cent of sales, whereas the Company incurred losses in all the three years up to 1989-90 and the losses during the three years up to 1989-90 amounted to 15, 66.15, and 34.23 per cent of the sales during the respective year.

The main reasons for losses were underutilisation of installed capacity, low yield, excess deployment of labour, shortages of stock, etc., as discussed in succeeding paragraphs.

2E.8 Performance analysis

2E.8.1 Production performance

It was envisaged in the expansion

project report that capacity utilisation would be 60 per cent in the first year, 70 per cent in second year and 80 per cent in the third year and onwards of the installed capacity of 9.5 lakhs kgs. The table below indicates the projected and the actual production of woollen yarn for the last four years up to 1989-90 :

| Year | Projected (in lakh kilograms) | Actual | Shortfall in achievement of projected production (per cent) |
|---------|-------------------------------------|--------|---|
| 1986-87 | 5.70 | 1.88 | 67.02 |
| 1987-88 | 6.65 | 2.72 | 59.10 |
| 1988-89 | 7.60 | 2.75 | 63.82 |
| 1989-90 | 7.60 | 2.77 | 63.55 |

Management attributed in November 1990, lower capacity utilisation to lack of skilled personnel, shortage of spare parts and raw materials. However, quantum of low production attributable to above reasons had not been determined by the Management. Further, reply is not tenable as stock of stores and spares was equivalent to 3.99 months' to 10.07 months' consumption requirement during the years 1986-87 to 1989-90 while manpower deployed was always more than three times of the requirements for production.

2E.8.2 Labour productivity

As per norms laid down in the project report, annual production per worker was fixed at 5026 kgs for spinning and 13257 kgs for dyeing of yarn. The table below indicates actual production, excess labour, and extra wages paid during last four years up to 1989-90:

| Year | Actual production | | Actual labour engaged | | labour required (as per norm) | | Total excess labour | Annual average wages | Extra wages |
|---------|--------------------|--------------|-----------------------|---------|-------------------------------|--------|---------------------|----------------------|--------------|
| | woollen yarn (kgs) | dyeing (kgs) | woollen yarn | dyeing | woollen yarn | dyeing | (yarn plus dyeing) | per labour | |
| | | | (In | numbers | | | | (Rs.in lakhs) | |
| 1986-87 | 188413 | 207765 | 228 | 42 | 38 | 16 | 216 | 0.05 | 10.80 |
| 1987-88 | 272152 | 286596 | 246 | 42 | 55 | 22 | 211 | 0.05 | 10.55 |
| 1988-89 | 275894 | 263633 | 221 | 44 | 55 | 20 | 190 | 0.10 | 19.00 |
| 1989-90 | 277421 | 372929 | 210 | 44 | 55 | 28 | 171 | 0.10 | 17.10 |
| | | | | | Total | | | | 57.45 |

The actual output per worker per annum was far below the norms both for spinning and dyeing of woollen yarn which to a large extent would be attributed to low capacity utilisation of the plant. The Company, however, continued to engage workers on the basis of full capacity utilisation and thereby besides lowering the output of each worker, also incurred extra expenditure of Rs.57.45 lakhs on payment of wages to the workers employed in excess.

2E.8.3 Yield of woollen yarn

According to expansion project report, in case of consumption of Indian wool, yield of yarn was estimated at 65 per cent of raw wool consumption. With a view to obtaining higher yield (90 per cent of the wool consumption), the Company decided in March 1986 to import/purchase raw wool from Newzealand. During 1986-87 to 1989-90, the Company imported 7.67 lakh kgs of wool (value : Rs.409.75 lakhs) from Newzealand.

The table on the next page indicates the yield of yarn from raw wool (Indian as well as imported) during last four years up to 1989-90.

| Year | Raw wool consumed in blend | | | Yield of woollen yarn as per norm | | | | | | |
|---------|----------------------------|---|---------------------|-----------------------------------|--------------------------|----------------------|---------------|------------------|----------------------------------|--|
| | Imported wool | Indian wool (IW) waste | Total wool consumed | Imported @90 per cent in lakh kgs | Indian wool @65 per cent | Total expected yield | Actual yield | Short-fall (7-8) | Average sales price per kg (Rs.) | Cost of short-fall in yield (9x10) (Rs.in lakhs) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) |
| 1986-87 | 0.970 | 1.214IW 0.550 waste <u>1.764</u> | 2.734 | 0.873 | 1.1466 | 2.0196 (74) | 1.884 (69) | 0.1356 | @Rs.52.70 | 7.15 |
| 1987-88 | 1.968 | 1.347 IW 0.645 waste <u>1.992</u> | 3.960 | 1.771 | 1.295 | 3.066 (77) | 2.772 (70) | 0.2940 | @Rs.70.25 | 20.65 |
| 1988-89 | 1.940 | 1.680 IW 0.550 waste <u>2.230</u> | 4.170 | 1.746 | 1.450 | 3.196 (77) | 2.750 (66) | 0.4460 | @Rs.74.05 | 33.03 |
| 1989-90 | 2.440 | 0.980 IW 0.700 waste <u>1.680</u> | 4.120 | 2.196 | 1.092 | 3.288 (80) | 2.770 (67) | 0.5180 | @Rs.87.12 | 45.13 |
| | | | | | | Total | 1.3936 | | | 105.96 |

Note : Figures in brackets indicate yield in percentages.

The yield of yarn from the Indian and imported wool was low during the years as compared to norms, resulting in short recovery of 1.39 lakh kgs yarn valuing Rs.105.96 lakhs.

Management attributed in November 1990 low yield to purchase of inferior quality of wool, shortage of skilled personnel and staff, non-availability of spare parts and use of inferior batching oil. Reply is not tenable as the Management could not produce records to substantiate purchase of inferior quality material.

2E.8.4 Performance of dyeing job

It was envisaged in the project report that the Company would be able to undertake dyeing job at 60,70 and 80 per cent of the installed dyeing capacity of 8.75 lakh kgs in 1986-87, 1987-88, 1988-89 and onwards respectively. Table on the next page indicates the actual dyeing job undertaken vis-a-vis projected for the last four years up to 1989-90.

(311)

| Year | <u>Dyeing job</u> | | | Percentage of actual to projected |
|---------|-------------------|--------|-----------|---|
| | projected | Actual | Shortfall | |
| | (in lakh | kgs |) | |
| 1986-87 | 5.25 | 2.08 | 3.17 | 39.62 |
| 1987-88 | 6.13 | 2.87 | 3.26 | 46.86 |
| 1988-89 | 7.00 | 2.64 | 4.36 | 37.71 |
| 1989-90 | 7.00 | 3.73 | 3.27 | 53.29 |

The actual dyeing job carried out by the Company was on an average 44 per cent of the projected capacity during the period from 1986-87 to 1989-90.

Management stated in November 1990 that actual dyeing jobs were carried out on the basis of orders received. Steps taken by the Management to undertake more dyeing jobs and increase their output were not made known.

A test check in Audit revealed the following points :

(i) During 1985-86 to 1989-90, the Company redyed 48407.5 kgs of dyed yarn due to dyeing defects and incurred an extra expenditure of Rs.1.13 lakhs on dyes and chemicals, power, labour, etc.

(ii) Due to dyeing defects, buyers refused to lift the yarn, with the

result 8401.05 kgs (value: Rs.7.06 lakhs) of mixed dyed yarn accumulated up to 31st March 1989. During August 1989 to February 1990, the Company disposed of 5064.5 kgs yarn at the rate of Rs.56.26 per kg and sustained a loss of Rs.1.40 lakhs. Balance quantity (3336.55 kgs) was still lying in the stock (November 1990).

2E.8.5 Consumption of chemicals

Norms for the consumption of chemicals in washing of woollen yarn were not laid down by the Management. Scrutiny of records (October 1990) revealed that there had been increasing trend in consumption of chemicals from year after year. The table on the next page indicates the consumption of major chemicals used in washing of woollen yarn for the last three years ending 1989-90.

| Year | 1987-88 | 1988-89 | 1989-90 |
|------|---------|---------|---------|
| | 1 | 2 | 3 |

| | | | |
|---------------------|--------|--------|--------|
| Woollen yarn washed | 272152 | 275894 | 277421 |
|---------------------|--------|--------|--------|

Lissapole - D

| | | | |
|--|---------------|--------|--------|
| Actual quantity used (Kg) | 2260 | 6963 | 9292 |
| Required as per base year 1987-88 (Kg) | 2260 | 2291 | 2304 |
| Excess consumed (Kg) | - | 4672 | 6988 |
| Rate per kg (Rs.) | - | 40 | 40 |
| Amount (Rs.) | - | 186880 | 279520 |
| Total (1+2+3) (Rs.) | 466400 | | |

(313)

| | 1 | 2 | 3 |
|---------------------------------|--------------------|--------|--------|
| <u>Soda - Ash</u> | | | |
| Actual quantity used (kg) | 1645.5 | 4499.2 | 7537.0 |
| AS per base year 1987-88 (Kg) | 1645.5 | 1668 | 1677 |
| Excess consumed(Kg) - | | 2831.2 | 58.60 |
| Rate (Rs.) | - | 5.10 | 5.10 |
| Amount (Rs.) | - | 14439 | 29886 |
| Total (1+2+3)(Rs.) | 44325 | | |
| <u>Sandozin - N.I.T.</u> | | | |
| Actual quantity consumed (Kg) | 1830.5 | 180.0 | 800.0 |
| As per base year 1988-89 | 177.56 | 180.0 | 181.0 |
| Excess consumed (Kg) | 1652.94 | - | 819.0 |
| Rate (Rs.) | 68.80 | - | 68.80 |
| Amount (Rs.) | 113722 | - | 42587 |
| Total (1+2+3)(Rs.) | 156309 | | |
| Gross + | Rs.6,67,034 | | |

Based on the minimum consumption of Lissapole-D paste and soda ash in the year 1987-88 and of Sandozin - N.I.T in 1988-89, excess consumption of chemicals in the years 1987-88 to 1989-90 worked out to Rs.6.67 lakhs.

Management has not analysed the reasons for excess/disproportionate consumption of chemicals.

2E.8.6 Book debts

Sale of woollen yarn of credit is made for 60 days by the Company, hence the book debts should be limited to two months' sale of the Company. However, book debts were between six and nine months' sales of the Company during the last four years up to 1989-90, as indicated below:

| Year | Book debts | Sales | Limit of debts as per norm | Debts beyond limit | Debts in term of months' sale |
|---------|------------|--------|----------------------------|--------------------|-------------------------------|
| | (Rupees | | in | lakhs |) |
| 1986-87 | 99.31 | 136.71 | 22.79 | 76.52 | 8.72 |
| 1987-88 | 131.24 | 203.37 | 33.91 | 97.33 | 7.74 |
| 1988-89 | 128.99 | 219.30 | 36.54 | 92.45 | 7.06 |
| 1989-90 | 147.41 | 276.77 | 46.14 | 101.27 | 6.39 |

A test check in Audit revealed the following :

(i) Debtors for Rs.52.30 lakhs were considered to be doubtful and the Company had filed civil suits to recover the amount.

(ii) During the years from 1983-84 to 1986-87, the Company obtained decrees in 12 cases involving Rs.14.92 lakhs but could not execute them (November 1990) due to non-availability/non-submission of addresses, details of assets of the debtors, etc.

2E.9 Other topics of interest

2E.9.1 Defalcation of inventory

During inspection of the mill by the Executive Director on 20th July 1988, stock shortages and other financial irregularities were noticed by him. The inspection report was forwarded for further investigation by a Committee, to be nominated by the headquarters of the Company. Enquiry Committee consisting of Chief Controller Finance, Controller Finance, Finance Officer and Manager (Technical) was constituted in August 1988 to fully investigate the matter.

The Committee in their findings reported (as per 65th meeting of the Board of Directors held on 5th June 1990) shortages

in stock of finished yarns, semi-finished yarn, yarn-in-process, raw wool and waste worth Rs.42.87 lakhs as detailed below:

| Item of inventory | Shortages | | Excesses | |
|-------------------------|-------------------|----------------------------|-------------------|----------------------------|
| | Weight (in kg) | Value (Rs. in lakhs) | Weight (in kg) | Value (Rs. in lakhs) |
| Finished stock | 21151.8 | 16.29 | - | - |
| Semi-finished stock | 18257.0 | 10.21 | - | - |
| Work-in-process | 5836.0 | 1.99 | - | - |
| Raw wool | 26702.0 | 14.45 | - | - |
| Goods-yarn in dyeing | - | - | 29.432 | 0.34 |
| Waste | - | 0.27 | - | - |
| Total | | 43.21 | | 0.34 |
| Net shortages | | 42.87 | | |

Though the services of the General Manager were terminated with effect from 21st July 1988, he obtained stay orders from the High Court on 14th October 1988.

The Board decided in June 1990 to dismiss the General Manager from services of the Company, who was found guilty of maintaining duplicate/false records pertaining to purchase, consumption and sale of

wool/yarn, etc., directly resulting in the misappropriation of goods worth Rs. 42.87 lakhs. Accordingly, he was dismissed with effect from 5th June 1990, but again he obtained a stay order from the High Court on 13th June 1990.

The Board further decided that departmental proceedings against employees whose conduct had come into for adverse notice in the Enquiry Report should be started and the possibility of recourse to legal action against the dismissed General Manager of the Mill for recovery of the loss be also examined, and if required for this and related matters, a Committee be constituted by the Managing Director of the Company. However, no action had been taken to conduct departmental proceedings against other officials and to make good the losses (November 1990) for no reasons on record.

2E.9.2 Levy of extra charges

The Company obtained supply of electricity on 11 KV HT line. The UPSEB charged and billed the Company with an additional charges of 7.5 per cent from April 1985 to October 1989 and 10 per cent from November 1989 to July 1990 on the amount of electrical charges under Rate Schedule of HV-2. As levy of such extra charge was applicable only in case of supply given on 400 volt, the UPSEB charged an extra amount of Rs.1.34 lakhs (during April

1985 to December 1990) from the Company.

On being pointed out by Audit, Management stated in February 1990 to prefer claims (in both cases) very shortly. However, the Company had not claimed the refund so far (February 1991).

2E.9.3 Contributory provident fund

In August 1982, the Board of Directors framed Bhadohi Woollens Limited Employees Contributory Provident Fund Rules 1982 under Management of a Trust subject to its approval by appropriate authorities. The Company moved in August 1984 an application to Regional Provident Fund Commissioner, Kanpur for granting the requisite recognition and exemption to above trust from the application of Section 17(1) (a) of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

However, the Bhadhoi Woollen Limited Employees Contributory Provident Fund Trust commenced functioning with effect from October 1982 without prior approval of the Provident Fund Commissioner.

Regional Provident Fund Commissioner, Kanpur allotted (in September 1984) a CPF code number (UP/11821) and directed the Company to deposit all the accumulated employees/employer's contribution (with interest thereon) for the period from

September 1984 and onwards with Sub-Regional Provident Fund Commissioner, Varanasi.

As the Company continued to default in making payments of contributions (employees/employer's share) and interest, Sub Regional Provident Fund Commissioner, Varanasi issued three recovery certificates for an aggregate amount of Rs.15.08 lakhs and collection charges of Rs.1.50 lakhs payable to the Civil Court.

District Authorities, Varanasi remitted Rs.2.85 lakhs (February 1990) from the amount received by them on behalf of the Company. Balance amount of Rs.13.75 lakhs has not been deposited by the Company so far (November 1990).

Due to defaults in making the payments of employees/employer's contributions, the Company incurred interest liability of Rs.3.12 lakhs for the years 1986-87 to 1989-90.

Management replied in November 1990 that the paucity of fund was the main reason for defaults in payment of contributions (employees/employer's share). Since employees contributions are regularly deducted from the employees wage bill, this amount should have been deposited.

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The above matters were reported to the Management/Government in December 1990; their replies had not been received (March 1991).

CHAPTER - III

3. REVIEW RELATING TO STATUTORY CORPORATION

This Chapter contains one review, as below :

SECTION 3 UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION - KANPUR REGION

SECTION 3

**UTTAR PRADESH STATE ROAD TRANSPORT
CORPORATION**

KANPUR REGION

SECTION 3

TRANSPORT DEPARTMENT

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION -

KANPUR REGION

HIGHLIGHTS

The Kanpur Region of the Corporation has six depots at Fatehpur, Unnao, Azad Nagar, Fazalganj, Vikas Nagar, city bus depot at Juhi and a regional workshop at Kanpur.

While the region earned operation profit on the hired vehicles, it had been continuously incurring operating losses on its own vehicles which aggregated to Rs.853.96 lakhs during the last five years up to 1989-90. Thus, the region could not even meet the operating cost from the operating revenue earned on its own vehicles.

As on 31st March 1990, the region had a fleet strength of 469 buses, of which 144 buses (31 per cent) were more than eight years old. Of the 338 buses in the region, which had covered 3.00 lakh kilometers and were due for renovation, 36 buses only had undergone renovation.

The consumption of high speed diesel in excess of the norms fixed by the Corporation aggregated to 39.27 lakh litres,

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valued at Rs.147.86 lakhs during the five years up to 1989-90.

Besides, the region incurred loss of revenue of Rs.197.59 lakhs due to prolonged detention of buses in the regional and depot workshops, and another loss of Rs.13.92 lakhs due to delay in putting new buses on road.

3.1 Introduction

The Uttar Pradesh State Road Transport Corporation has 18 regions with 106 depots as on 31st March 1990. The Kanpur region has six depots - Fatehpur, Unnao, Azad Nagar, Fazalganj, Vikas Nagar and city bus depot at Juhi - and a regional workshop at Kanpur.

3.2 Scope of Audit

The activities of Kanpur region for the last five years up to 1989-90 were reviewed in Audit during December 1989 to March 1990 and the findings are set out in the succeeding paragraphs.

3.3 Organisational set-up

The day-to-day operations of the region is managed by a General Manager (in the rank of a Deputy General Manager in the head office of the Corporation), who is assisted by 12 Assistant Regional Managers and a service Manager.

3.4 Working results

The working results of the region for each of the five years up to 1989-90 are indicated on the next page.

| | 1985-86 | | 1986-87 | | 1987-88 | | 1988-89 | | 1989-90 | |
|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|
| | Owned vehi- cles | Hired vehi- cles | Owned vehi- cles | Hired vehi- cles | Owned vehi- cles | Hired vehi- cles | Owned vehi- cles | Hi-* ve- hic- les | Owned vehi- cles | Hired vehi- cles |
| | (Rupees in lakhs) | | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| I. Operating | | | | | | | | | | |
| Income | 584.56 | 97.59 | 820.51 | 60.36 | 1037.89 | 76.53 | 1289.49 | - | 1533.02 | 7.08 |
| Expen- diture | 856.67 | 63.48 | 1018.85 | 39.50 | 1111.50 | 59.31 | 1439.23 | - | 1693.78 | 5.00 |
| Excess(+)/ deficit(-) | (-) | (+) | (-) | (+) | (-) | (+) | (-) | - | (-) | (+) |
| | 271.51 | 34.11 | 198.34 | 20.86 | 73.61 | 17.22 | 149.74 | - | 160.76 | 2.08 |
| II. Non-operational | | | | | | | | | | |
| Income | 15.59 | -- | 42.45 | -- | 38.24 | -- | 53.92 | - | 33.01 | - |
| Expen- diture | 74.33 | -- | 75.25 | -- | 98.84 | -- | 135.52 | - | 265.91 | - |
| Deficit | 58.74 | -- | 32.80 | -- | 60.60 | -- | 81.60 | - | 232.90 | - |
| III. Total | | | | | | | | | | |
| profit(+)/ loss(-) | (-) | (+) | (-) | (+) | (-) | (+) | (-) | - | (-) | (+) |
| | 330.25 | 34.11 | 231.14 | 20.86 | 134.21 | 17.22 | 231.34 | - | 393.66 | 2.08 |
| IV. Total revenue | | | | | | | | | | |
| Kms(In lakhs) | 136.15 | 31.74 | 217.15 | 17.85 | 275.59 | 18.65 | 331.35 | -- | 390.13 | 2.62 |

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|------|------|------|------|------|------|------|----|------|------|
| V. Operating revenue per km. | 3.99 | 3.07 | 3.77 | 3.38 | 3.76 | 4.10 | 3.89 | -- | 3.92 | 2.70 |
| VI. Operating expenses per km | 5.85 | 2.00 | 4.69 | 2.21 | 4.03 | 3.18 | 4.34 | -- | 4.34 | 1.90 |
| VII. Operating loss(-)/profit(+) per Km | 1.86 | 1.07 | 0.92 | 1.17 | 0.27 | 0.92 | 0.45 | - | 0.42 | 0.80 |
| VIII. Total loss(-)/profit(+) | (-) | (+) | (-) | (+) | (-) | (+) | (-) | -- | | |
| per km | 2.26 | 1.07 | 1.06 | 1.17 | 0.49 | 0.92 | 0.70 | - | 1.00 | 0.79 |
| * Buses were not hired during 1988-89 | | | | | | | | | | |

Note:- 1. The figures for 1989-90 are provisional

2. Operating results do not include income and expenditure of depots of Etawah region attached for part of a year during 1987-8.

