REPORT

OF THE

Comptroller & Auditor General of India
for the year 1975-76

(Commercial)

Government of Uttar Pradesh

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1975-76

(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

TABLE OF CONTENTS

PREFATORY REMARKS

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

(i) Government Companies,

(ii) Statutory Corporations, and

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

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

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

4. In respect of Uttar Pradesh State Road Transport Corporation (incorporated on 1st June 1972) and Uttar Pradesh State Electricity Board (incorporated on 1st April 1959), which are Statutory Corporations, the Comptroller and Auditor General is the sole auditor, while in respect of the other two Statutory Corporations, *viz.* Uttar Pradeh Financial Corporation and Uttar Pradesh State Warehousing Corporation, he has the right to conduct audit in accordance with the provisions of the relevant Acts independently of the audit conducted by the professional auditors appointed under the respective Acts.

5. The points brought out in this Report are those which have come to notice during the course of test audit of accounts of the above

undertakings. They are not intended to convey or to be understood as conveying any general reflection on the financial administration of the undertakings concerned.

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

Introduction

1.01. There were 57 Companies (including 20 subsidiaries) of the State Government as on 31st March 1976, as against 46 Companies (including 19 subsidiaries) as on 31st March 1975. Out of the 57 Companies, 45 (including 15 subsidiaries) close their accounts on 31st March and five Companies (including one subsidiary) on 30th June each year, two subsidiary Companies on 31st July each year and three Companies (including one subsidiary) on 30th September each year. The remaining two Companies, *viz*. Almora Magnesite Limited and Uttar Pradesh Panchayati Raj Vitta Nigam Limited, close their accounts on 31st October and 31st December respectively.

1.02. A synoptic statement showing the summarised financial results of 43 Companies on the basis of their latest accounts (1975-76—36 ; 1974-75—6 and 1973-74—1) received up to February 1977 is given in Appendix I.

1.03. The accounts of the following 19 Companies are in arrears :—

	Year(s) for which accounts are in arrears
Uttar Pradesh State Bridge Corporation Limited ..	1974-75 and 1975-76
Uttar Pradesh Panchayati Raj Vitta Nigam Limited ..	1975-76
Uttar Pradesh State Handloom and Powerloom Finance and Development Corporation Limited.	1975-76
Uttar Pradesh State Bundelkhand Vikas Nigam Limited ..	1974-75 and 1975-76
Uttar Pradesh State Leather Development and Marketing Corporation Limited	1975-76
Uttar Pradesh Food and Essential Commodities Corporation Limited	1975-76
Uttar Pradesh Pashudhan Udyog Nigam Limited ..	1975-76
Uttar Pradesh Rajkiya Nirman Nigam Limited ..	1975-76
Garhwal Anusuchit Janjati Vikas Nigam Limited ..	1975-76

Uttar Pradesh Abscott Private Limited ..	1974-75 and 1975-76
Uttar Pradesh Potteries Private Limited ..	1974-75 and 1975-76
Uttar Pradesh Buildwares Private Limited ..	1974-75 and 1975-76
Uttar Pradesh Plant Protection Appliances Private Limited ..	1974-75 and 1975-76
Uttar Pradesh Prestressed Products Private Limited ..	1975-76
Uttar Pradesh Roofings Private Limited ..	1974-75 and 1975-76
Faizabad Roofings Private Limited ..	1975-76
Krishna Fasteners Private Limited ..	1973-74 to 1975-76
Bundelkhand Concrete Structurals Limited ..	1974-75 and 1975-76
Almora Magnesite Limited ..	1975-76

The accounts of one Company, *viz.* Garhwal Mandal Vikas Nigam Limited which was incorporated during 1975-76, were not due and one other Company, *viz.* Indian Bobbin Company Limited, has been under liquidation.