3. Corporation's vehicles include buses and taxis.

It would be seen from the above table that while the region earned operating profit on the hired vehicles, it constantly incurred operating loss on its own vehicles during the last five years up to 1989-90. Thus, the region could not even meet the operating cost (cost of petrol, oil and lubricants(POL), wages and salaries of the operating staff, cost of tyres and tubes, etc.) from the operating revenues (fare and freight charges) earned on its own vehicles.

The Management stated in September, 1990 that there had been an increase in the operational costs over the years on account of hike in salary and allowances of staff, increase in cost of diesel, increase in expenditure on repairs, increase in depreciation charges on new/renovated buses and increase in consumption of fuel due to a lower fuel average in 1988-89. However, efforts made by the Management to improve efficiency of its services and economies in its expenses to counter the increase in costs were not on record.

3.5 Operational performance

3.5.1 Physical performance

The physical performance of the region as detailed in the table given on the next page, under various categories, would reveal that the region maintained almost the same level of performance as achieved by the Corporation, as a whole.

| | Fleet Utili- sation percentage | Load factor perce- ntage | Staff bus ratio | Km.run per litre H.S.D. | Vehicle produc- tivity in Kms. |
|--|--------------------------------------|-----------------------------------|-----------------------|-------------------------------|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| I. Physical perform- ance of the region | | | | | |
| 1985-86 | 84 | 69 | 8.22 | 4.27 | 156 |
| 1986-87 | 84 | 75 | 8.21 | 4.34 | 192 |
| 1987-88 | 86 | 64 | 8.42 | 4.28 | 225 |
| 1988-89 | 89 | 67 | 7.23 | 4.53 | 222 |
| 1989-90 | 91 | 65 | 7.32 | 4.50 | 252 |
| II. Performance of the Cor- poration as a whole | | | | | |
| 1985-86 | 76 | 73 | 8.53 | 4.30 | 213 |
| 1986-87 | 84 | 74 | 8.10 | 4.35 | 222 |
| 1987-88 | 88 | 64 | 8.13 | 4.45 | 238 |
| 1988-89 | 88 | 64 | 7.7 | 4.49 | 248 |
| 1989-90 | 89 | 66 | 8.01 | 4.50 | 250 |

Note:- 1. Fleet utilisation percentage represents the percentage of on road buses to average number of buses held by the region.

-
2. Load factor represents the percentage of total passenger kilometres availed to totalseat kilometers offered.
 3. Vehicle productivity in kms represents per day / km run by a bus.

It would be seen from the table given on the previous page that -

(i) Average fuel consumption per litre in the region varied widely year after year and increased from 4.27 Km per litre in 1985-86 to 4.50 Km per litre in 1989-90. However, remedial steps, if any, taken by the Corporation were not on record.

(ii) The Corporation has not fixed any norms in respect of average distance to the covered per day for its buses, so as to ensure maximum utilisation of fleet. However, the productivity of vehicles in the region was lower as compared to the productivity achieved by the Corporation as a whole lduring the four years up to 1988-89 though it slightly improved during 1989-90.

3.5.2 Fleet position

As on 31st March 1990, the region had a fleet strength of 469 buses. Of these 469 buses, 144 buses (31 per cent) were more than 8 years old, 65 buses (14 per cent) were more than 5 years old but less than 8 years and 260 buses (55 per cent) were less than 5 years old.

The Corporation had prescribed in 1987 that a bus should be renovated after it had covered 3 lakh kms, and replaced on covering 5.25 lakh kms. The Composition of buses in terms of kms. operated as on 31st March 1990 was as under :

| Kms covered | Number of buses |
|-------------------------|-----------------|
| Over 5.25 lakh kms | 61 |
| 3 lakh to 5.25 lakh kms | 277 |
| 2 lakh to 3 lakh kms | 78 |
| Below 2 lakh kms | 53 |

As on 31st March 1990, the Region had 61 buses (13 per cent) which had completed their prescribed life but had not been replaced. There were 338 buses in the region as on 31st March 1990 which had covered more than 3 lakh kms, but of these only 36 buses had undergone renovation resulting in frequent curtailment of scheduled trips, as discussed in paragraph 5.5 supra.

3.5.3 Fleet utilisation

The Corporation has not fixed any norms in respect of off-road buses. The following table indicates the details of fleet utilisation during each of the five years up to 1989-90 :

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|---|---------|---------|---------|---------|---------|
| | 1 | 2 | 3 | 4 | 5 |
| 1. Average number of buses held during the year | 386 | 403 | 425 | 473 | 478 |
| 2. Average number of buses on road per day | 324 | 339 | 365 | 421 | 437 |
| 3. Average number of buses off-road | 62 | 64 | 60 | 52 | 41 |
| 4. Percentage of off-road buses to buses held | 16.06 | 15.88 | 14.11 | 10.99 | 8.58 |
| 5. Total gross kilometers | 183.35 | 238.77 | 298.11 | 341.16 | 406.00 |
| 6. Total revenue kms operated | 145.89 | 216.72 | 275.41 | 331.35 | 389.63 |

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| | 1 | 2 | 3 | 4 | 5 |
|--|------------|-------|-------|------|-------|
| 7. Dead Kilometers | 37.46 | 22.05 | 22.70 | 9.81 | 16.37 |
| | (Per cent) | | | | |
| 8. Percentage of dead kms to gross kms. | 20.44 | 9.23 | 7.61 | 2.88 | 4.03 |

Note : The figures under total revenue kms operated do not include revenue kms operated by taxis.

A graph showing dead kilometers in the region during each of the five years up to 1989-90 is given in figure-4.

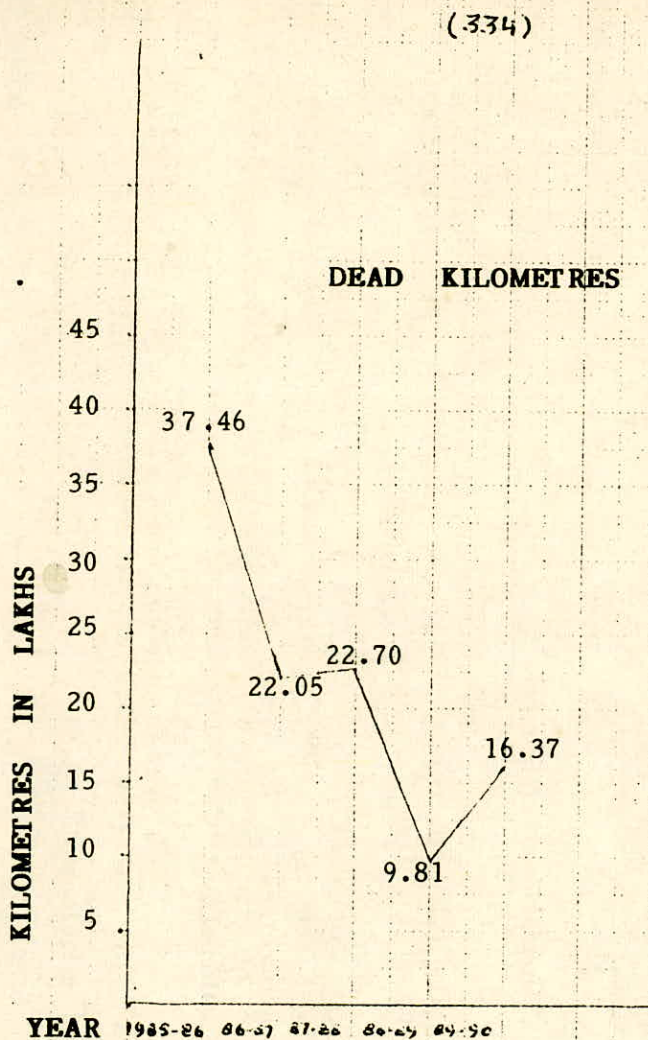


FIGURE -4
[Referred to in paragraph 3.5.3]

3.5.4 Operational efficiency

The following table gives the details of total operations of the region (of both hired and owned vehicles by the Corporation) during each of the five years up to 1989-90:

| | 1985-86 (| 1986-87 In | 1987-88 lakhs | 1988-89 | 1989-90) |
|----------------------------------|--------------|---------------|------------------|---------|--------------|
| Schedule kilometres | 279.48 | 303.85 | 366.08 | 416.53 | 516.20 |
| Effective kilometres operated | 177.89 | 235.00 | 294.24 | 331.35 | 392.75 |
| | | (Per cent) | | | |
| Operational efficiency | 63.65 | 77.34 | 80.37 | 79.55 | 76.08 |

The above table indicates that the operational efficiency which had improved to 80.37 per cent in 1987-88 again took a declining trend and was 76.08 per cent in 1989-90 resulting, inter alia, in increase of operating loss from Re.0.19 per effective km during 1987-88 to Re.0.40 in 1989-90. The reasons for fall in operational efficiency have not been analysed by the Management.

3.5 5 **Regularity**

The table on the next page gives depot-wise position of average scheduled trips and the trips actually operated during each of the five years up to 1989-90.

| Chunniganj (Vikas Nagar) | Fazalganj | Fatehpur | Unnao | Azad Nagar | Juhi |
|--------------------------------|-----------|----------|-------|---------------|------|
| 1 | 2 | 3 | 4 | 5 | 6 |

1985-86

| | | | | | | |
|---|------|---|------|------|------|------|
| Scheduled trips to be operated(in lakhs) | 0.58 | - | 0.46 | 0.48 | 0.81 | 1.20 |
| Actual trips operated (in lakhs) | 0.41 | - | 0.41 | 0.35 | 0.46 | 0.59 |
| Regularity percentage | 71 | - | 89 | 73 | 53 | 49 |

1986-87

| | | | | | | |
|--|------|---|------|------|------|------|
| Scheduled trips to be operated (in lakhs) | 0.54 | - | 0.52 | 0.67 | 1.17 | 1.48 |
| Actuals trips operated (in lakhs) | 0.44 | - | 0.44 | 0.45 | 0.89 | 1.03 |
| Regularity percentage | 81 | - | 85 | 67 | 76 | 70 |

1987-88

| | | | | | | |
|--|------|------|------|------|------|------|
| Scheduled trips to be operated (in lakhs) | 0.44 | 0.16 | 0.60 | 0.73 | 0.39 | 0.47 |
|--|------|------|------|------|------|------|

| | 1 | 2 | 3 | 4 | 5 | |
|---|------|------|------|------|------|------|
| Actual trips operated (in lakhs) | 0.39 | 0.13 | 0.56 | 0.61 | 0.29 | 0.41 |
| Regularity percentage | 89 | 81 | 93 | 84 | 74 | 87 |
| <u>1989-90</u> | | | | | | |
| Scheduled trips to be operated(in lakhs) | 0.38 | 0.42 | 0.61 | 0.81 | 0.43 | 0.33 |
| Actual trips operated (in lakhs) | 0.34 | 0.33 | 0.53 | 0.64 | 0.33 | 0.27 |
| Regularity percentage | 89 | 79 | 87 | 79 | 77 | 82 |
| <u>1989-90</u> | | | | | | |
| Scheduled trips to be operated(in lakhs) | 0.43 | 0.53 | 0.70 | 0.91 | 0.48 | 1.79 |
| Actual trips operated (in lakhs) | 0.31 | 0.36 | 0.58 | 0.71 | 0.33 | 1.14 |
| Regularity percentage | 72 | 68 | 83 | 78 | 69 | 64 |

It would be seen from the above table that percentage of trips operated to scheduled trips has generally declined in 1988-89 and 1989-90 in all the depots as compared to 1987-88.

The Management stated in September 1990 that the shortfall in actual operation of trips was generally due to non-availability of buses due to major technical defects, absence of crew, breakdown and diversion of buses to kumbh mela organised at Hardwar and Allahabad in the years 1986 and 1989 respectively.

The Management had not analysed the extent to which such curtailments were due to avoidable factors with a view to taking remedial action.

3.5.6 Diesel consumption

The Corporation fixed in September 1980 consumption norms of high speed diesel (HSD) at 5 kms per litre for buses plying on the plains.

The details of actual consumption of HSD vis-a-vis consumption of HSD as per norms in different depots of the region during the five years up to 1989-90 were as indicated on the next page.

| | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 |
|--|---------|---------|---------|---------|---------|
| 1. Total gross kms covered by Corporation buses (in lakhs) | 183.35 | 238.77 | 298.11 | 341.16 | 406 |
| 2. Total HSD consumed (litre in lakhs) | 42.93 | 54.93 | 69.55 | 75.23 | 90.10 |
| 3. Consumption of HSD as per norms (litres in lakhs) | 36.67 | 47.75 | 59.62 | 68.23 | 81.20 |
| 4. Excess consumption (2-3)(litre in lakhs) | 6.26 | 7.18 | 9.93 | 7.00 | 8.90 |
| 5. Average rate of HSD oil per litre (Rs.) | 3.59 | 3.83 | 3.79 | 3.79 | 3.79 |
| 5. Value of excess consumption (Rs. in lakhs) | 22.47 | 27.50 | 37.63 | 26.53 | 33.73 |

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The consumption of HSD in excess of the norms fixed by the Corporation aggregated to 39.27 lakhs litres valuing Rs.147.86 lakhs during the five years up to 1989-90.

Reasons for excess consumption of HSD over norms have not been analysed by the Management.

3.5.7 Performance of tyres

The following table indicates the average performance of the tyres for the five years up to 1989-90 against the prescribed norm of 1,10,000 kms per tyre (60000 kms for new tyre and 50000 kms after two retreadings):

| Year | Number of tyres replaced during the year | | Average life of tyres replaced | | Total |
|---------|--|-----------|--------------------------------|-----------|-------|
| | New | Retreaded | New | Retreaded | |
| | (in kilometers) | | | | |
| 1985-86 | 1835 | 1227 | 69898 | 21612 | 91510 |
| 1986-87 | 1984 | 1333 | 63682 | 28430 | 92112 |
| 1987-88 | 1865 | 2095 | 67475 | 23436 | 90911 |
| 1988-89 | 1946 | 2734 | 68531 | 30826 | 99357 |
| 1989-90 | 1860 | 2244 | 65383 | 29256 | 94639 |

It would be seen from the above that the average life of new tyres was higher

than the prescribed norm, but retreaded tyres failed prematurely.

There was nothing on record to show that the Management had analysed the reasons for premature failure of retreaded tyres.

3.5.8 Performance of batteries

The Corporation fixed in December 1986 the minimum life of 12-volt and 6-volt batteries as 24 and 15 months respectively. As against the above norms, a considerable number of batteries failed prematurely and had to be removed before rendering full service. The details of premature failure of batteries of 12-volt and 6-volt in the region during each of the five year from 1985-86 to 1989-90 are given on the next

| Voltage of batteries | Year | With in 3 mon-ths | More than 3 but less than 4 mon-ths | More than 4 but less than 6 mon-ths | More than 6 but less than 9 mon-ths | More than 9 but less than 12 mon-ths | More than 12 but less than 15 mon-ths | More than 15 but less than 18 mon-ths | More than 18 but less than 20 mon-ths | More than 20 but less than 24 mon-ths | Total |
|----------------------|---------|-------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 12 Volt | 1985-86 | 3 | - | - | - | 4 | 44 | 40 | 17 | 11 | 119 |
| | 1986-87 | 2 | - | 1 | 1 | 2 | 36 | 22 | 15 | 21 | 100 |
| | 1987-88 | 3 | - | 3 | 4 | 4 | 41 | 30 | 7 | 21 | 113 |
| | 1988-89 | 4 | 7 | 5 | 3 | 16 | 88 | 55 | 47 | 30 | 253 |
| | 1989-90 | -- | -- | -- | -- | -- | 105 | 71 | 43 | 101 | 320 |
| | | | | | | | | | | | <u>905</u> |
| 6 Volt | 1985-86 | 9 | 1 | 4 | 2 | 5 | 187 | -- | -- | -- | 208 |
| | 1986-87 | 3 | 3 | 3 | 10 | 21 | 203 | -- | -- | -- | 243 |
| | 1987-88 | -- | -- | -- | 2 | 13 | 86 | -- | -- | -- | 101 |
| | 1988-89 | -- | -- | -- | -- | -- | 2 | -- | -- | -- | 2 |
| | 1989-90 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | | | | | | | | | | | <u>554</u> |

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Premature failure of batteries in Kanpur region was attributed by the Management in December 1989 to non-cleaning of terminals, not filling of acid and water in required quantity and improper fixing of batteries. The General Manager accordingly ordered in December 1988 recovery of the proportionate cost of batteries from the staff responsible in case of premature failure of batteries. Neither the responsibility has been fixed nor recovery made so far (September 1990).

3.5.9 Performance of engines

A minimum service life of 4.5 lakh kms (3 lakh kms for new engines and 1.5 lakh kms after reconditioning) was fixed by the Corporation in December 1986 for an engine. During the five years up to 1989-90, 78 new and 241 reconditioned engines had to be removed due to premature failure. The table on the next page indicates the performance of engines removed during each of the five years up to 1989-90.

| Year | Less than 1 lakh kms (| 1 lakh kms and above but less than 2 lakh kms In | 2 lakh kms and above but less than 3 lakh kms numbers | 3 lakh kms and above) |
|------|------------------------------|---|--|------------------------------|
|------|------------------------------|---|--|------------------------------|

(a) New engines

| | | | | |
|---------|---|----|----|----|
| 1985-86 | 1 | 1 | 2 | 4 |
| 1986-87 | 2 | 10 | 14 | 9 |
| 1987-88 | - | 2 | 14 | 13 |
| 1988-89 | - | 3 | 10 | 17 |
| 1989-90 | - | 3 | 16 | 32 |

(b) Reconditioned engines

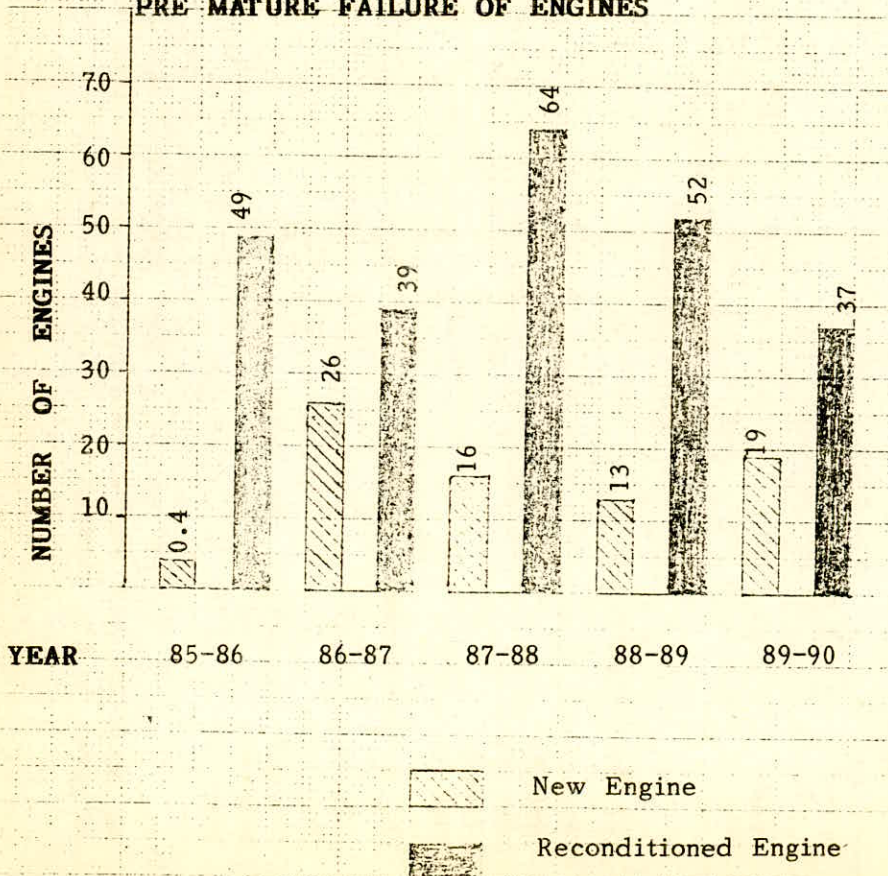
| | |
|---------|----|
| 1985-86 | 49 |
| 1986-87 | 39 |
| 1987-88 | 64 |
| 1988-89 | 52 |
| 1989-90 | 37 |

(345)

A graph showing the premature failure of new as well as reconditioned engines during each of the five years up to 1989-90 is given in the figure- 5.

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**FIGURE -5 [Referred to in paragraph 3.5.9]
PRE MATURE FAILURE OF ENGINES**



However the Management had not analysed (September 1990) the extent to which premature failure of engines was avoidable and various factors responsible for the same.

3.6 Excess consumption of paint

Maintenance of a vehicle after covering one lakh kilometers also require complete repainting of the bus body. The Corporation has, however, not fixed any norms for the consumption of paint per bus.

Number of buses maintained by the regional workshop after covering one lakh kilometers, quantity of paint consumed in repainting of bus bodies, and expenditure incurred on paint during each of the five years up to 1989-90 is tabulated on the next page.

| Year | Number of buses mai- ntained | Total quantity of paint consumed (in litres) | Consumption of paint per bus (in litres) | Total expend- iture on paint (Rs. in lakhs) | Expenditure per bus (in Rs.) |
|--------------|------------------------------------|---|---|--|--|
| 1985-86 | 102 | 1735 | 17.00 | N.A. | - |
| 1986-87 | 122 | 2460 | 20.16 | 1.92 | 1594.34 |
| 1987-88 | 125 | 2718 | 21.74 | 5.42 | 4337.82 |
| 1988-89 | 169 | 3145 | 18.60 | 1.91 | 1131.87 |
| 1989-90 | 184 | 4931 | 26.80 | 4.45 | 2420.29 |
| Total | 702 | 14989 | | 13.70 | |

Reasons for the wide variations in the paint consumed per bus in the five years were not analysed by the Management when the size of bus in the region had remained in the same and painting was done during the course of prescribed maintenance.

Taking the quantity of 17 litres of paint consumed per bus during 1985-86 as the basis, maintenance of 702 buses during the five years should have required 11934 litres against which 14989 litres of paint was actually consumed, resulting in excess consumption of 3055 litres of paint valuing Rs.2.78 lakhs.

3.7 Short recovery of burnt oil

In accordance with the provisions of Accounts Manual of the Corporation, 90 per cent of the engine oil, issued for oil change in vehicles, should be recovered in the shape of burnt oil.

The quantity of engine oil issued and burnt oil recovered thereagainst in different depots of the region during the period 1985-86 to 1989-90 is indicated on the next page.

| Name of the depot | Total engine oil issued | Quantity of burnt oil to be recovered @90 per cent | Burnt oil actually recovered | Short recovery | Per cent of recovery |
|--|-------------------------|--|------------------------------|-----------------|----------------------|
| | (| In | litres |) | |
| Chunniganj (Vikas Nagar) | 82,619 | 74,357 | 21,645 | 52,712 | 26.20 |
| Fatehpur | 86,783 | 78,105 | 24,181 | 53,924 | 27.36 |
| Unnao | 68,485 | 61,637 | 24,128 | 37,509 | 35.29 |
| Juhi | 63,550 | 57,195 | 16,394 | 40,261 | 26.65 |
| Azad Nagar | 73,059 | 65,753 | 19,966 | 45,787 | 27.33 |
| Fazalganj | 41,780 | 37,602 | 10,941 | 26,661 | 26.18 |
| Regional workshop up to 1986-87 | 4,483 | 4,035 | 2,512 | 1,523 | 56.03 |
| Regional workshop (1987-88 to 1989-90) | 16,288 | 14,659 | 21,069 | 6,410 | 129.35 |
| | 20,771 | 18,694 | 23,581 | (excess) | |
| Total | 4,37,047 | 3,93,343 | 1,41,376 | 2,58,377 | 32.35 |

(350)

Recovery of burnt oil was far below the prescribed norms of 90 per cent. Moreover the Corporation had not taken any action for reclamation of burnt oil, which was being auctioned as such.

Accounting of the burnt oil recovered in the regional workshop was not being done properly. The excess recovery during 1987-88 to 1989-90 was attributed to the mixing of 'C' oil which was recovered from rear axle, gear box, etc., without indicating the quantity of 'C' oil so mixed.

3.8 Regional workshop

3.8.1 The regional workshop undertakes preventive maintenance of vehicles after completion of one lakh kilometers and heavy repairs and reclamation of major spare parts after it completes three lakh kilometers. It has three production shops dealing with mechanical reconditioning, electrical reconditioning and body repair.

The production capacity of these shops have not been assessed/fixed (September 1990).

The Corporation prescribed in May 1980 the norm of 15 days for maintenance and repairs of buses after covering one lakh kilometers. The table given below indicates the number of buses maintained, buses detained in excess of 15 days and

percentages thereof during the five years ending 31st March 1990:

| Year | Number of buses maintained | Number of buses detained in excess of 15 days | Percentage of column (3) to column(2) |
|---------|----------------------------|---|---------------------------------------|
| (1) | (2) | (3) | (4) |
| 1985-86 | 102 | 87 | 85 |
| 1986-87 | 122 | 93 | 76 |
| 1987-88 | 125 | 96 | 77 |
| 1988-89 | 169 | 137 | 81 |
| 1989-90 | 184 | 115 | 63 |

It would be seen from the above table that the majority of buses were detained in the regional workshop beyond 15 days. The average time taken beyond 15 days in the regional workshop is given on the next page.

| Year | Up to 15 days | 16 to 30 days | 31 to 50 days | 51 to 75 days | 76 to 100 days | 101 to 150 days | 151 to 200 days | Above 200 days |
|---------|---------------------|------------------------|------------------------|------------------------|-------------------------|--------------------------|--------------------------|----------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1985-86 | 5 | 16 | 18 | 13 | 10 | 13 | 7 | 5 |
| 1986-87 | 16 | 21 | 19 | 20 | 12 | 2 | 2 | 1 |
| 1987-88 | 26 | 26 | 31 | 8 | 2 | 3 | - | - |
| 1988-89 | 66 | 48 | 15 | 4 | 3 | - | - | 1 |
| 1989-90 | 69 | 23 | 12 | 5 | 4 | 2 | - | - |

Non-observance of prescribed norms by the region resulted in a loss of revenue of Rs.42.95 lakhs, Rs.33.57 lakhs, Rs.25.89 lakhs, Rs.33.79 lakhs and Rs.24.02 lakhs during the years 1985-86, 1986-87, 1987-88, 1988-89, and 1989-90 respectively for the vehicle days lost.

Management stated (Septemeber 1990) that due to non-availability of spare parts in time, repairs of badly damaged body takes excess time beyond norms. The reply is not tenable since the region was carrying a large inventory of spares and most of the buses were coming in normal and due preventive maintenance.

3.8.2 Detention of buses in depots workshops for maintenance - loss of revenue

The depot workshops are meant for routine maintenance and therefore, bus checking in the workshops must be brought on road within three days period, as per norms prescribed by the Corporation. It was seen in Audit that as many as 425 buses of the region were detained in the depot workshops beyond the specified three days period, resulting in loss of revenue of Rs.37.37 lakhs during the five years up to 1989-90, as detailed on the next page.

| Year | Number of buses detained | Detention beyond three days period | Average distance operated per bus per day (Kms) | Curtailement in kms. | Loss of revenue (Rs. in lakhs) |
|--------------|--------------------------|------------------------------------|---|----------------------|--------------------------------|
| 1985-86 | 27 | 992 | 156 | 1,55,532 | 6.20 |
| 1986-87 | 86 | 946 | 192 | 1,81,632 | 6.85 |
| 1987-88 | 80 | 871 | 225 | 1,95,972 | 7.37 |
| 1988-89 | 115 | 1092 | 222 | 2,42,424 | 9.43 |
| 1989-90 | 117 | 761 | 252 | 1,91,772 | 7.52 |
| Total | 425 | 4667 | | 9,67,332 | 37.37 |

Detention of buses beyond the specified period was attributed by the Management, in March 1990, to non-availability of material, shortage of workers and delay in issue of Road Worthiness Certificate. The reply is not acceptable as these factors could have been well controlled with adequate planning and monitoring by the concerned officers/officials.

3.9 Delay in sending new buses on road

As per the Corporation's policy a new bus should be put on road on the same day on which it is received from workshop or any private fabricator. Abnormal delays, in putting the vehicles on road, were noticed in Audit resulting in loss of revenue aggregating RS.13.92 lakhs during the five years up to 1989-90, as detailed on the next page.

| Year | Numb- er of buses recei- vaed | Number of days <u>delayed</u> | | | Total num- ber of days dela- yed | Aver- age dist- ance oper- ated per day per bus (In Km) | Operat- ing revenue per km. (in Rs.) | Amount of loss suffered (Rs.in lakhs) | |
|------------|---|----------------------------------|--------------|---------------|--|--|--|---|---|
| 1 | 2 | 3-7 days | 8-15 days | 15-30 days | 5 | 6 | 7 | 8 | 9 |
| 1985-86 | 75 | 41 | 22 | 1 | 399 | 156 | 3.99 | 2.48 | |
| 1986-87 | 58 | 28 | 3 | 5 | 202 | 192 | 3.77 | 1.46 | |
| 1987-88 | 93 | 27 | 54 | 12 | 876 | 225 | 3.76 | 7.41 | |
| 1988-89 | 58 | 41 | 6 | -- | 185 | 222 | 3.89 | 1.59 | |
| 1989-90 | 30 | 18 | 6 | -- | 100 | 252 | 3.92 | 0.98 | |
| Total..... | | | | | | | | 13.92 | |

The Management stated in September 1990 that delay had been caused due to time taken in completion of registration formalities.

3.10 Checking of buses on routes

With a view to ensuring a minimum income per kilometre and to avoiding ticketless travelling on buses, the Corporation prescribed in January 1987 norms for checking of buses on routes by different checking staff.

A test check in Audit (July 1990) for the period of four months (March 1989 to June 1989) revealed the position on the next page.

| Designation of checking staff | Total number of buses to be checked as per norms | Number of bus- actua- lly ch- ecked | Percent- ages of column 3 to column 2 | Number of days for check- ing as per norms | Days of act- ual che- cking | Perce- ntages of column 6 to column 5 |
|-------------------------------------|--|---|---|---|--|---|
|-------------------------------------|--|---|---|---|--|---|

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|--------|-------|--------|------|-------|-------|
| Assistant Traffic Inspectors (1375x22x4) | 121000 | 19794 | 16.36 | 2200 | 940.5 | 42.75 |
| Traffic Inspectors (1375x6x4) | 33000 | 4191 | 12.7 | 6000 | 115.5 | 19.25 |
| Traffic Superinten- dents (900x3x4) | 10800 | 184 | 1.70 | 240 | N.A. | -- |
| Assistant Regional Managers (150x2x4) | 1200 | 1412 | 117.67 | 120 | 79 | 65.83 |

Above table would reveal that the actual checking of buses as well as actual number of days of checking were far below the prescribed norms.

Due to inadequate checking of buses on routes by the inspecting staff, cases of loss of revenue/embezzlement cannot be ruled out. A few such cases detected during scrutiny of way bills by the Central Checking Cell of the headquarters of the region are detailed in the table given on the next page.

| Name of the conductor | Depot | Route | Date/ month in which irregularity committed | Amount involved (Rs.) | Brief particulars of irregularity |
|-----------------------|-----------------|----------------------------|---|-----------------------|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Sri P.C. Yadav | Chunni- ganj | Kanpur- Delhi | Janu- ary 1990 | 13,761 | Cutting, erasing, overwriting the amount and number of passengers in the way bills. |
| Sri B.S. Gupta | Juhi | Kanpur- Lucknow | Sept- ember -Oct- ober 1987 | 14,945 | -do- |
| Sri P.N. Pandey | Fazal- ganj | Kanpur- Lucknow | Nove- mber 1988 | 58,745 | -do- |
| Sri G.D. Pandey | Unnao | Lucknow -Gorakh- pur | Janu- ary 1985 to July 1985 | 38,467 | -do- |

| 1 | 2 | 3 | 4 | 5 | 6 |
|------------------|----------------|----------------------------|-------------------|-------|--|
| Sri S.N. Sharma | Not avail-able | Not avail-able | Not avail-able | 3,675 | Cutting, erasing, overwriting the amount and number of passengers in the way bills |
| <u>1,29,593</u> | | | | | |
| Sri K.K. Jaiswal | Unnao | Unnao- Kanpur- Gorakh- pur | 9.4.85 to 15.4.85 | 1,947 | Forgery in tickets |
| <u>1,31,540</u> | | | | | |

A test check of 36 reports, filed by the inspecting staff, revealed the following type of malpractices (amount indeterminable) committed by the conductors -

- charging the fares from the passengers but not issuing tickets to them,
- issuing forged tickets to passengers,
- issuing the same ticket already used by a passenger.

The revenue so earned was pocketed by the conductors themselves.

3.11 Inventory holding

Against the prescribed limit for holding of inventory at the rate of Rs.6000 worth of spares/materials per running vehicles, the inventory maintained by the region during the last five years up to 1989-90 was far in excess of the limit as detailed below :

| Year | Number of running vehicles | Inventory as on 31st March each year | Maximum limit of inventory as per norms | Invent- tory in excess of the maxi- mum limit |
|------|----------------------------|--------------------------------------|---|---|
| | (| Rupees in | lakhs |) |
| 1 | 2 | 3 | 4 | 5 |

| 1 | 2 | 3 | 4 | 5 |
|---------|-----|-------|-------|-------|
| 1986-87 | 339 | 59.63 | 20.34 | 39.29 |
| 1987-88 | 365 | 81.72 | 21.90 | 59.82 |
| 1988-89 | 421 | 77.37 | 25.26 | 52.11 |
| 1989-90 | 437 | 71.39 | 26.22 | 45.17 |

No reasons for accumulation of such a huge quantity of inventory, which was more than two and half time of the prescribed limit, were on records. Moreover no lists of obsolete/surplus parts were maintained in the region.

3.12 Condemnation and auction of buses

As per norms fixed by the Corporation in 1970, a bus should be replaced after it had covered 4.8 lakh kms. The above limit was raised to 5.25 lakh kms (including renovation) in August 1987. Condemnation and disposal of vehicle should be made after completion of the prescribed economic life. During May 1985 to February 1990, 187 buses were condemned. The following points were noticed in Audit (March 1990) :

- (1) 71 buses were disposed of before completion of their prescribed life. These buses had covered 1.5 lakh to 5.25 lakh kms.

(2) 59 buses were condemned/auctioned without carrying out any renovation.

(3) 4 buses of Juhi depot were auctioned (August 1986) for a sum of Rs.1.14 lakhs on which spares valuing Rs.1.30 lakhs were issued during March 1986 to May 1986 for their repairs, but did not ply even for a day after repair.

3.13 Loss due to non-availing of subsidy

With a view to overcome the difficulties faced by industrial units due to irregular electric power supply, Government decided in May 1980 to give subsidy of 25 per cent of the cost of diesel generating sets purchased by the industrial units. The scheme was implemented by Uttar Pradesh Financial Corporation (UPFC) as an agent of Government in May 1982. In May 1985 Government decided to give this subsidy at the rate of Rs.500 per KVA to large and medium units.

Three diesel generating sets (one DG set of 30 KVA and two DG sets of 66 KVA) valuing Rs.2.99 lakhs were purchased by the region in April 1987. The Corporation had not made any claim to avail of the subsidy of Rs.0.81 lakh till February 1990. Reasons for not claiming the subsidy were not found on record.

3.14 Sundry debtors

The table given below indicates the position of book debts at the end of each of the five years up to 1989-90.

| As on 31st March | DEBTS DUE FROM | | Total book debts |
|---------------------|--|--------------------|------------------------|
| | (Rs. in lakhs) | | |
| | Government departments/ undertakings | Private parties | |
| 1986 | 11.05 | 3.44 | 14.49 |
| 1987 | 10.74 | 9.52 | 20.26 |
| 1988 | 14.64 | 28.47 | 43.11 |
| 1989 | 18.44 | 47.72 | 66.16 |
| 1990 | 23.62 | 44.25 | 67.87 |

It would be seen from the above that there was an increasing trend of book debts. However, age-wise analysis of the book debts has not been made.

Though according to the policy of the Corporation, no credit facility was to be allowed to private parties, yet a sum of Rs.44.25 lakhs was outstanding against private parties, of which Rs.39.30 lakhs was outstanding against one party only on account of hire charges of buses/taxis. Effective action taken for recovery of dues was not intimated.

3.15 Accidents

The following table indicates the number of accidents, persons injured, deaths and amount of compensation paid to the victims of accident in each of the five years up to 1989-90 :

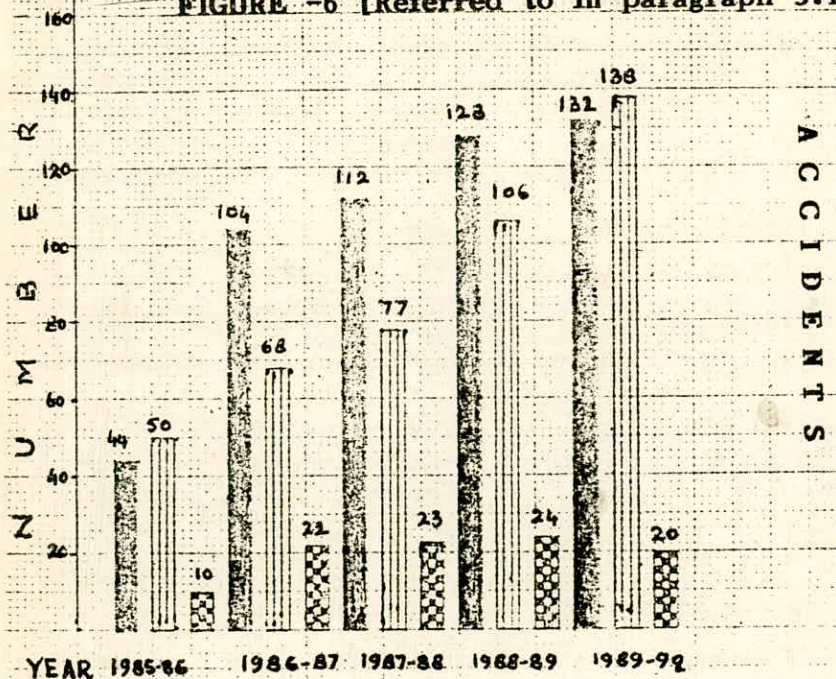
| Year | Number of acc- idents | Number of persons injured | Number of deaths | Amount of comp- ensation paid(Rs. in lakhs) |
|---------|-----------------------------|------------------------------------|------------------------|---|
| 1985-86 | 44 | 50 | 10 | 7.97 |
| 1986-87 | 104 | 68 | 22 | 6.90 |
| 1987-88 | 112 | 77 | 23 | 3.32 |
| 1988-89 | 128 | 106 | 24 | 14.41 |
| 1989-90 | 132 | 138 | 20 | 12.02 |
| | <hr/> 520 <hr/> | <hr/> 439 <hr/> | <hr/> 99 <hr/> | <hr/> 44.62 <hr/> |

A graph showing the position of accidents during the five years up to 1989-90 is given in figure-6.

The above table indicates an increasing trend of accidents in the region and a regrettable increase in the number of casualties. An analysis of 341 cases of accidents in Audit revealed that the deployment of drivers on daily wages instead of regular drivers (58) and operation of long distance routes by single crew (189) were the two factors mainly responsible for accidents.

(368)

FIGURE -6 [Referred to in paragraph 3.15]



Number of Accidents



Number of Injured

Thus, besides loss and impairment of valuable human lives, the Corporation had also to make payments by way of compensation of Rs.44.62 lakhs in these five years.

3.16 Other topics of interest

3.16.1 Pallavan scheme

With a view to observing economy, improving efficiency and reducing loss, the Corporation appointed Pallavan Transport Consultancy Service Limited to study the working of the Corporation.

In December 1986, suggestions made by the consultants known as "Pallavan scheme" were partly implemented in the Corporation. Some of the salient features of this scheme were as under :

(a) Corporation was to be divided into 11 regions with an average fleet strength of 600-700 buses.

(b) After a reasonable period from the date of implementation of the said scheme, the regions were to be given autonomy by way of getting them registered under the Companies Act or State Road Transport Corporation Act and present headquarters was to act as a corporate office.

(c) Regional workshops were to be upgraded so as to be able to undertake

renovation work of buses after covering three lakh kms.

(d) New denomination ticket system to be introduced.

(e) Reorganised regions were to be placed under the charge of an officer of the rank of Deputy General Manager to be assisted by Manager (Personnel) and Assistant Regional Manager (MIS) (Personnel), (Operation), (Finance) and (Technical) for which posts were to be created besides the already existing post of Service Manager.

In August 1987, this scheme was implemented in the Kanpur region, and some depots of Etawah region were merged with Kanpur and some with Agra region. One post of Deputy General Manager and four posts of Assistant Regional Manager were sanctioned and operated for Kanpur region. In February 1988, depots of Etawah region were separated, reducing the fleet strength of the Kanpur region to 425. It was, however, observed that the additional posts created to implement the "Pallavan scheme" in the reorganised region continued despite separation of depots of Etawah region and consequent reduction in the fleet strength. Moreover the regional workshop was also not upgraded to undertake renovation work of buses nor were steps taken for the eventual autonomy of the region as envisaged under the scheme. Continuance of one post of D.G.M. and four posts of A.R.Ms. operated extra without

implementing the other features of the scheme, resulted in extra expenditure of Rs.4.08 lakhs for the year 1988-89 and 1989-90 on account of pay and allowances of these officers.

3.16.2 Non-settlement of account with treasury

In the books of accounts an amount of Rs.21 lakhs pertaining to the period prior to the formation of the Corporation has been shown lying unclaimed in the Kanpur treasury.

As a result of non-realisation of this amount from the treasury, the Corporation has already incurred a loss of interest of over Rs.35 lakhs on this amount from December 1980 to March 1990 at the rate of 18 per cent per annum. As per reply of the Management, a bill for Rs.2.53 lakhs as verified by the Treasury Officer was presented at the treasury for withdrawal which was still awaited (September 1990).

Similarly a sum of Rs.5.02 lakhs lying under suspense for the last several years has not been reconciled (September 1990).

The above matters were reported to Government in December 1990; their replies had not been received (March 1991).

CHAPTER - IV

4. MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

SECTION 4A -GOVERNMENT COMPANIES

SECTION 4B -GOVERNMENT CORPORATIONS

CHAPTER IV

MISCELLANEOUS TOPICS OF INTEREST

SECTION 4A

GOVERNMENT COMPANIES

4A.1 U.P. STATE MINERAL DEVELOPMENT CORPORATION LIMITED

4A.1.1 Installation of a stone crusher

Under a programme for development of Chopan mines approved by the Board of Directors of the Company in April 1984, a stone crusher for producing two composite sizes of grits, viz., +25mm and -25mm was installed and commissioned at Bhalua in May 1987 at a total cost of Rs.44.32 lakhs. No stone, was, however, crushed and no grit produced from the crusher from the date of its commissioning on the ground that there was no demand in market for the two composite sizes of grit for which the crusher was installed. In fact, out of the 1500 MT of grit produced during the trial run of the crusher on 24th May 1987, 600 MT were still lying at site as the same could not be sold till date (September 1990). The General Manager (Technical) of the Company proposed in November 1989 for major modifications in the crusher for producing four composite sizes of grit in the sizes of -6mm, +6 to 12mm, +12 to -25mm and +25 to -65mm. The Board of Directors approved

in August 1990 the proposed modifications costing Rs.33.15 lakhs. Implementation of the modification scheme was in the initial stages as up to October 1990, only inspection of the existing crusher had been done by the original suppliers of the crusher for carrying out the proposed modifications.

There was nothing on record to show whether marketability of the two composite sizes of grits had been surveyed or assessed by the Company before incurring expenditure of Rs.44.32 lakhs on the purchase and installation of the crusher which had been lying idle since its commissioning in May 1987.

Thus, purchase and installation of the crusher initially in May 1987 for production of the two composite sizes of grits, the marketability of which was not sustainable, resulted in an idle investment of Rs.44.32 lakhs and consequential loss of interest of Rs.21.20 lakhs on the idle investment at the rate of 14 per cent per annum during the period from June 1987 to date (October 1990).

The matter was reported to the Management and Government in November 1990, their replies had not been received (March 1991).

4A.1.2 Installation of a weighbridge

The Company purchased in February 1986 one weighbridge of 30 tonnes capacity at a total cost of Rs.2.69 lakhs and installed the same at Bhalua mines in September 1986 at a further cost of Rs.0.52 lakh. However, the weighbridge could not be utilised so far (October 1990), since after installation of the weighbridge, orders for supply of track stone ballast were received by the Company only from the Railways who made the payments for the stone ballast on the basis of volumetric measurement and consequently payments to stone raising, transportation and loading contractors were also released by the Company on the basis of volumetric measurements with a view to avoiding any dispute regarding quantities supplied to the Railways.

The decision to instal the weighbridge at the Bhalua mines was taken by the Production Committee on the ground that installation of weighbridge would ensure delivery of exact quantities of limestone from the Company to Dalla cement factory of U.P.State Cement Corporation Limited (UPSCCL) and also that the payments by the Company to raising, transportation and loading contractors would be on the basis of actual quantities handled instead of an estimated basis. In this connection, it may be mentioned that UPSCCL had its own arrangements to meet their requirements of limestone but due to certain temporary constraints they decided

to purchase only a part of their requirements of limestone from the Company. Accordingly the agreement executed in May 1984 with the Company was for supply of 65000 tonnes limestone during a period of one year, to be extended, if necessary, for further period of one year. Purchase of limestone from the Company was discontinued by UPSCCL from August 1986 before installation of the weighbridge. The customary system of measurement in the trade of stone materials is generally volumetric except in such cases where stone materials are used as raw materials in production of finished goods. Thus, the purchase and installation of the weighbridge without proper assessment of its further requirements resulted in an avoidable expenditure of Rs.3.21 lakhs without any benefit thereof accruing to the Company.

The matter was reported to the Management in September 1988 and to Government in November 1990; their replies had not been received (March 1991).

4A.2 UTTAR PRADESH INSTRUMENTS LIMITED**Avoidable expenditure on power**

With a view to meeting the excess load demand for production of magnetos etc., for Scooters India Limited, the Company got sanctioned in May 1978 an additional load of 134 KVA thereby increasing its load from 160 KVA to 294 KVA. Production of the magnetos was permanently discontinued by the Company from October 1983 but simultaneous action to get its power load reduced to 160 KVA was not taken until it was pointed out by Audit in December 1989, that the avoidable expenditure was being borne by the Company on account of excess demand charges.

The tariff of the Uttar Pradesh State Electricity Board (UPSEB) for industrial consumers having a contract demand of more than 75 KW (88 KVA) provides for levy of demand charges, apart from energy consumption and other charges, on the basis of actual maximum demand during the month or 75 per cent of the contracted demand whichever is higher. Since actual maximum demand for power of the Company in each month during the period from April 1985 to October 1990 for which the records were made available to Audit, ranged only between 72.5 KVA and 160 KVA, the Company had to make avoidable payment of Rs.3.42 lakhs for that period on account of demand charges due to non-reduction of power load from 294

KVA to 160 KVA.

The Company moved its application to the Board in March 1990 for reduction of the load from 294 KVA to 160 KVA which has not been sanctioned by the Board so far (October 1990). The Management stated in September 1990 that they had been submitting certain proposals for rehabilitation/diversification to the State Government from time to time for approval and release of funds but none of the proposals was cleared by the Government and finally they applied for reduction of the load in March 1990.

It may be stated that additional load as and when required could have again been got sanctioned at a later stage.

The matter was reported to the Government in December 1990; their reply had not been received (March 1991).

4A.3 MERRUT MANDAL VIKAS NIGAM LIMITED

Avoidable expenditure on power

The Company established a rice mill at Rohalki (district Hardwar) and obtained power connection (November 1983) of 150 BHP (112.50 KW) instead of 70 BHP (52.5 KW) required as per feasibility report of the mill. The power load, was, however, got reduced by the Company to 70 BHP in June 1988. The actual power demand in each month of the mill during April 1985 to June

1985 and September 1985 to May 1988 for which the records were made available to Audit ranged between 7.5 BHP (10 KW) and 36.5 BHP (49 KW). Since the tariff of the UPSEB applicable to industrial consumers for power load up to 100 BHP came under small and medium power consumers and accordingly attracted a lower tariff, the Company had to pay electricity charges at higher tariff applicable to large and heavy power consumers up to May 1988 resulting in an avoidable expenditure of Rs.2.02 lakhs.

In November 1990, the Management stated that the excess power load was taken by the Project Manager at his discretion who was no more in the service of the Nigam.

The matter was reported to Government in December 1990; their reply had not been received (March 1991).

4A.4 GORAKHPUR MANDAL VIKAS NIGAM LIMITED

Purchase of diesel engines

The Company had, from time to time, been supplying diesel engines to farmers under Integrated Rural Development Programme. In July 1987, the Company invited tenders for purchase of engines from manufacturers/distributors/dealers. Four offers received in August 1987 against the tender enquiry were not considered for no reasons on record. On the basis of an offer received in November

1987 from another firm (Parry and Company Limited, New Delhi) with reference to their discussions held with the Chairman and Managing Director of the Company in November 1987, the Company placed orders in December 1987 for supply of 200 engines of 6.5 HP (25), 8 HP (150) and 10 HP (25) on the New Delhi firm without ascertaining farmers' demand and choice for various makes of engines. The engines were supplied in April/May 1988 at a cost of Rs.13.89 lakhs of which only 78 engines valuing Rs.5.38 lakhs were sold for Rs.5.90 lakhs up to September 1990. The remaining 124 engines costing Rs.8.51 lakhs were lying unsold (October 1990) because of lack of farmers' demand for that brand of engines. Thus, apart from irregular purchase of the engines, an amount of Rs.8.51 lakhs remained blocked in the unsold engines resulting in avoidable interest liability of Rs.2.81 lakhs at the rate of 16.5 per cent per annum after allowing six months time for sale. Moreover the warranty period of 12 months from the date of despatch of the engines has also expired on the unsold engines.

The Management stated in November 1990 that the engines of Parry makes were new for the area and hence were not being readily picked up by the farmers.

As the engines of Parry makes were new for the area, the Company, instead of making bulk purchases of 200 engines, would have gone for a lower quantity initially.

The matter was reported to Government in December 1990; their reply had not been received (March 1991).

**4A.5 UTTAR PRADESH STATE HORTICULTURAL
PRODUCE MARKETING AND PROCESSING
CORPORATION LIMITED**

Purchase of trollies

With a view to providing employment opportunity to unemployed youths by deploying them for sale of the Company's produce on trollies, the Company purchased 50 trollies during September 1987 to January 1988 at a cost of Rs.2.07 lakhs. The Company obtained a loan of Rs.1.49 lakhs during September 1987 to January 1988 from a bank repayable in 37 quarterly instalments with interest at 15 per cent per annum for the purpose. The Company had repaid only three instalments of Rs.0.04 lakh each and interest of Rs.0.05 lakh by October 1990. Of the 50 trollies purchased, 24 trollies were allotted to sale centres at Hapur and Allahabad and the remaining 26 trollies were allotted to the sales centres at Lucknow. While the trollies allotted for the Hapur and Allahabad centres were not used at all, those allotted for the Lucknow centre were used for three months only during November 1987 to January 1988 and sales proceeds from the 26 trollies during those three months amounted to Rs.0.12 lakh only. Since the purpose for which the trollies had been

purchased remained unfulfilled, the expenditure of Rs.2.84 lakhs (purchase of 50 trollies: Rs.2.07 lakhs and interest on the loan up to October 1990: Rs.0.77 lakh) had accordingly been rendered infructuous.

In March 1991, the Management of the Company stated that the trollies were purchased to promote sale of the products and also to generate employment but because of low production, sales could not take place.

Thus, the purpose for which the trollies had been purchased remained unfulfilled.

The matter was reported to Government in December 1990; their reply had not been received (March 1991).

4A.6 UTTAR PRADESH (MADHYA) GANNA BEEJ EVAM VIKAS NIGAM LIMITED

4A.6 Imprudent investment in production of a feature film

In December 1981, the Board of Directors of the Company accorded approval for production of a feature film - 'Agaman' - on cane co-operative movement and cane development. Loans of Rs.16.50 lakhs were obtained in December 1981 (Rs.12.00 lakhs) and January 1984 (Rs.4.50 lakhs) from the Uttar Pradesh Sugar Special Fund for the purpose. The loans were interest free for

a period of two years and were repayable in six half-yearly instalments after a period of two years from the date of drawal. The rate of interest was to be determined once the venture made profits and after the entire amount of loan investment was received back. However, the Company could repay only Rs.3.00 lakhs of the loan in January 1986. The feature film in four prints, each having 3866 metres length with screening duration of two and half hours, was produced by the Company during February 1982 to March 1983 at a cost of Rs.18.85 lakhs. The film was awarded 'U' certificate by Film Censor Board in March 1983 and was exempted from entertainment tax by the State Government in August 1983.

Three prints were exhibited in various cinema halls for public viewing during the period from October 1984 to September 1985 for a total number of 224 days earning a net revenue of Rs.3.04 lakhs, out of which sums aggregating Rs.0.71 lakh from six cinema exhibitors had not been realised by the Company (March 1991). These prints were returned by the cinema exhibitors to the Company in September 1985, May 1987 and January 1989 and were lying unused with the Company. Under the agreement executed in August 1985, the remaining fourth print was given to a film distributor of Ajmer in March 1986 who would be entitled to commission of 15 per cent of the net profit arrived at after deducting all expenses

including publiciity charges. The distributor deposited security of Rs.0.15 lakh. In July 1988, the distributor furnished to the Company a statèment of income and expenditure according to which the net loss on exhibition of the film for 33 days amounted to Rs.0.12 lakh. The film print was still with the distributor (March 1991). The Company has not been able to repay the balance loans of Rs.13.50 lakhs (March 1991).

The Management stated in April 1991 that though they approached the Government of Maharashtra for exemption of entertainment tax and sale of videò rights and also Director, Doordarshan Kendra, New Delhi for sale of the film, but the proposals were rejected by them.

Thus, the purpose of promoting cane co-operative movement and cane development by producing the said feature film remained unachieved largely.

The matter was reported to Government in December 1990; their reply had not been received (March 1991).

SECTION 4B

STATUTORY CORPORATIONS

UTTAR PRADESH STATE ELECTRICITY BOARD

4B.1 Short assessment of revenue due to application of incorrect tariff

4B.1.1 Para 4(a) of the Rate Schedule (HV-2) effective from February 1986 provides billing of World Bank tubewell consumers at Rs.60 per KVA as demand charges plus Re.0.60 per unit as energy charge. In case of unmetered supply, Note (i) below para 4, ibid provides rate of charge at Rs.53 per B.H.P. as demand charges plus Re.0.60 per unit as energy charges.

Four World Bank tubewell consumers, having an aggregate contracted load of 3402.5 B.H.P. and receiving unmetered supply, were billed under rate schedule LMV-8 instead of under HV-2 resulting in short charge of Rs.198.68 lakhs, as detailed on the next page, and loss of interest amounting to Rs.32.78 lakhs per annum thereon.

| (386) | | | |
|--|----------------|--------------------------------|--|
| Name of the division | Load (BHP) | Period of short charge | Amount short charged (Rupees in lakhs) |
| Electricity Distribution Division-II, Varanasi | 1225.00 | February 1986 to March 1990 | 75.78 |
| Electricity Distribution Division-I, Varanasi | 917.50 | July 1988 to March 1990 | 26.63 |
| Electricity Distribution Division Rudrapur | 460.00 | February 1986 to March 1990 | 30.91 |
| Electricity Distribution Division, Unnao | 800.00 | February 1986 to December 1989 | 65.36 |
| | 3402.50 | | 198.68 |

Divisional Officers, Varanasi stated (September 1990) that position regarding assessment and realisation would be intimated in due course. Divisional Officer, Rudrapur stated (January 1990) that prior to April 1989 billing was being done by the Haldwani Division which have been advised to raise revised bills while for the period April to December 1989 revised bills have been issued by the division. The Divisional Officer, Unnao assessed Rs.23.33 lakhs only during September 1990 and stated that the balance amount of Rs.42.03 lakhs would be assessed

shortly.

The assessment of balance amount and realisation of total short billed amount was, however, awaited (March 1991).

The matter was reported to the Board in June 1990/January 1991 and to Government in November 1990/January 1991; their replies had not been received (March 1991).

4B.1.2 Rate Schedule HV-2 applicable to large and heavy power consumers with effect from February 1986 provides for billing at the rate of Rs.60 and Rs.66 per KVA for demand charges and Re0.60 and Re.0.70 per Kwh for energy charges for non-continuous and continuous process industry respectively.

Three consumers running cold storage and one consumer producing chemical fertilizers under jurisdiction of Electricity Distribution Division I and II, Varanasi respectively, which were declared as continuous process industry under clause 4(v) and clause 15 of Rate Schedule HV-2, were billed at rates applicable to non-continuous process industry. Incorrect billing of these consumers, resulted in short billing of Rs.5.98 lakhs during the period from February 1986 to September 1989.

On being pointed out by Audit in October 1988, revised bills were issued by the divisional officer in November 1989, recovery of which was awaited (September

1990).

The matter was reported to the Board in March/July 1990 and to Government in November/December 1990, their replies had not been received (March 1991).

4B.2 Non-billing of revenue

4B.2.1 Non-billing of State tubewells

Rate Schedule LMV-8 applicable to State tubewells, pumped canals and lift irrigation provided the rate of charge per BHP per month at Rs.50/- up to January 1986 and Rs.78/- with effect from February 1986.

Twenty-four State tubewells under the jurisdiction of Electricity Distribution Division, Pratapgarh having load of 432.5 BHP were energised during August 1984 to January 1988. Bills for electricity charges were, however, not issued till date (February 1990) due to non-reporting of connected load by the consumer.

Thus, non-issue of bills resulted into non-recovery of revenue aggregating Rs.16.46 lakhs from August 1984 to February 1990 on which the Board has been incurring loss of Rs.2.72 lakhs per annum as interest at the rate of 16.5 per cent per annum.

stated (September 1990) that the matter was under correspondence with the consumer and bills would be issued after verification of load.

Billing and realisation of the amount was awaited (September 1990).

The matter was reported to the Board and Government in November 1990; their replies had not been received (March 1991).

4B.2.2 Independent feeder losses

The energy consumption of one heavy power consumer of Electricity Distribution Division IV, Moradabad with a sanctioned load of 3600 KVA, was being recorded at the outgoing independent feeder in addition to billable consumption recorded by the meter installed at the premises of the consumer. The difference between the readings recorded by two sets of meters for the period from December 1988 to March 1990 was as under :

| Consumption recorded by substation | Recorded by meters of consu- mers | Difference | Percent- age of loss |
|--|--|------------|----------------------------|
| (KWH) | (KWH) | (KWH) | (KWH) |
| 44,72,600 | 32,17,794 | 12,54,806 | 28.06 |

Reasons for the difference between

the readings recorded on the meter installed at the substation and billable consumption recorded on the meter installed at the consumer's premises were not available on record. This resulted in non-billing of Rs.11.07 lakhs (11.21 lakh units) during December 1988 to March 1990 after taking into account line losses at 3 per cent.

The Divisional Officer stated (September 1990) that information was being called from the field officers concerned and matter would be reported after receiving the same.

The matter was reported to the Board and Government in November 1990; their replies had not been received (March 1991).

4B.2.3 Non-billing of shunt capacitors surcharge

Para 7(d) of rate schedule (LMV-8) effective from November 1982 and subsequent clarification of July 1984 stipulates that the connections without shunt capacitors shall be provided shunt capacitors of appropriate ratings by the Irrigation Department latest by June 1985 in respect of loads above 5 BHP, failing which a surcharge of 5 per cent on the amount of bill shall be charged per month or part thereof from June 1985 and onwards up to the month the capacitors are installed.

It was noticed in Audit (September 1989) that two consumers under the jurisdiction of Electricity Distribution Division, Farrukhabad, having load of 2182.5 BHP and 2230 BHP respectively had not installed shunt capacitors. The Division had also not raised bills for shunt capacitors surcharge, resulting in the undercharge of Rs.8.09 lakhs for the period July 1985 to September 1989.

In reply Divisional Officer stated that 5 per cent shunt capacitor surcharge was since being regularly charged and that bills for Rs.6.25 lakhs only have been raised (September 1990). Billing of balance amount (Rs.1.84 lakhs) and realisation of total amount (Rs.8.09 lakhs) is awaited (September 1990).

The matter was reported to the Board and Government in November 1990; their replies had not been received (March 1991).

4B.3 Undue favour to a consumer

The Board order dated 6th July 1978 provided that the facility of independent feeder to consumers having loads above 100 H.P. may be given on the condition that the cost of the feeder as well as switchgear to be provided at the start of the feeder would be borne by the consumer and paid in advance.

An estimate amounting to Rs.4.96 lakhs was sanctioned by the Executive Engineer,

Electricity Distribution Division, Kannauj, for giving supply to a cold storage, having a sanctioned load of 150 H.P. The estimate included the cost for construction of an independent line and for providing an 11 KV switchgear at the start of the feeder. On being communicated (February 1987) the terms and conditions for the supply of power, the consumer stated (March 1987) that because of the onset of the peak season for the cold storage, his need was urgent and accordingly requested for the supply to be given to him from the existing 11 KV mixed feeder line. He also desired that the construction of the independent line could be taken up at a later date after recovering the cost from him. The revised estimate for Rs.0.75 lakh was, therefore, sanctioned by the Executive Engineer, out of which the consumer was required to pay Rs.0.29 lakh. The consumer deposited his share (March 1987) and an agreement was executed on 10th March 1987. The connection was released to the consumer in April 1987.

Instead of asking the consumer to deposit the amount in advance as per the estimate prepared for construction of an independent line (including the cost of switchgear), the Division framed another estimate for a notional value of Rs.99,897 for the existing 11 KV line from which supply was being maintained, constructed in 1972-73 under the Rural Electrification Corporation Scheme, by the erstwhile Rural Electrification Division, Farrukhabad as the actual cost

was not known to the Division. This line was declared as an independent line for exclusive use of the consumer. The consumer deposited the notional estimated amount on 23rd July 1987 and the line was, simultaneously, treated as an independent line to him. The cost of the line including the cost of the switchgear provided at the start of line at current issue rates (1987-88) amounted to Rs.4.45 lakhs. The Chief Engineer (RESPO) opined in March 1990 that it was not possible to convert a rural feeder constructed under REC scheme into an independent feeder at the request of the consumer. Moreover, the entire cost of an independent feeder at the current issue rates should be borne by the consumer.

The action of the Division has resulted in undue favour to the consumer to the extent of Rs.3.45 lakhs.

The matter was reported to the Board in August 1989 and to Government in December 1990; their replies had not been received (March 1991).

4B.4 Import of grinding ring sets

Harduaganj Thermal Power Station placed an order in October 1986 on Firth Brown Castings Limited, England for supply of six sets each of top and bottom grinding rings and grinding balls at CIF value of Rs.82824 (Rs.17.86 lakhs). The goods shipped on 11th April 1987 were received at Bombay

port on 10th May 1987. The consignment was got cleared by the clearing agent in December 1987 after repayment of customs duty of Rs.25.47 lakhs and demurrage charges of Rs.1.47 lakhs and the same was received in the project in January 1988.

In this connection following points deserve mention:

(i) Although the Management was telegraphically told by the supplier on 18th April 1987 that the goods had been shipped on 11th April 1987, and shall be reaching Bombay port on 10th May 1987, prompt action was not taken for clearance and consequently the material which arrived at Bombay port in May 1987 could be cleared only in December 1987, resulting in an avoidable payment of detention charges of Rs.1.23 lakhs and watch and ward charges of Rs.0.24 lakh for the period May 1987 to December 1987.

(ii) The supply order was for CIF value, inclusive of prepaid freight charges up to Bombay port by the supplier. However, the clearing agents were paid Rs.0.59 lakh towards sea freight.

(iii) As per terms and conditions of the purchase order, grinding ring sets were guaranteed for 8000 running hours. However, there was no enabling provision in the purchase order to enforce the guarantee clause in case of premature failure of ring sets. All the six top and bottom ring sets were

installed during March to June 1988, of which five sets (proportionate landed value Rs.37.88 lakhs) broke in two pieces after running 564.45 to 1709 hours. Although the Board had asked in September 1988 the firm to replace the broken grinding sets, there had been no response from the firm (December 1990).

(iv) On taking delivery at the power house, four balls valuing Rs.0.60 lakh were found short. The claim lodged with the Railways in January 1988 was rejected in February 1988 on the ground that the said crate was originally booked for less weight than now claimed. The Management stated in March 1990 that a claim had been lodged with the insurance company; their response was, however, awaited (December 1990).

The matter was reported to the Board in December 1990 and to Government in January 1991; their replies had not been received (March 1991).

4B.5 Commissioning of substation equipments

In November 1980, the Board awarded a contract to a firm of Madras for erection, testing and commissioning of equipments of 400 KV substation Rishikesh at a total cost of Rs.15.25 lakhs. The contract stipulated the completion of entire work by December 1981. With a view to ensuring the completion of work by the scheduled date, the contract, inter alia, stipulated

that all the civil works and other related works at substation location were to be completed by the Board and a major portion of the equipments and materials were to be made available by the Board at the site atleast four months prior to schedule date of completion. The contract also provided that the cost of above works would remain firm up to schedule date of completion i.e. December 1981, beyond which, the Board was liable to compensate the firm towards wage escalation for the extended period in accordance with the formula specified in the contract if the extension in time was not due to reasons attributable to the firm.

Scrutiny of records revealed that owing to delayed completion of civil works and supply of equipments and materials by the Board, the firm could commence the work only in September 1981 and completed it in June 1985 rendering the Board liable for payment of escalation charges amounting to Rs.12.30 lakhs.

Similarly in another contract of November 1981 with a firm of Calcutta for erection, testing and commissioning of equipments of 400 KV substation Azamgarh at a cost of Rs.14.28 lakhs, the prices were firm up to June 1982, i.e., the scheduled

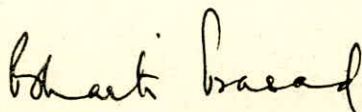
date of completion and beyond June 1982, if the delays were for reasons not attributable to the firm, the Board was liable to compensate the firm towards wage escalation for the extended period as per formula specified in the contract.

In this case also, owing to delayed supply of equipments and non-execution of civil works by the Board, the firm could start the work only in February 1984 and complete it in December 1987, rendering the Board liable to payment of escalation charges amounting to Rs.10.22 lakhs.

Delay in erection, testing and commissioning of equipments, due to non-completion of civil works and late supply of equipments by the Board, resulted in payment of escalation charges of Rs.22.52 lakhs by the Board in respect of Rishikesh (Rs.12.30 lakhs) and Azamgarh substations (Rs.10.22 lakhs).

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The matter was reported to the Board in April/December 1989 and to Government in November 1990; their replies had not been received (March 1991).



LUCKNOW
THE

(BHARTI PRASAD)
ACCOUNTANT GENERAL (AUDIT) II
UTTAR PRADESH

15 November 1991

Countersigned



NEW DELHI
THE

(C.G.SOMIAH)
COMPTROLLER AND AUDITOR
GENERAL OF INDIA

20 November 1991

ANNEXURE-1

List of companies in which Government have invested more than Rs.10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India.

(Referred to in Para 3 of Preface)

| Serial number | Name of the Company | Total investment up to 1988-89 (Rupees in lakhs) |
|---------------|------------------------------------|---|
| 1 | 2 | 3 |
| 1. | Triveni Metal Tubes Limited | 525.00 |
| 2. | U.P.Twiga Fibre Glass Limited | 62.02 |
| 3. | Haji Manzoor Alam Industry Limited | 26.51 |
| 4. | Upper Chem Limited | 27.10 |
| 5. | Synthetic Foams Limited | 29.72 |
| 6. | Ajanta Textile Limited | 19.50 |
| 7. | Poysha Industrial Company Limited | 13.50 |
| 8. | Basant Paper Mill Limited | 10.22 |
| 9. | Jain Sudh Vanaspati Limited | 13.37 |
| 10. | Magnesites and Minerals Limited | 11.08 |
| 11. | Somaya Organics (India) Limited | 18.89 |
| 12. | Shivalik Rasayan Limited | 14.48 |

(400)

| 1 | 2 | 3 |
|-----|--|-------|
| 13. | U.P.Straw and Agro Product Limited | 20.90 |
| 14. | Welga Food Limited | 48.98 |
| 15. | Aditya Chemical Limited | 25.00 |
| 16. | Modi Nagar Paper Mills Limited | 10.75 |
| 17. | Shree Bhawani Paper Mill Limited | 39.00 |
| 18. | Vam Organic Chemicals Limited | 38.50 |
| 19. | Belwal Spinning Mill Limited | 14.99 |
| 20. | Ganges Fertilizers and Chemicals Limited | 20.00 |
| 21. | Indo-Gulf Explosives Limited | 20.00 |
| 22. | Mayur Syntex Limited | 20.00 |
| 23. | Mittal Fertilizers Limited | 32.50 |
| 24. | Shiva Paper Mills Limited | 20.00 |
| 25. | Shree Acids & Chemicals Limited | 20.00 |
| 26. | Regal Polymers Limited | 15.00 |
| 27. | Best Boards Limited | 40.00 |
| 28. | More Water Pipes Limited | 14.00 |
| 29. | PVK Distillery Limited | 19.00 |
| 30. | Sarvodaya Papaer Mills Limited | 20.48 |

| 1 | 2 | 3 |
|-----|---|---------|
| 31. | Sanjay Paper and Chemicals Industries Limited | 27.00 |
| 32. | Mahadeo Fertilizers Limited | 30.00 |
| 33. | Vikas Industrial Gases Limited | 13.75 |
| 34. | Shamken Multifab Limited | 15.00 |
| 35. | ARC Cement Limited | 14.00 |
| 36. | India Polyfibres Limited | 803.25 |
| 37. | UPCOM Cables Limited | 159.80 |
| 38. | Srinivas Fertilizers Limited | 30.00 |
| 39. | Indo-Gulf Fertilizers and Chemicals Corporation Limited | 1815.00 |
| 40. | Nicco Batteries Limited | 45.00 |
| 41. | Bharat Garg Limited | 50.00 |
| 42. | Road Master Strips Limited | 49.50 |
| 43. | Jalpac India Limited | 32.00 |
| 44. | National Switchgears Limited | 26.00 |
| 45. | Vegpro Food and Feeds Limited | 223.01 |
| 46. | Raunaq Automotive Components Limited | 150.70 |
| 47. | U.P.Asbestos Limited | 28.00 |
| 48. | Uptron Anand Limited | 12.66 |
| 49. | SAB Electronics Devices Limited | 34.00 |

| 1 | 2 | 3 |
|-----|--|--------|
| 50 | Shree Laxmi Niwas Paper Mills Limited | 25.45 |
| 51. | Pashupati Acrylon Limited | 340.00 |
| 52. | India Maize & Chemicals Limited | 218.00 |
| 53. | Suraj Vanaspati Limited | 280.28 |
| 54. | Resistance Alloys (India) Limited | 12.68 |
| 55. | National Lamp Industries Limited | 20.91 |
| 56. | Picdan Heavy Equipments Limited | 30.41 |
| 57. | North India Petro Chemicals Limited | 22.51 |
| 58. | Solarsons Burners Limited | 35.96 |
| 59. | Oswals Foods Limited | 109.04 |
| 60. | Samrat Bicycles Limited | 19.00 |
| 61 | Shri Durga Bansal Fertilizers Limited | 28.00 |
| 62. | Telemecanique & Controls India Limited | 12.00 |
| 63. | ModiPan Limited | 62.12 |

Annexure - 2

Statement showing the particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees given by the Government and amounts outstanding thereagainst, up-to-date working results of all the Government Companies.

(Referred to in paragraph 1.2.2. , page 4)

(Except in column 6(a) figures are in Lakhs of Rupees

| Serial number | Name of Company | Name of the department | Paid-up capital at the end of 1989-90- | | | | Loans outstanding at the close of 1989-90 | Amount of guarantee given | Amount of guarantee outstanding at the close of 1989-90 | Outstanding guarantee commission payable at the close of 1989-90 | Position at the end of the year for which accounts were finalised | | | |
|---------------|--|----------------------------|--|--------------------|--------|---------|---|---------------------------|---|--|---|--|------------------|---|
| | | | State Government | Central Government | Others | Total | | | | | Year for which accounts were finalised | Paid-up capital at the end of the year | Accumulated loss | Any excess of loss over paid-up capital |
| 1. | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
| 1. | The Turpentine Rosin Company Limited | Industries | 18.73 | - | 3.29 | 22.02 | 108.50 | 150.00 | 108.50 | - | 1988-89 | 22.02 | - | - |
| 2. | Uttar Pradesh Small Industries Corporation Limited | Rural and Small Industries | 524.00 | - | - | 524.00 | 387.33 | - | - | - | 1986-87 | 377.05 | 56.06 | - |
| 3. | Uttar Pradesh State Industrial Development Corporation Limited | Industries | 2142.29 | - | - | 2142.29 | 2549.86 | - | - | - | 1989-90 | 2142.29 | - | - |

(403)

(4c4)

| 1 | 2 (a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|----|---|----------------------------|----------|--------|------|----------|----------|---------|---------|------|----------------------------|----------|----------|--------|
| 4. | Mohammadabad Peoples Tanery Limited | Planning | 3.06 | - | 2.55 | 5.61 | - | - | - | - | 1976-77 | 5.61 | 4.26 | - |
| 5. | The Uttar Pradesh Export Corporation Limited | Export Promotion | 394.27 | 14.00 | - | 408.27 | 187.36 | - | - | - | 1987-88 | 330.97 | 72.47 | - |
| 6. | Uttar Pradesh State Agro Industrial Corporation Limited | Agriculture | 1526.72 | 332.83 | - | 1859.55 | - | - | - | - | 1983-84 | 733.83 | 1382.50 | 648.67 |
| 7. | Uttar Pradesh State Textile Corporation Limited | Industries | 11304.25 | - | - | 11304.25 | 2825.35 | 3729.90 | 2731.59 | - | 1989-90 | 11304.25 | 4758.87 | - |
| 8. | Uttar Pradesh State Sugar Corporation Limited | Sugar and Cane Development | 24331.12 | - | - | 24331.12 | 10989.00 | - | - | - | October 1987 to March 1989 | 24331.12 | 19543.38 | - |
| 9. | Uttar Pradesh Bundelkhand Vikas Nigam Limited | Area Development | 123.30 | - | - | 123.30 | 5.00 | - | - | - | 1977-78 | 85.80 | 25.07 | - |

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|-----|--|----------------------------|---------|------|---------|---------|----------|---------|---------|------|----------------------------|---------|----------|---------|
| 10. | Uttar Pradesh Poorvanchal Vikas Niagm Limited | Area Development | 129.80 | - | - | 129.80 | 35.00 | - | - | - | 1986-87 | 110.80 | 71.13 | - |
| 11. | Kumaon Mandal Vikas Nigam Limited | Hill Development | 563.82 | - | - | 563.82 | 275.50 | - | - | - | 1986-87 | 479.73 | - | - |
| 12. | Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | Sugar and Cane Development | 32.59 | - | 1483.70 | 1436.29 | 283.51 | - | - | - | October 1987 to March 1989 | 703.77 | 987.69 | 283.92 |
| 13. | The Pradeshia Industrial and Investment Corporation of Uttar Pradesh Limited | | 9477.50 | - | - | 9477.50 | 25639.54 | 1760.00 | 1760.00 | - | 1989-90 | 9477.50 | - | - |
| 14. | The Uttar Pradesh State Cement Corporation Limited | Industries | 6828.16 | - | - | 6828.16 | 5434.56 | - | - | - | 1989-90 | 6828.16 | 15526.37 | 8698.21 |
| 15. | Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | - | - | 3.20 | 3.20 | - | - | - | - | 1974-75 | 0.92 | 0.81 | - |
| 16. | Uttar Pradesh Prestressed Products (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | - | - | 3.10 | 3.10 | 27.41 | - | - | - | 1976-77 | 2.17 | 2.13 | - |

(406)

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|---|----------------------------|---------|------|--------|------|---------|---------|---------|---------|------|--------------------------------|------------------|--------------------|--------------------|
| 17. Uttar Pradesh State Bridge Corporation Limited | Public Works | 150.00 | - | - | - | 150.00 | 4000.00 | 4000.00 | 4000.00 | - | October 1986 to September 1987 | 150.00 | - | - |
| 18. Auto Tractors Limited | Industries | 749.99 | - | 0.01 | - | 750.00 | 1287.40 | - | - | - | 1988-89 1989-90 | 750.00 750.00 | 4476.30 5706.95 | 3726.30 4956.95 |
| 19. Uttar Pradesh State Handloom Corporation Limited | Rural and Small Industries | 1325.49 | - | - | - | 1325.49 | 1198.21 | - | - | - | 1980-81 | 673.49 | 19.54 | - |
| 20. Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited | Panchayati Raj | 77.77 | - | 55.69 | - | 133.46 | - | - | - | - | 1984-85 | 78.78 | - | - |
| 21. Teletronic Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Development | -- | - | 174.65 | - | 174.65 | 66.90 | - | - | - | July 1988 to March 1989 | 153.21 | - | - |
| 22. Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Development | - | - | 63.24 | - | 63.24 | 100.53 | - | - | - | 1987-88 | 63.24 | 103.90 | 40.66 |

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|-----|--|------------------|---------|-------|------|---------|---------|--------|--------|------|----------------------------|--------------------|---------------------|----------|
| 23. | Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Development | - | - | 0.07 | 0.07 | - | - | - | - | 1982-83 | 0.07 | Under construction. | constru- |
| 24. | Uttar Pradesh State Leather Development and Marketing Corporation Limited | Export Promotion | 568.94 | - | - | 568.94 | 179.02 | - | - | - | 1988-89 | 511.98 | 315.74 | - |
| 25. | The Uttar Pradesh State Brassware Corporation Limited | Export Promotion | 527.86 | 10.00 | - | 537.86 | 372.42 | 65.03 | 53.85 | - | 1986-87 | 410.36 | 364.99 | - |
| 26. | Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited) | Area Development | - | - | 2.40 | 2.40 | - | - | - | - | 1979-80 | 2.40 | 0.54 | - |
| 27. | Uttar Pradesh State Mineral Development Corporation Limited | Industries | 4456.38 | - | - | 4456.38 | 335.50 | 545.00 | 275.50 | - | 1985-86 1986-87 | 2178.91 2726.91 | - - | - - |
| 28. | Uttar Pradesh Electronics Corporation Limited | Electronics | 4927.06 | - | - | 4927.06 | 1322.75 | - | - | - | October 1987 to March 1989 | 4219.57 | - | - |

(408)

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|-----|--|-------------------------|--------|-------|---------|---------|---------|---------|---------|------|---------|---------|---------|--------|
| 29. | Uttar Pradesh State Tourism Development Corporation Limited | Tourism | 522.80 | - | - | 522.80 | 74.34 | - | - | - | 1979-80 | 111.41 | 5.59 | - |
| 30. | Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Company (No.I) Limited) | Industries | - | - | 4350.57 | 4350.57 | 3262.38 | 4941.00 | 3895.99 | - | 1989-90 | 4350.57 | 7591.70 | 3241.1 |
| 31. | Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Company (No.II) Limited) | Industries | - | - | 2356.52 | 2356.52 | 1473.04 | - | - | - | 1989-90 | 2356.52 | 3378.39 | 1021.8 |
| 32. | Uttar Pradesh Food and Essential Commodities Corporation Limited | Food and Civil Supplies | 387.39 | - | - | 387.39 | 152.39 | - | - | - | 1982-83 | 50.00 | - | - |
| 33. | Uttar Pradesh Poultry and Livestock Specialities Limited | Animal Husbandry | 73.75 | 35.75 | - | - | 109.50 | - | - | - | 1988-89 | 60.00 | 22.37 | - |

(409)

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | \$6(c) | 6(d) |
|-----|---|--|---------|---------|---------|---------|--------|--------|-------|------|-------------------------------------|---------|---------|--------|
| 34. | Uttar Pradesh Instruments Limited (Subdiary of Uttar Pradesh State Industrial Development Corporation Limited) | Indu- stries | - | - | 202.22 | 202.22 | 317.42 | - | | - | 1989-90 | 202.22 | 845.98 | 643.76 |
| 35. | Uttar Pradesh Padhu- dhan Udyog Nigam Limited | Animal Husbandry | 146.08 | - | - | 146.08 | 61.11 | 100.00 | 99.49 | | 1983-84 | 80.05 | 118.69 | 38.64 |
| 36. | Uttar Pradesh Scheduled Castes Finance and Deve- lopment Corporation Limited | Harijan and Social Welfare | 1268.60 | 1222.50 | - | 2491.10 | - | - | - | - | 1985-86 | 970.43 | - | - |
| 37. | Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | Sugar and Cane Develop- ment | - | - | 2327.52 | 2327.52 | - | - | - | - | 1987-88 (ending June 1988) | 2327.52 | 3019.04 | 691.52 |
| 38. | Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | Sugar and Cane Develop- ment | - | - | 543.24 | 543.24 | 211.85 | - | - | - | August 1987 to March 1989 | 450.89 | 332.17 | - |
| 39. | Uttar Pradesh Rajkiya Nirman Nigam Limited | Public Works | 100.00 | - | - | 100.00 | 98.00 | - | - | - | 1987-88 | 100.00 | - | - |

(410)

| 1 | 2 (a) | 2 (b) | 3 (a) | 3 (b) | 3 (c) | 3 (d) | 4 | 5 (a) | 5 (b) | 5 (c) | 6 (a) | 6 (b) | 6 (c) | 6 (d) |
|-----|---|----------------------------|-------|-------|-------|-------|--------|--------|-------|-------|------------------------------------|----------------|--------------|--------|
| 40. | Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited) | Hill Development | 20.00 | - | 30.00 | 50.00 | 51.18 | - | - | - | 1980-81 | 20.00 | 0.81 | - |
| 41. | Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Development | 22.00 | - | 28.00 | 50.00 | - | - | - | - | 1982-83 | 25.00 | - | - |
| 42. | Tarai Anusuchit Janjati Vikas Nigam Limited | Harijan and Social Welfare | 45.00 | - | - | 45.00 | 125.00 | 590.00 | 85.35 | - | 1981-82 1982-83 | 35.00 45.00 | - - | - - |
| 43. | Uttar Pradesh (Rohelkhand-Tarai) Ganna Beej Evam Vikas Nigam Limited | Sugar and Cane Development | 12.75 | - | 12.12 | 24.87 | - | - | - | - | 1989-90 | 24.87 | - | - |
| 44. | Uttar pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited | Sugar and Cane Development | 12.25 | - | 9.96 | 22.21 | 587.15 | - | - | - | July 1988 to March 1989 1989-90 | 21.93 22.21 | 0.32 0.84 | - - |
| 45. | Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited | Sugar and Cane Development | 10.00 | - | 13.85 | 26.60 | - | - | - | - | 1989-90 | 26.60 | - | - |

(411)

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|-----|--|----------------------------|--------|------|-------|--------|--------|--------|--------|--------|-----------------------|--------|--------|--------|
| 46. | Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited | Sugar and Cane Development | 10.00 | - | 3.54 | 13.54 | 13.50 | - | - | - | May 1984 to June 1985 | 14.94 | - | - |
| 47. | Uttar Pradesh Chalchitra Nigam Limited | Institutional Finance | 745.21 | - | 0.21 | 745.42 | 353.80 | 109.00 | 109.00 | 109.00 | 1984-85 | 587.49 | 252.20 | - |
| 48. | Utt ar Pradesh Textile Printing Corporation Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited) | Rural and Small Industries | 10.00 | - | 26.00 | 36.00 | - | - | - | - | 1979-80 | 16.00 | - | - |
| 49. | Uttar Pradesh Tyres and Tubes Limited (Subsidiary of State Industrial Development Corporation Limited) | Industries | 130.84 | - | 52.29 | 183.13 | 63.00 | 46.00 | 46.00 | - | 1989-90 | 183.13 | 615.22 | 432.09 |
| 50. | Lucknow Mandaliya Vikas Nigam Limited | Area Development | 70.00 | - | - | 70.00 | 100.76 | - | - | - | 1980-81 | 50.00 | 0.64 | - |
| 51. | Allahabad Mandal Vikas Nigam Limited | Area Development | 67.00 | - | - | 67.00 | 11.19 | - | - | - | 1981-82 | 60.00 | - | - |
| 52. | Agra Mandal Vikas Nigam Limited | Area Development | 100.00 | - | - | 100.00 | 17.92 | - | - | - | 1986-87 | 100.00 | 33.13 | - |

(412)

| 1 | 2 (a) | 2 (b) | 3 (a) | 3 (b) | 3 (c) | 3 (d) | 4 | 5 (a) | 5 (b) | 5 (c) | 6 (a) | 6 (b) | 6 (c) | 6 (d) |
|-----|--|----------------------------|--------|--------|-------|--------|--------|--------|--------|-------|--------------------|------------------|------------------|--------|
| 53. | Gorakhpur Mandal Vikas Nigam Limited | Area Development | 93.56 | - | 32.47 | 126.03 | 64.60 | - | - | - | 1982-83 | 122.03 | 117.93 | - |
| 54. | Garhwal Mandal Vikas Nigam Limited | Hill Development | 412.00 | - | - | 412.00 | 960.22 | - | - | - | 1981-82 | 215.00 | 22.07 | - |
| 55. | Varanasi Mandal Vikas Nigam Limited | Area Development | 70.00 | - | - | 70.00 | 30.00 | - | - | - | 1985-86 | 70.00 | 23.57 | - |
| 56. | Meerut Mandal Vikas Nigam Limited | Area Development | 100.00 | - | - | 100.00 | - | - | - | - | 1986-87 | 100.00 | 11.42 | - |
| 57. | UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | - | - | 75.00 | 75.00 | 65.00 | - | - | - | 1982-83 | 59.26 | 19.72 | - |
| 58. | Uttar Pradesh Nalkoop Nigam Limited | Irrigation | 390.00 | 100.00 | - | 490.00 | 112.05 | 112.05 | 112.05 | - | 1986-87 1987-88 | 490.00 490.00 | 141.37 129.45 | - - |

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|-----|---|----------------------------|-------|------|--------|--------|---------|---------|--------|------|---------|--------|--------|--------|
| 59. | Handloom Intensive Development Corporation (Gorakhpur and Basti) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited) | Rural and Small Industries | - | - | 3.00 | 3.00 | 38.13 | - | - | - | 1981-82 | 3.00 | - | - |
| 60. | Bhadohi Woollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) | Industries | - | - | 316.55 | 316.55 | - | - | - | - | 1989-90 | 316.55 | 483.83 | 167.28 |
| 61. | Harijan Evam Nirbal Varg Avas Nigam Limited | Harijan and Social Welfare | 15.00 | - | - | 15.00 | 1842.62 | 1666.10 | 176.52 | - | 1989-90 | 15.00 | - | - |
| 62. | Uttar Pradesh Abiscott (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | - | - | 5.06 | 5.06 | 70.34 | - | - | - | 1975-76 | 4.85 | 2.80 | - |
| 63. | Handloom Intensive Development Project (Bijnore) Limited (Subsidiary of Uttar Pradesh Handloom Corporation Limited) | Rural and Small Industries | - | - | 2.00 | 2.00 | 85.78 | - | - | - | 1978-79 | 2.00 | 3.35 | 1.35 |

(414)

| 1 | 2 (a) | 2 (b) | 3 (a) | 3 (b) | 3 (c) | 3 (d) | 4 | 5 (a) | 5 (b) | 5 (c) | 6 (a) | 6 (b) | 6 (c) | 6 (d) |
|-----|---|------------------|--------|-------|-------|--------|--------|-------|-------|-------|---------|--------|--------|-------|
| 64. | Uttar Pradesh Paschimi Kshetriya Vikas Nigam Limited | Area Development | 125.00 | - | - | 125.00 | - | - | - | - | 1982-83 | 100.00 | 11.46 | - |
| 65. | Uttar Pradesh Development Systems Corporation Limited | Planning | 100.00 | - | - | 100.00 | - | - | - | - | 1987-88 | 100.00 | 8.88 | - |
| 66. | Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited | Agriculture | 603.76 | - | 64.25 | 668.01 | 180.73 | - | - | - | 1984-85 | 190.76 | 255.33 | 64.57 |
| 67. | UPAI Limited | Hill Development | 15.00 | - | 2.00 | 17.00 | - | - | - | - | 1981-82 | 17.00 | 1.33 | - |
| 68. | Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | - | - | 2.00 | 22.00 | - | - | - | - | 1989-90 | 22.00 | - | - |
| 69. | Uptron Sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | - | - | 2.55 | 2.55 | - | - | - | - | 1979-80 | 2.55 | - | - |

(415)

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|-----|---|------------------|--------|------|---------|---------|---------|--------|--------|------|---|----------------|----------------|----------------|
| 70. | Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited) | Industries | 35.20 | - | 35.20 | 35.20 | 106.66 | - | - | - | 1987-88 1988-89 | 35.20 35.20 | 49.63 70.79 | 14.23 35.59 |
| 71. | Moradabad Mandal Vikas Nigam Limited | Area Development | 25.00 | - | - | 25.00 | 64.60 | - | - | - | 1983-84 | 20.00 | - | - |
| 72. | Uttar Pradesh Bhumi Sudhar Nigam Limited | Agriculture | 150.00 | - | - | 150.00 | - | - | - | - | 1985-86 | 130.00 | 3.7 | - |
| 73. | Uptron Components Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | - | - | 5.30 | 5.30 | - | - | - | - | Accounts not finalised since inception. | | | |
| 74. | Uttar Pradesh Carbide and Chemicals Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited) | Industries | - | - | 658.73 | 658.73 | 964.39 | 335.00 | 335.00 | - | 1986-87 | 497.36 | 199.77 | - |
| 75. | Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | - | - | 2852.00 | 2852.00 | 1042.00 | - | - | - | May 1987 to June 1988 | 1782.15 | - | - |
| 76. | Uttar Pradesh Matsya Vikas Nigam Limited | Fisheries | 100.00 | - | - | 100.00 | 185.57 | 185.57 | 185.57 | - | 1986-87 | 100.00 | 38.25 | - |

(416)

| 1 | 2 (a) | 2 (b) | 3 (a) | 3 (b) | 3 (c) | 3 (d) | 4 | 5 (a) | 5 (b) | 5 (c) | 6 (a) | 6 (b) | 6 (c) | 6 (d) |
|-----|--|-------------------|----------|-------|-------|----------|----------|---------|---------|-------|----------------------------|---------|---------------------|----------|
| 77. | Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited | Energy | 26200.00 | - | - | 26200.00 | 46028.00 | 4800.00 | 2586.00 | - | 1987-88 | 2300.00 | Under construction. | constru- |
| 78. | Uttar Pradesh Alp San-ghyak Vittiya Evam Vikas Nigam Limited | Indu-stry | 305.00 | - | - | 305.00 | 10.42 | - | - | - | 1987-88 | 255.00 | 12.50 | - |
| 79. | Uttar Pradesh Laghu Jal Vidyut Nigam Limited (Successors of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited) | Energy | 70.00 | - | - | 70.00 | 700.00 | - | - | - | 1986-87 | 20.00 | Under construction. | constru- |
| 80. | Uttar Pradesh Hill Electronics Corporation Limited | Hill Develop-ment | 455.03 | - | - | 455.03 | - | - | - | - | July 1988 to March 1989 | 455.03 | 20.82 | - |
| 81. | Vindhychal Abrasives Limited (Subsidiary of Uttar Pradesh Mineral Development Corporation Limited) | Indust-ries | - | - | 7.60 | 7.60 | 12.24 | - | - | - | December 1985 to June 1986 | 0.0027 | 1.63 | 1.6273 |

| 1 | 2(a) | 2(b) | 3(a) | 3(b) | 3(c) | 3(d) | 4 | 5(a) | 5(b) | 5(c) | 6(a) | 6(b) | 6(c) | 6(d) |
|-----|---|----------------------------|---------------|------|--------|--------|--------|------|------|------|---|--------|---------------------|--------|
| 82. | Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | Sugar and Cane Development | - | - | 515.00 | 515.00 | 660.22 | - | - | - | August 1988 to March 1989 | 31.33 | 635.12 | 603.79 |
| 83. | Uttar Pradesh Police Avas Nigam Limited | Home | 100.00 | - | - | 100.00 | - | - | - | - | 1988-89 | 100.00 | - | - |
| 84. | Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Development | - | - | 33.20 | 33.20 | 60.63 | 7.60 | 7.60 | - | 1988-89 | 28.95 | - | - |
| 85. | Uttar Pradesh Waqf Vikas Nigam Limited | Waqf | 150.00 | - | - | 150.00 | - | - | - | - | 1988-89 | 150.00 | - | - |
| 86. | Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited) | Hill Development | - | - | 18.31 | 18.31 | - | - | - | - | July 1988 to March 1989 | 18.31 | Under construction. | |
| 87. | Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited) | Hill Development | Not available | | | | | | | | Accounts not finalised since inception. | | | |

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[illegible]

| 1 | 2(a) | 2(b) |
|-----|---|--|
| 93. | Uttar Pradesh Buildwares (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries Under liquidation |
| 94. | Uttar Pradesh Roofings (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries Under liquidation |
| 95. | Krishna Fasteners Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries Under liquidation |
| 96. | Faizabad Roofings Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries Under liquidation |
| 97. | The Gandak Samadesh Kshetra Vikas Nigam Limited | Under liquidation. |

ANNEXURE 3

Summarised Financial Results for all Government Companies for the latest year for which Accounts were finalised

(Referred to in paragraph 1.2.3 page 6) (Except columns 20 and 21 figures are in lakhs of Rupees)

| Name of Company | Name of the department | Date of incorporation | Year of Account | Paid-up capital | Reserves and surplus | Long-term loans | Total | Profit (+)/ Loss (-) | Total interest charged to Profit, and Loss Account | Interest on Long-term loans | Total return on capital invested | Gross Block | Depreciation | Capital employed | Net fixed assets | Current assets, loans and Advances | Current liabilities and provisions | Total | Return on capital employed | Percent- age of total return on Cap- ital emp- loy- ed |
|--|----------------------------|-----------------------|-----------------|-----------------|----------------------|-----------------|--------|----------------------|--|-----------------------------|----------------------------------|-------------|--------------|------------------|------------------|------------------------------------|------------------------------------|-------|----------------------------|--|
| 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| The Turpentine Rosin Company Limited | Industries | 22nd February 1924 | 1988-89 | 22.02 | 192.20 | 180.56 | 394.78 | (+) 49.96 | 5.67 | - | 49.96 | 235.69 | 160.85 | 74.84 | 578.26 | 349.53 | 303.57 | 55.67 | 12.7 | 18.3 |
| Uttar Pradesh Small Industries Corporation Limited | Rural and Small Industries | | 1986-87 | 377.05 | 28.08 | 406.68 | 811.81 | (-) 88.72 | 89.14 | 89.14 | 0.42 | 94.92 | 36.42 | 58.50 | 2407.30 | 1145.32 | 1320.48 | 0.42 | 0.1 | 0.03 |

| | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|--------|---------|---------|---------|----------|---------|--------------|---------|-----|------|
| 88 | - | - | - | - | - | 5511.50 | 434.88 | 7.7 | 7.9 |
| -)0.01 | - | - | - | 1.49 | 0.14 | 1.35 (-) | 0.01 | - | - |
| 10 | 80.35 | 28.19 | 52.16 | 824.76 | 485.93 | 390.99 | 14.72 | 2.3 | 3.8 |
| 06 | 249.61 | 160.79 | 88.82 | 2775.26 | 1680.23 | 1183.85 | 7.96 | - | 0.7 |
| | 7110.95 | 5098.26 | 2016.69 | 5098.26 | 1536.27 | 5925.77 | 1194.29 | 5.7 | 20.4 |
| | 6423.32 | 4386.98 | 2036.34 | 39283.72 | 5639.12 | 35680.94 (-) | 1095.11 | - | - |
| | 35.65 | 11.93 | 23.72 | 47.33 | 8.31 | 62.74 (-) | 10.13 | - | - |

| (1) | 2(a) | 2(b) | 3 | 4 | 5 | |
|-----|--|--|---------------------------|-------------------------------------|---------|-----|
| 10. | Uttar Pradesh Poorvanchal Vikas Nigam Limited | Area Develop- ment | 30th March 1971 | 1983-84 | 110.80 | |
| 11. | Kumaon Mandal Vikas Nigam Limited | Hill Develop- ment | 30th March 1971 | 1986-87 | 479.87 | 18. |
| 12. | Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | Sugar and Cane Develop- ment | 17th February 1972 | October 1987 to March 1989 | 703.77 | |
| 13. | The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited | | 29th March 1972 | 1989-90 | 9477.50 | |
| 14. | The Uttar Pradesh State Cement Corporation Limited | Indust- ries | 29th March 1972 | 1989-90 | 6828.16 | |
| 15. | Uttar Pradesh Plant Pro- tection Appliances (Private) Limited (Subsidiary of Uttar Pradesh Small Indus- tries Corporation Limited) | Rural and Small Indust- ries | 28th June 1972 | 1974-75 | 0.9 | |
| 16. | Uttar Pradesh Prestressed Products (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Indust- ries | 30th September 1972 | 1976-77 | 2.17 | |

(421)

| | 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|--|----------------------------|--------------------|----------------------------|----------|---------|---------|----------|-------------|---------|--------|-------------|
| 3 | Uttar Pradesh State Industrial Development Corporation Limited | Industries | 29th March 1961 | 1989-90 | 2142.29 | 1093.98 | 2408.54 | 5644.81 | (+) 307.43 | 127.45 | 127.45 | 434.70 |
| 4 | Mohammadabad Peoples Tannery Limited | Planning | 21st December 1964 | 1976-77 | 5.61 | - | - | 5.61 | (-) 0.01 | - | - | (-) |
| 5 | The Uttar Pradesh Export Corporation Limited | Export Promotion | 20th January 1966 | 1987-88 | 330.97 | 13.07 | 102.22 | 446.26 | (+) 1.96 | 12.76 | 8.14 | |
| 6 | Uttar Pradesh State Agro Industrial Corporation Limited | Agriculture | 29th March 1967 | 1983-84 | 733.83 | 1.25 | 18.80 | 753.88 | (-) 223.03 | 230.99 | 69.97 | |
| 7 | Uttar Pradesh State Textile Corporation Limited | Industries | 2nd December 1969 | 1989-90 | 11304.25 | 1205.27 | 2825.35 | 15334.87 | (+) 502.73 | 691.56 | 378.17 | 880.70 |
| 8 | Uttar Pradesh State Sugar Corporation Limited | Sugar and Cane Development | 26th March 1971 | October 1987 to March 1989 | 2433.12 | 131.10 | 2190.40 | 26652.62 | (-) 3847.64 | 2752.53 | 250.38 | (-) 2597.26 |
| 9 | Uttar Pradesh Bundelkhand Vikas Nigam Limited | Area Development | 30th March 1971 | 1977-78 | 85.80 | 0.67 | - | 86.47 | (-) 10.25 | 0.12 | - | (-) 10.25 |

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| | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|---|----------|---------|----------|---------|---------|---------|---------|----------|---------|---------|---------|----------|----------|---------|------|-----|
| | 2.21 | 5.00 | 118.01 | (-) | 0.78 | - | (-) | 50.04 | 20.45 | 29.59 | 63.77 | 80.00 | 13.36 | (-) | - | - |
| | | | | 17.15 | | | 17.15 | | | | | | | 16.37 | - | - |
| | 17 | 167.00 | 664.90 | (-) | 20.23 | 17.51 | (-) | 431.26 | 131.20 | 300.06 | 637.90 | 463.77 | 474.19 | (-) | - | - |
| | | | | 20.95 | | | 3.44 | | | | | | | 0.72 | | |
| | | 35.00 | 838.65 | (+) | 147.29 | 36.71 | 383.55 | 1029.39 | 846.65 | 182.74 | 1623.73 | 398.14 | 1408.33 | 444.13 | 45.7 | 31. |
| | | | | 346.84 | | | | | | | | | | | | |
| | | | 36168.96 | (+) | 2241.34 | 2241.34 | 2789.83 | - | - | - | - | - | 35985.33 | 2798.83 | 7.7 | 7.8 |
| | 25639.54 | | | 557.49 | | | | | | | | | | | | |
| | 0.05 | 5435.56 | | (-) | 1156.84 | 1057.68 | (-) | 12686.77 | 6840.66 | 5846.11 | 4982.64 | | (-) | (-) | - | - |
| | | | 12262.77 | 3098.32 | | | 2040.64 | | | | | 13148.23 | 2319.48 | 1941.48 | | |
| 2 | 0.23 | 4.35 | 5.50 | (-) | 0.28 | 0.28 | (-) | 4.07 | 0.91 | 3.7 | 1.65 | 0.81 | 4.63 | (-) | - | - |
| | | | | 0.81 | | | 0.53 | | | | | | | | 0.53 | |
| | - | 9.06 | 11.24 | (-) | 4.17 | 2.44 | 0.31 | 10.52 | 0.01 | 10.51 | 1.00 | 0.98 | 10.53 | 2.04 | 2.7 | 19 |

| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|----|----|----|----|----|----|----|----|----|
|----|----|----|----|----|----|----|----|----|

586.98 2285.23 301.75 6349.82 4417.55 2234.02 28.12 0.9 1.3

401.64 599.95 801.69 565.13 1279.29 87.53 (-) - -
 404.01 666.70 737.31 451.70 1673.78 (-) 584.56 (-) - -
 207.55 32.05 175.50 2095.00 1414.95 484.67 701.17 (-) - -
 855.55 40.55

- - - - - 94.69 3.98 4.3 4.2

68.47 27.97 40.50 325.23 133.43 232.30 (-) - -
 10.42

36.08 20.70 15.38 57.25 13.13 59.50 (-) - -
 4.29

| (1) | 2(a) | 2(b) | 3 | 4 | 5 |
|-----|---|-------------------------------|--------------------------|--------------------|------------------|
| 23. | Northern Electrical Equipment Industries Limited Subsidiary of Kumaon mandal Vikas Nigam Limited) | Hill Deve- lop- ment | 29th January 1974 | 1982-83 | 0. |
| 24. | Uttar Pradesh State Leather Development and Marketing Corporation Limited | Export Promo- tion | 12th February 1974 | 1988-89 | 511.9 |
| 25. | The Uttar Pradesh State Brassware Corporation Limited | Export Promo- tion | 12th February 1974 | 1986-87 | 410.36 |
| 26. | Bundelkhand Concrete Structurals Limited Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited) | Area Develop- ment | 2nd March 1974 | 1979-80 | 2. |
| 27. | Uttar Pradesh State Mineral Development Corporation Limited | Indust- ries | 23rd March 1974 | 1985-86 1986-87 | 2178.9 2726.9 |

(423)

| 1 | 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|-----|--|----------------------------|--------------------|---------------------------------|--------|---------|---------|---------|-------------|--------|--------|--------------|
| 17. | Uttar Pradesh State Bridge Corporation Limited | Public Works | 18th October 1972 | 1986-87 (ending September 1987) | 150.00 | 3025.91 | - | 3175.91 | (+) 28.12 | - | - | 28.12 2 |
| 18. | Auto Tractors Limited | Industries | 28th December 1972 | 1988-89 | 750.00 | - | 1287.40 | 2037.40 | (-) 924.57 | 340.01 | 296.23 | (-) 628.34 1 |
| 19. | Uttar Pradesh State Handloom Corporation Limited | Rural and Small Industries | 9th January 1973 | 1989-90 | 750.00 | 143.24 | 1287.40 | 2180.64 | (-) 1087.14 | 377.24 | 338.85 | (-) 748.39 1 |
| | | | | 1980-81 | 673.49 | 5.97 | 301.25 | 980.71 | (-) 61.51 | 20.96 | 20.96 | (-) 40.55 |
| 20. | Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited | Panchayati Raj | 24th April 1973 | 1984-85 | 78.28 | 13.39 | 2.00 | 93.67 | (+) 3.65 | 0.33 | 0.33 | 3.98 |
| 21. | Telctronic Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Development | 27th January 1973 | July 1988 to March 1989 | 153.21 | 11.29 | 5.44 | 169.94 | (-) 18.10 | 7.68 | 0.03 | (-) 17.80 |
| 22. | Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Development | 29th November 1973 | 1987-88 | 63.24 | 4.14 | 2.70 | 70.08 | (-) 15.98 | 11.69 | 7.00 | (-) 8.98 |

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| | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|----|--------|--------|---------|--------------------|-------|-------|--------------|--------|--------|--------|---------|----------|------------|--------|-----|-----|
| 07 | - | - | 0.07 | Under construction | | | | 0.68 | - | 0.68 | 0.02 | 1.09 (-) | | - | - | - |
| | | | | | | | | | | | | | 0.39 | | | |
| 8 | 9.90 | 189.02 | 710.90 | (-) 18.52 | 6.59 | 3.89 | (-) 14.64 | 349.49 | 79.85 | 269.94 | 539.89 | 98.77 | 711.06 (-) | | - | - |
| | | | | | | | | | | | | | | 11.93 | | |
| | 229.20 | 266.06 | 905.62 | (-) 48.64 | 44.47 | 37.24 | (-) 11.40 | 276.28 | 121.13 | 155.15 | 484.48 | 182.05 | 487.58 (-) | | - | - |
| | | | | | | | | | | | | | | 4.17 | | |
| 10 | - | - | 2.40 | (-) 0.05 | - | - | (-) 0.05 | 1.62 | 0.03 | 1.59 | 0.16 | 0.21 | 1.54 (-) | | - | - |
| | | | | | | | | | | | | | | 0.05 | | |
| 1 | 73.76 | 531.50 | 2784.17 | (+) 85.62 | - | - | 85.62 | 379.42 | 138.63 | 240.79 | 1076.73 | 189.63 | 1127.83 | 85.62 | 3.1 | 7.6 |
| 1 | 164.53 | 506.00 | 3397.44 | (+) 161.33 | - | - | 161.33 | 516.43 | 200.61 | 315.82 | 1736.49 | 371.81 | 1680.50 | 161.33 | 4.6 | 9.6 |

| | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|--|----|----|----|----|----|----|----|----|----|
|--|----|----|----|----|----|----|----|----|----|

→ 20.91 14.72 6.19 1269.55 229.36 1046.38 5.59 0.1. 0.5

148-03
37.38 10.51 26.87 62.08 6.33 82.62 (-) - -
15.31

08-03
5988.68 4244.40 1744.28 3192.63 2517.07 2419.84 89.50 - 3.7

841
000
4129.02 2558.76 1570.26 1800.76 1510.54 1860.48 111.47 - 6.0

→ 19.42 6.55 12.87 352.83 140.05 225.15 91.96 54.4 4.

3.86 2.44 1.42 63.12 22.31 42.23 (-) -
1.88

| (1) | 2(a) | 2(b) | 3 | 4 |
|-----|--|----------------------------|------------------|---------------------------|
| 34. | Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited) | Industries | 1st January 1975 | 1989-90 |
| 35. | Uttar Pradesh Pashu-dhan Udyog Nigam Limited | Animal Husbandry | 5th March 1975 | 1983-84 |
| 36. | Uttar Pradesh Scheduled castes Finance and Development Corporation Limited | Harijan and Social Welfare | 25th March 1975 | 1985-86 |
| 37. | Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh state Sugar Corporation Limited) | Sugar and Cane Development | 18th April 1975 | July 1988 to June 1988 |
| 38. | Chhota Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | Sugar and Cane Development | 18th April 1975 | August 1988 to March 1989 |
| 39. | Uttar Pradesh Rajkiya Nirman Nigam Limited | Public Works | 1st May 1975. | 1987-88 |

| 1 | 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|-----|---|-------------------------|-------------------|----------------------------|---------|--------|---------|---------|------------|--------|--------|------------|
| 28. | Uttar Pradesh Electronics Corporation Limited | Electronics | 30th March 1974 | October 1987 to March 1989 | 4219.57 | 50.85 | 1160.06 | 5430.48 | (+) 5.59 | - | - | 5.54 |
| 29. | Uttar Pradesh State Tourism Development Corporation Limited | Tourism | 5th August 1974 | 1979-80 | 111.41 | - | 20.72 | 132.13 | (-) 5.31 | - | - | (-) 5.31 |
| 30. | Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Company (No. I) Limited) | Industries | 20th August 1974 | 1989-90 | 4350.57 | 995.47 | 3262.38 | 8608.42 | (-) 693.97 | 783.47 | 388.27 | (-) 305.76 |
| 31. | Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Company (No. II) Limited) | Industries | 20th August 1974 | 1989-90 | 2356.52 | 642.43 | 1473.04 | 4471.99 | (-) 279.40 | 390.87 | 216.26 | (-) 63.11 |
| 32. | Uttar Pradesh Food and Essential Commodities Corporation Limited | Food and Civil Supplies | 22nd October 1974 | 1982-83 | 50.00 | 70.48 | - | 120.48 | (+) 65.59 | 26.37 | - | 65.54 |
| 33. | Uttar Pradesh Poultry and Livestock Specialities Limited | Animal Husbandry | 7th December 1974 | 1988-89 | 60.00 | 4.90 | - | 64.90 | (-) 1.88 | - | - | (-) 1.86 |

(426)

| 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|-----------|---------|--------|---------|------------|--------|--------|-----------|---------|--------|--------|---------|---------|------------|-----------|------|------|
| 202.22 | - | 317.42 | 519.64 | (-) 147.94 | 63.02 | 53.88 | (-) 94.06 | 56.79 | 45.74 | 11.05 | 67.88 | 385.86 | (-) 306.73 | (-) 84.92 | - | - |
| 80.05 | 0.20 | 20.00 | 100.25 | (-) 15.41 | 7.96 | 1.63 | (-) 13.78 | 39.53 | 22.28 | 10.75 | 101.52 | 108.99 | 9.28 | (-) 7.45 | - | - |
| 950.43 | 124.85 | - | 1095.28 | (+) 44.25 | - | - | 44.25 | 32.18 | 11.95 | 20.23 | 3816.81 | 2742.20 | 1094.84 | 44.25 | 4.0 | 4.0 |
| 7 2327.52 | 234.21 | 446.14 | 3007.87 | (-) 190.88 | 147.76 | 105.65 | (-) 85.23 | 1257.29 | 978.94 | 278.35 | 542.34 | 584.66 | 236.03 | (-) 43.12 | - | - |
| 450.81 | 17.48 | 31.86 | 500.15 | (+) 43.91 | 34.91 | 3.95 | 47.50 | 704.95 | 574.41 | 130.54 | 712.34 | 230.36 | 612.52 | 78.86 | 9.5 | 12. |
| 100.00 | 1093.90 | 2.88 | 1196.78 | (+) 419.95 | 4.95 | 4.95 | 424.54 | 1406.65 | 781.23 | 625.42 | 6623.79 | 6110.62 | 1138.59 | 424.54 | 37.3 | 35.5 |

| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|-------|------|-------|--------|-------|--------|-------------|------|-----|
| 0.59 | 0.25 | 0.34 | 32.91 | 14.07 | 19.18 | (-)0.42 | - | - |
| 0.46 | 0.08 | 0.38 | 38.53 | 11.40 | 27.51 | (-) 0.78 | - | - |
| 2.17 | 0.90 | 1.27 | 137.94 | 1.67 | 137.54 | 0.91 | 1.4 | 0.7 |
| 2.99 | 1.29 | 1.70 | 102.10 | 4.27 | 99.53 | (-) 4.00 | - | - |
| 35.84 | 7.19 | 28.65 | 642.03 | 60.75 | 609.92 | 59.40 | 14.7 | 9.7 |
| 3.57 | 0.40 | 3.17 | 491.54 | 3.60 | 491.11 | 20.23 | - | 4.1 |
| 4.62 | 0.51 | 4.11 | 615.66 | 51.36 | 568.41 | 46.98 | - | 8.3 |
| 3.22 | 1.20 | 2.02 | 287.69 | 13.41 | 267.30 | 21.19 | 2.8 | 7.7 |

| 1. | 2(a) | 2(b) | 3 | 4 | 5 |
|-----|---|---------------------------------------|---------------------------|--------------------------------|------|
| 46. | Pradesh (Madhya) Beej Evam Vikas Limited | Sugar and Cane Develop- ment | 27th August 1975 | May 1984 to June 1985 | 14. |
| 47. | Pradesh Chalchitra Limited | Institur- tional Finance | 10th September 1975 | 1984-85 | 587. |
| 48. | Uttar Pradesh Textile Printing Corporation Limited (Subsidiary of Uttar Pradesh State Hand- loom Corporation Limited) | Rural and Small Indu- stries | 5th December 1975 | 1979-80 | 16. |
| 49. | Uttar Pradesh Tyres and Tubes Limited (Subsidi- ary of State Industrial Development Corporation Limited) | Indus- tries | 14th January 1976 | 1989-90 | 183. |
| 50. | Lucknow Mandaliya Vikas Nigam Limited | Area Develop- ment | 31st January 1976 | 1980-81 | 50. |
| 51. | Allahabad Mandal Vikas Limited | Area Develop- ment | 31st January 1976 | 1981-82 | 60. |

(427)

| 1 | 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|-----|---|--|------------------------|--|----------------|--------------|----------------|----------------|--------------------|----------------|--------|--------------------|
| 40. | Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited) | Hill Develop- ment | 30th June 1975 | 1980-81 | 20.00 | - | - | 20.00 | (-) 0.42 | - | - | (-)0.42 |
| 41. | Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Develop- ment | 30th June 1975 | 1982-83 | 25.00 | 3.78 | - | 28.78 | (-) 0.78 | - | - | (-)0.78 |
| 42. | Tarai Anusuchit Janjati Vikas Nigam Limited | Harijan and Soc- al Welfare | 2nd August 1975 | 1981-82 1982-83 | 35.00 45.00 | 4.45 0.45 | 25.00 25.00 | 64.45 70.45 | (+)0.91 (-)4.00 | - - | - - | 0.91 (-) 4.00 |
| 43. | Uttar Pradesh (Rohelkhand- Tarai) Ganna Beej Evam Vikas Nigam Limited | Sugar and Cane Develop- ment | 27th August 1975 | 1989-90 | 24.87 | 22.81 | - | 47.68 | (+)6.99 | 52.41 | - | 6.11 |
| 44. | Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited | Sugar and Cane Develop- ment | 27th August 1975 | July 1988 to March 1989 1989-90 | 21.93 22.21 | 7.29 7.11 | - - | 29.22 29.42 | (-)2.15 (-)0.51 | 22.38 47.49 | - - | (-)2.15 (-)0.51 |
| 45. | Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited | Sugar and Cane Develop- ment | 27th August 1975 | 1989-90 | 26.61 | 7.79 | - | 31.39 | (+)0.89 | 20.3 | - | 0.89 |

(428)

| | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|----|-------|--------|--------|---------------|-------|-------|---------------|--------|--------|--------|--------|--------|--------|---------------|-----|-----|
| 94 | 1.14 | 116.14 | 132.22 | (-)0.82 | 15.63 | - | (-)0.82 | 20.89 | 4.36 | 16.53 | 123.87 | 7.88 | 132.52 | 14.81 | - | 11 |
| 49 | - | 130.45 | 717.94 | (-) 117.35 | 15.73 | 15.73 | (-) 101.62 | 531.64 | 168.93 | 362.71 | 128.00 | 145.90 | 344.81 | (-) 101.62 | - | - |
| 00 | 2.74 | - | 18.74 | (-)1.22 | - | - | 1.22 | 4.82 | 0.69 | 4.13 | 102.12 | 87.75 | 18.50 | 1.22 | 6.5 | 6.5 |
| 13 | 58.49 | 492.95 | 734.57 | (-) 144.45 | 52.75 | 52.75 | (-) 91.72 | 285.54 | 183.50 | 102.04 | 89.19 | 102.79 | 88.44 | (-) 91.70 | - | - |
| 00 | 4.26 | - | 54.26 | (-)0.29 | - | - | (-)0.29 | 7.96 | 4.18 | 3.78 | 80.42 | 35.52 | 48.68 | (-)0.29 | - | - |
| 00 | 0.27 | - | 60.27 | (-)0.84 | 3.93 | - | (-)0.84 | 31.78 | 5.70 | 26.08 | 115.59 | 47.43 | 94.24 | 3.09 | - | 3.2 |

| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|----|----|----|----|----|----|----|----|----|
|----|----|----|----|----|----|----|----|----|

| | | | | | | | | |
|------|-------|-------|--------|-------|-------|-------|------|------|
| 1.43 | 14.31 | 37.12 | 122.99 | 77.25 | 82.86 | 12.48 | 10.2 | 15.1 |
|------|-------|-------|--------|-------|-------|-------|------|------|

| | | | | | | | | |
|------|-------|-------|-------|-------|-----------|---|---|--|
| 5.26 | 18.07 | 47.19 | 44.54 | 56.03 | 35.70 (-) | - | - | |
| | | | | | 20.49 | | | |

| | | | | | | | | |
|------|-------|-------|--------|-------|------------|------|---|---|
| 0.02 | 53.24 | 63.78 | 393.07 | 77.74 | 379.11 (-) | 0.02 | - | - |
|------|-------|-------|--------|-------|------------|------|---|---|

| | | | | | | | | |
|-----|-------|-------|-------|-------|-------|------|---|-----|
| .96 | 18.13 | 33.83 | 85.25 | 37.31 | 81.77 | 2.21 | - | 2.7 |
|-----|-------|-------|-------|-------|-------|------|---|-----|

| | | | | | | | | |
|-----|-------|-------|-------|-------|-----------|---|---|--|
| .22 | 10.19 | 18.03 | 65.25 | 20.04 | 63.24 (-) | - | - | |
| | | | | | 11.24 | | | |

| | | | | | | | | |
|-----|------|------|-------|------|-----------|------|---|---|
| .29 | 2.20 | 2.09 | 26.19 | 2.59 | 25.69 (-) | 3.81 | - | - |
|-----|------|------|-------|------|-----------|------|---|---|

| | | | | | | | | |
|-----|--------|--------|---------|---------|----------|-------|------|---|
| .75 | 216.29 | 931.46 | 1807.29 | 2629.00 | 109.75 | 68.83 | 12.4 | |
| | | | | | | | 62.7 | |
| .14 | 235.78 | 922.36 | 1420.76 | 2349.77 | (-)16.65 | 66.20 | 12.2 | - |

| 1 | 2(a) | 2(b) | 3 | 4 |
|-----|---|----------------------------|---------------------|---------|
| 59. | Handloom Intensive Development Corporation (Gorakhpur and Basti) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited) | Rural and Small Industries | 26th May 1976 | 1981-92 |
| 60. | Bhadohi Woollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) | Industries | 16th June 1976 | 1989-90 |
| 61. | Harijan Evam Nirbal Varg Avas Nigam Limited | Harijan and Social Welfare | 25th June 1976 | 1989-90 |
| 62. | Uttar Pradesh Abscott (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | 28th June 1972 | 1975-76 |
| 63 | Handloom Intensive Development Project (Bijnore) Limited (Subsidiary of Uttar Pradesh Handloom Corporation Limited) | Rural and Small Industries | 13th September 1976 | 1978-79 |

| 1 | 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
|-----|---|----------------------------|-----------------|---------|--------|-------|--------|--------|-----------|-------|-------|-----------|------|
| 52. | Agra Mandal Vikas Nigam Limited | Area Development | 31st March 1976 | 1986-87 | 100.00 | 9.96 | - | 109.96 | (+) 11.24 | 1.24 | - | 11.24 | 5 |
| 53. | Gorakhpur Mandal Vikas Nigam Limited | Area Development | 1st March 1976 | 1982-83 | 122.03 | 2.01 | 29.03 | 153.07 | (-) 21.73 | 1.24 | 1.24 | (-) 20.49 | 6 |
| 54. | Garhwal Mandal Vikas Nigam Limited | Hill Development | 31st March 1976 | 1981-82 | 215.00 | 12.13 | 195.00 | 122.13 | (-) 2.25 | 2.23 | - | (-) 2.25 | 117 |
| 55. | Varanasi Mandal Vikas Nigam Limited | Area Development | 31st March 1976 | 1985-86 | 70.00 | 4.18 | 9.86 | 84.04 | (-) 2.47 | 4.68 | 1.72 | (-) 10.75 | 51 |
| 56. | Meerut Mandal Vikas Nigam Limited | Area Development | 31st March 1976 | 1986-87 | 100.00 | 2.85 | - | 102.85 | (-) 11.94 | 0.70 | - | (-) 11.94 | 28 |
| 57. | UPSIDC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | 27th April 1976 | 1982-83 | 59.26 | - | 22.92 | 82.18 | (-) 4.19 | 0.38 | - | (-) 4.19 | 4 |
| 58. | Uttar Pradesh Nalkoop Nigam Limited | Irrigation | 26th May 1976 | 1986-87 | 490.00 | 4.32 | 30.00 | 524.32 | (-) 2.42 | 71.25 | 67.20 | 64.78 | 1147 |
| | | | | 1987-88 | 490.00 | 24.32 | 30.00 | 544.32 | (+) 11.92 | 54.28 | 54.28 | 66.20 | 1148 |

(430)

| 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|--------|--------|---------|---------|-----------|-------|------|----------|--------|--------|--------|----------|----------|---------|----------|------|-----|
| 3.00 | 28.24 | 91.50 | 122.74 | (+)7.52 | 6.36 | 6.33 | 13.85 | 11.37 | 2.74 | 8.63 | 355.10 | 200.05 | 163.68 | 13.88 | 11.3 | 8.5 |
| 316.55 | 22.64 | - | 339.19 | (-)81.45 | 41.43 | - | (-)81.45 | 190.39 | 139.34 | 51.05 | 247.89 | 96.35 | 202.59 | (-)40.02 | - | - |
| 15.00 | 657.48 | 1842.62 | 2515.10 | (+)164.98 | - | - | 164.98 | 531.64 | 346.99 | 184.65 | 14893.99 | 12563.53 | 2515.11 | 164.98 | 6.6 | 6.6 |
| 4.85 | - | 10.41 | 15.26 | (-)1.55 | 1.14 | 1.14 | (-)0.41 | 13.09 | 0.02 | 13.07 | 0.91 | 1.59 | 12.39 | (-)0.41 | - | - |
| 2.00 | - | 190.66 | 192.66 | (-)0.23 | 9.22 | 9.20 | 8.97 | 652.76 | 385.75 | 267.01 | 145.02 | 222.77 | 189.26 | 8.99 | 4.6 | 4.7 |

| | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|-----|-------|-------|-------|--------|--------|---------|---------------|----|-----|
| 4 | 31.62 | 14.84 | 16.78 | 235.65 | 35.34 | 217.09 | (-) 171.15 | - | - |
| 71 | 13.57 | 9.00 | 4.57 | 337.00 | 250.45 | 91.12 | (-)2.71 | - | - |
| 96 | 58.07 | 27.00 | 31.07 | 103.92 | 54.27 | 80.72 | (-) 55.9 | - | - |
| 20 | 0.56 | 0.30 | 0.26 | 1.94 | 3.26 | (-)1.06 | (-)0.20 | - | - |
| 21 | 99.52 | 57.43 | 42.09 | 467.22 | 165.92 | 343.39 | 42.58 | - | 12. |
| .78 | 0.79 | 0.16 | 0.63 | 1.90 | 0.67 | 1.86 | (-)0.36 | - | - |

| 1 | 2(a) | 2(b) | 3 | 4 | 5 |
|-----|---|------------------|-------------------|----------------------------|--------------|
| 70. | Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited) | Industries | 8th March 1978 | 1978-88 1988-89 | 35.2 35.2 |
| 71. | Moradabad Mandal Vikas Nigam Limited | Area Development | 30th March 1978 | 1983-84 | 20.0 |
| 72. | Uttar Pradesh Bhumi Sudhar Nigam Limited | Agriculture | 30th March 1978 | 1985-86 | 130.0 |
| 73. | Uptron Components Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | 31st March 1979 | | Account |
| 74. | Uttar Pradesh Carbide and Chemicals Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited) | Industries | 23rd April 1979 | 1986-87 | 497.3 |
| 75 | Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | 18th October 1979 | 1987-88 (ending June 1988) | 1782. |

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| 1 | 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|-----|---|------------------|-------------------|---------|--------|-------|-------|--------|------------|-------|------|-----------|
| 64. | Uttar Pradesh Paschimi Kshetriya Vikas Nigam Limited | Area Development | 31st January 1976 | 1982-83 | 100.00 | 4.896 | - | 104.86 | (-) 173.74 | 2.59 | - | (-) 173.7 |
| 65. | Uttar Pradesh Development Systems Corporation Limited | Planning | 15th March 1977 | 1987-88 | 100.00 | -0 | - | 100.00 | (-) 2.71 | - | - | (-) 2. |
| 66. | Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited | Agriculture | 6th April 1977 | 1984-85 | 190.76 | 1.26 | 54.00 | 246.02 | (-) 66.57 | 10.67 | 7.61 | (-) 58. |
| 67. | UPAI Limited | Hill Development | 20th April 1977 | 1981-82 | 17.00 | - | - | 17.00 | (-) 0.20 | - | - | (-) 0. |
| 68. | Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | 30th April 1977 | 1989-90 | 22.00 | 8.51 | - | 30.51 | (-) 6.21 | 48.79 | - | (-) 6. |
| 69. | Uptron Sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | 23rd May 1977 | 1979-80 | 2.55 | - | - | 2.55 | (-) 0.78 | 0.42 | - | (-) 0 |

(432)

| | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|---|-------|-------|--------|-----------|------|-----------|-----------|-------|-------|-------|--------|-------|-----------|-----------|-----|-----|
| 0 | 7.07 | 52.68 | 94.95 | (-) 1.81 | 1.81 | (-) 14.73 | 81.66 | 15.02 | 66.64 | 15.42 | 36.54 | 45.52 | (-) 14.13 | - | - | |
| 0 | 7.07 | 65.68 | 107.95 | (-) 21.37 | 1.81 | 1.81 | (-) 19.56 | 81.92 | 18.83 | 63.09 | 29.80 | 55.74 | 37.15 | (-) 19.56 | - | - |
| 0 | 2.22 | - | 22.22 | (+) 1.00 | - | - | 1.00 | 4.95 | 2.42 | 2.53 | 31.11 | 11.64 | 22.00 | 1.00 | 4.5 | 4.5 |
| 0 | 1.241 | - | 131.24 | (+) 1.47 | - | - | 1.47 | 19.94 | 11.40 | 8.54 | 125.93 | 30.47 | 104.00 | 1.47 | 1.1 | 1.4 |

nts not finalised since inception.

[illegible]

| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|-----|--------|--------|---------|----------|-------------|-----------|----|----|
| .28 | 78.98 | 224.30 | 294.48 | 225.31 | 293.47 | (-) 13.45 | - | - |
| .13 | 219.54 | 663.59 | 2766.78 | 11942.16 | (-) 8511.79 | - | - | - |
| .04 | 2.45 | 3.59 | 274.57 | 7.01 | 271.15 | (-) 1.04 | - | - |
| 28 | 2.53 | 10.75 | 378.15 | 10.47 | 378.43 | - | - | - |
| 25 | - | 1.25 | 417.71 | 115.21 | 403.75 | (-) 2.53 | - | - |
| - | - | - | 3.22 | 1.02 | 2.22 | (-) 1.53 | - | - |

| (1) | 2(a) | 2(b) | 3 | 4 |
|-----|---|----------------------------|------------------|---------------------------|
| 82. | Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited) | Sugar and Cane Development | 30th May 1986 | August 1988 to March 1989 |
| 83. | Uttar Pradesh Police Avas Nigam Limited | Home | 27th March 1987 | 1988-89 |
| 84. | Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) | Hill Development | 24th August 1974 | July 1988 to March 19 |
| 85. | Uttar Pradesh Waqf Vikas Nigam Limited | Waqf | 27th April 1987 | 1988-89 |
| 86. | Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited) | Hill Development | 27th April 1987 | July 1988 to March 1989 |
| 87. | Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited) | Hill Development | 10th August 1987 | Acc |

(433)

| 1 | 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
|-----|---|--------------------------|--------------------------|-------------------------------|---------|--------|----------|----------|--------------------|-------|-------|--------------|-----|
| 76. | Uttar Pradesh Matsya Vikas Nigam Limited | Fish- eries | 27th October 1979 | 1986-87 | 100.00 | 154.29 | 83.33 | 337.62 | (-) 24.94 | 12.49 | 12.49 | (-) 13.45 | 303 |
| 77 | Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited | Energy | 22nd August 1980 | 1987-88 | 2300.00 | - | 42095.00 | 44395.00 | Under construction | | | | 883 |
| 78. | Uttar Pradesh Alp San- ghyak Vittiya Evam Vikas Nigam Limited | Indu- stry | 17th November 1984 | 1987-88 | 255.00 | 19.11 | 10.42 | 284.53 | (-)1.04 | - | - | (-)1.04 | 6 |
| 79. | Uttar Pradesh Laghu Jal Vidyut Nigam Limited (Successors of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited) | Energy | 15th April 1985 | 1986-87 | 20.00 | 377.00 | - | 397.00 | Under construction | | | | 13. |
| 80. | Uttar Pradesh Hill Electronics Corporation Limited | Hill Develop- ment | 26th June 1985 | July 1988 to March 1989 | 455.03 | - | - | 455.03 | (-)2.53 | - | - | (-)2.53 | 1. |
| 81. | Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh Mineral Deve- lopment Corporation Limited) | Indust- ries | 5th December 1985 | December 1985 to June 1986 | 0.0027 | - | 4.65 | 4.6527 | (-)1.63 | 0.10 | 0.10 | (-)1.53 | - |

(434)

| 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21- |
|--------|--------|-------|--------|--------------------|-------|-------|---------------|--------|--------|--------|---------|--------|---------|---------------|-----|-----|
| 31.33 | 100.56 | 4.15 | 136.04 | (-) 169.51 | 64.38 | 58.17 | (-) 111.34 | 995.30 | 414.68 | 580.62 | 331.63 | 103.0 | 809.23 | (-) 105.13 | - | - |
| 100.00 | 2.15 | - | 102.15 | (-)0.36 | - | - | (-)0.36 | 74.92 | 7.58 | 67.34 | 1133.51 | 33.51 | 1167.34 | (-)0.36 | - | - |
| 28.95 | 23.68 | 24.28 | 76.91 | (-) 11.53 | 19.74 | 0.90 | (-) 10.63 | 69.07 | 10.96 | 58.11 | 226.23 | 135.51 | 148.83 | 8.21 | - | 5.5 |
| 150.00 | - | - | 150.00 | (+)0.65 | - | - | 0.65 | 1.65 | 0.27 | 1.38 | 333.62 | 75.24 | 148.76 | 0.65 | 0.4 | 0.4 |
| 18.31 | - | - | 183.31 | Under construction | | | | 1.25 | - | 1.25 | 16.59 | 3.04 | 14.80 | | | |

ounts not finalised since inception.

| 2 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|----|--------|-------|--------|--------|-------|--------|-------|-----|-----|
| 23 | 224.60 | 75.49 | 149.11 | 195.27 | 54.88 | 289.50 | 24.47 | 3.2 | 8.5 |

| | | | | | | | | | |
|----|-------|------|-------|--------|-------|-------|------|-----|-----|
| 71 | 14.92 | 2.37 | 12.55 | 110.07 | 49.40 | 73.22 | 0.98 | 0.7 | 1.3 |
|----|-------|------|-------|--------|-------|-------|------|-----|-----|

| 1 | 2(a) | 2(b) | 3 | 4 | 5 |
|-----|---|----------------------------|--------------------|---|-----------|
| 93 | Uttar Pradesh Buildwares (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | 28th June 1972 | | Under liq |
| 94. | Uttar Pradesh Roofings (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | 24th November 1973 | | Under liq |
| 95 | Krishna Fasteners Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | 14th December 1973 | | Under liq |
| 96. | Faizabad Roofings Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | 16th February 1974 | | Under liq |
| 97. | The Gandak Samadesh Kshetra Vikas Nigam Limited | | | | |

| 1 | 2(a) | 2(b) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|-----|--|----------------------------|--------------------|---------|--------|------|--------|--------|-----------|-------|-------|-----|
| 88. | Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) | Electronics | 1st February 1977 | 1989-90 | 114.18 | 0.50 | 172.88 | 287.56 | (-) 28.17 | 52.64 | 37.40 | 9.1 |
| 89 | Uptron Leasing Limited (Subsidiary of Uptron India Limited) | Electronics | 5th January 1988 | 1989-90 | 100.00 | 0.73 | - | 100.73 | (+)0.71 | 0.27 | - | 0.1 |
| 90. | The Indian Bobbin Company Limited | Industries | 22nd February 1924 | | | | | | | | | |
| | | | | | | | | | | | | |
| 91. | The Turpentine Subsidiary Industries Limited (Subsidiary of The Indian Turpentine and Rosin Company Limited) | Industries | 11th July 1939 | | | | | | | | | |
| | | | | | | | | | | | | |
| 92. | Uttar Pradesh Potteries (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited) | Rural and Small Industries | 28th June 1972 | | | | | | | | | |
| | | | | | | | | | | | | |

Under liquidation.

Under liquidation

Under liquidation.

(436)

| 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|
|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|

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ANNEXURE-4

Statement showing summarised financial results of Statutory Corporation for the latest year for which Annual Accounts have been prepared (referred to in paragraph 1.34 page 38)

| Serial number | Name of the Corporation | Name of administrative department | Year of incorporation | Year of accounts | Total capital invested | Profit(+)/ Loss(-) | Interest on long term loans | Total return on capital invested | Total return on capital employed | Capital employed | Percentage of total return on capital invested | Percentage of total return to capital employed |
|--------------------|---------------------------------------|-----------------------------------|-----------------------|--------------------------|------------------------|--------------------|-----------------------------|----------------------------------|----------------------------------|------------------|--|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| (Rupees in crores) | | | | | | | | | | | | |
| 1. | U.P. State Electricity Board | Power | April 1959 | 1988-89 | 5533.92 | (-)114.16 | 509.69 | 395.51 | 395.51 | 3808.37 | 7.1 | 10.4 |
| 2. | U.P. Financial Corporation | Industries | 1954 | 1989-90 | 694.98 | (+) 3.08 | 48.20 | 51.28 | 51.28 | 642.35 | 7.4 | 8.0 |
| 3. | U.P. State Warehousing Corporation | Co-operative | 1958 | 1987-88 (Provisional) | 23.47 | (+) 2.45 | 0.75 | 3.20 | 3.20 | 21.15 | 13.63 | 15.12 |
| 4. | U.P. State Road Transport Corporation | Transport | 1972 | 1989-90 (Provisional) | 250.06 | (--) 24.75 | 19.40 | (-) 5.35 | (-)5.35 | 149.47 | (-)2.1 | (-)3.6 |

Notes : 1. Capital invested represents mean of the aggregate of opening and closing balances of paid-up capital plus long term loans plus free reserves

2. Capital employed represents net fixed assets plus working capital.

1. The following are the names of the persons who have been appointed to the various committees of the Board of Education for the year 1890.

2. The following are the names of the persons who have been appointed to the various committees of the Board of Education for the year 1890.

| Committee on the Curriculum | | Committee on the Text-books | | Committee on the Methods of Instruction | | Committee on the Physical Education | | Committee on the Moral Education | |
|-----------------------------|---|-----------------------------|---|---|---|-------------------------------------|---|----------------------------------|---|
| Chairman | John D. Smith | Chairman | John D. Smith | Chairman | John D. Smith | Chairman | John D. Smith | Chairman | John D. Smith |
| Members | John D. Smith, John D. Smith, John D. Smith | Members | John D. Smith, John D. Smith, John D. Smith | Members | John D. Smith, John D. Smith, John D. Smith | Members | John D. Smith, John D. Smith, John D. Smith | Members | John D. Smith, John D. Smith, John D. Smith |
| Secretary | John D. Smith | Secretary | John D. Smith | Secretary | John D. Smith | Secretary | John D. Smith | Secretary | John D. Smith |
| Report | John D. Smith | Report | John D. Smith | Report | John D. Smith | Report | John D. Smith | Report | John D. Smith |

| | | | | | | | | | |
|-----------------------------|---|-----------------------------|---|---|---|-------------------------------------|---|----------------------------------|---|
| Committee on the Curriculum | John D. Smith | Committee on the Text-books | John D. Smith | Committee on the Methods of Instruction | John D. Smith | Committee on the Physical Education | John D. Smith | Committee on the Moral Education | John D. Smith |
| Chairman | John D. Smith | Chairman | John D. Smith | Chairman | John D. Smith | Chairman | John D. Smith | Chairman | John D. Smith |
| Members | John D. Smith, John D. Smith, John D. Smith | Members | John D. Smith, John D. Smith, John D. Smith | Members | John D. Smith, John D. Smith, John D. Smith | Members | John D. Smith, John D. Smith, John D. Smith | Members | John D. Smith, John D. Smith, John D. Smith |
| Secretary | John D. Smith | Secretary | John D. Smith | Secretary | John D. Smith | Secretary | John D. Smith | Secretary | John D. Smith |
| Report | John D. Smith | Report | John D. Smith | Report | John D. Smith | Report | John D. Smith | Report | John D. Smith |

3. The following are the names of the persons who have been appointed to the various committees of the Board of Education for the year 1890.

4. The following are the names of the persons who have been appointed to the various committees of the Board of Education for the year 1890.

ANNEXURE 5

(Referred to in Paragraph 12.2) showing summarised working results of emporia for four years up to 1989-90

**

| Location of emporia | Years | Sales including S. & R commission | Expenditure including cost of sales | Profit(+) / loss (-) |
|-----------------------|---------|-----------------------------------|-------------------------------------|----------------------|
| 1 | 2 | 3 | 4 | 5 |
| (Rupees in lakhs) | | | | |
| Agra | 1986-87 | 5.87 (2.37) | 4.73 | (+)1.14 |
| | 1987-88 | 7.74 (2.46) | 6.72 | (+)1.02 |
| | 1988-89 | 11.85 (2.40) | 9.90 | (+)1.85 |
| | 1989-90 | 15.48 (4.00) | 11.53 | (+)3.95 |
| Allahabad | 1986-87 | 24.58 (2.08) | 19.85 | (+)4.37 |
| | 1987-88 | 36.84 (4.33) | 30.29 | (+)6.55 |
| | 1988-89 | 47.26 (4.80) | 41.37 | (+)5.89 |
| | 1989-90 | 31.45 (2.12) | 43.43 | (+)8.02 |
| Aminabad (Lucknow) | 1986-87 | 10.81 (1.44) | 9.02 | (+)1.79 |
| | 1987-88 | 24.99 (2.94) | 19.83 | (+)5.16 |
| | 1988-89 | 18.60 (2.40) | 15.62 | (+)2.98 |
| | 1989-90 | 30.33 (1.55) | 23.96 | (+)6.37 |

| 1 | 2 | 3 | 4 | 5 |
|-------------------|---------|-----------------|-------|---------|
| (Rupees in lakhs) | | | | |
| Bangalore | 1986-87 | 12.38 (1.41) | 13.90 | (-)1.52 |
| | 1987-88 | 24.03 (2.82) | 22.61 | (+)1.42 |
| | 1988-89 | 32.41 (2.40) | 31.90 | (+)0.24 |
| | 1989-90 | 35.92 (2.18) | 31.48 | (+)4.44 |
| Bombay | 1986-87 | 19.79 (3.22) | 19.15 | (+)0.64 |
| | 1987-88 | 28.27 (3.32) | 26.43 | (+)1.84 |
| | 1988-89 | 27.28 (4.60) | 25.35 | (+)1.93 |
| | 1989-90 | 25.04 (1.52) | 24.52 | (+)0.52 |
| Bhopal | 1986-87 | 13.85 (0.52) | 12.43 | (+)1.42 |
| | 1987-88 | 26.00 (0.40) | 22.89 | (+)3.11 |
| | 1988-89 | 26.50 (1.50) | 22.74 | (+)3.76 |
| | 1989-90 | 11.19 (0.57) | 11.83 | (-)0.54 |
| Calcutta | 1986-87 | 5.99 (1.83) | 6.67 | (-)0.68 |
| | 1987-88 | 14.54 (2.42) | 11.90 | (+)2.64 |
| | 1988-89 | 6.92 (2.70) | 7.51 | (-)0.59 |
| | 1989-90 | 7.49 (0.38) | 7.89 | (-)0.40 |

| 1 | 2 | 3 | 4 | 5 |
|--------------------------|---------|-------------------|--------|----------|
| (Rupees in lakhs) | | | | |
| Hazaratganj (Lucknow) | 1986-87 | 6.88 (0.82) | 7.49 | (-)0.61 |
| | 1987-88 | 94.16 (5.96) | 71.84 | (+)22.32 |
| | 1988-89 | 70.13 (6.40) | 54.20 | (+)15.93 |
| | 1989-90 | 85.03 (5.16) | 67.40 | (+)17.63 |
| Nagpur | 1986-87 | 20.13 (1.13) | 17.53 | (+)2.60 |
| | 1987-88 | 27.36 (2.66) | 23.88 | (+)3.48 |
| | 1988-89 | 38.77 (1.60) | 35.55 | (+)3.22 |
| | 1989-90 | 23.42 (1.75) | 21.90 | (+)1.72 |
| Delhi | 1986-87 | 85.16 (13.58) | 64.16 | (+)21.00 |
| | 1987-88 | 113.10 (16.75) | 81.37 | (+)31.73 |
| | 1988-89 | 130.68 (14.13) | 120.45 | (+)10.23 |
| | 1989-90 | 155.13 (12.82) | 120.91 | (+)34.22 |
| Kanpur | 1989-90 | 12.03 (0.60) | 13.77 | (-)1.74 |

Note: 1. Figures in brackets indicate income from S&R parties.

2. Figures in respect of Delhi emporium are based on their accounts and in respect of other 11 emporia, the figures have been taken from MIS.