Paid-up capital

1.04. The aggregate of the paid-up capital of 36 Companies (the accounts of which are up-to-date) at the end of 1975-76 was Rs.9052.64* lakhs. The particulars of investments made by the State and Central Governments, Holding Companies and private parties in the paid-up capital of the 36 Companies are as follows :—

Category of Companies	Number	State Govern-ment	Central Govern-ment	Holding Com-panies	Private parties	Tota
					(In lakhs of	Rupees)
Companies fully owned by the State Government ..	20	6932.51	..	..	..	6932.51
Companies owned by the State Government and the Central Government ..	1	316.00	316.00	..	..	632.00
Wholly owned subsidiary Companies ..	7	..	..	1245.56	..	1245.56
Companies jointly owned by the Holding Company and by private parties	3	..	..	114.59	69.97	184.56
Companies jointly owned by the State Government and private parties ..	5	35.79	..	..	22.22	58.01
Total ..	36	7284.30	316.00	1360.15	92.19	9052.64

*Figures as per the accounts of the Companies.

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

	Amount (In lakhs of Rupees)
Statement Government	77.56
Holding Companies	52.03
Private parties	49.93

The entire investment (Rs.50 lakhs) in Uttar Pradesh State Bridge Corporation Limited, Lucknow, which rendered its accounts for 1973-74, was made by the State Government.

Profit and dividends

1.05. The results of the working of 31 Companies during the year 1975-76 showed aggregate net loss of Rs.460.32 lakhs (comprising profit of Rs.111.76 lakhs made by 19 Companies and loss of Rs.572.08 lakhs incurred by 12 Companies), against the aggregate net loss of Rs.791.26 lakhs during the previous year of the working of 16 Companies. The remaining five Companies, which have prepared their accounts for 1975-76 were in construction stage and have not prepared profit and loss accounts.

The particulars of five Companies, which substantially improved their working results during 1975-76 over those during 1974-75, are given in the table below :—

Name	Profit (+)/Loss (—) 1974-75	1975-76
	(In lakhs of Rupees)	
Uttar Pradesh State Industrial Development Corporation Limited	(+)34.16	(+)57.04
Uttar Pradesh State Textile Corporation Limited ..	(—)12.06	(+)5.99
Uttar Pradesh State Sugar Corporation Limited ..	(—)302.54	(—)268.96
Kichha Sugar Company Limited	(—)146.12	(—)38.23
Uttar Pradesh State Cement Corporation Limited ..	(—)283.24	(—)60.78

The particulars of three Companies which showed marked deterioration in their working results during 1975-76 from those during 1974-75, are given in the table below :—

Name	Profit (+)/Loss (—) 1974-75	1975-76
	(In lakhs of Rupees)	
Uttar Pradesh Small Industries Corporation Limited ..	(+)45.26	(+)19.46
Uttar Pradesh Poorvanchal Vikas Nigam Limited ..	(+)0.02	(—)11.03
Uttar Pradesh State Agro Industrial Corporation Limited	(—)55.96	(—)138.01

The Uttar Pradesh Small Industries Corporation Limited declared dividends of Rs.3.90 lakhs during 1975-76, which works out to six *per cent* of its total paid-up capital (Rs.65 lakhs).

Fifteen Companies with paid-up capital of Rs.5252.93 lakhs sustained losses totalling Rs.599.60 lakhs (1975-76 : Rs.572.08 lakhs, 1974-75 : Rs.25.51 lakhs and 1973-74 : Rs.2.01 lakhs), of which Rs.578.35 lakhs pertained to the following six Companies :—

Name	Year	Losses (In lakhs of Rupees)
Uttar Pradesh State Sugar Corporation Limited	1975-76	268.96
Uttar Pradesh State Agro Industrial Corporation Limited	1975-76	138.01
Uttar Pradesh State Cement Corporation Limited	1975-76	60.78
Uttar Pradesh Sate Spinning Mills Company (No. I) Limited	1975-76	48.31
Kichha Sugar Company Limited	1975-76	38.23
Almora Magnesite Limited	1974-75	24.06

Guarantees

1.06. Government have guaranteed repayment of loans aggregating Rs.2240 lakhs obtained by four Companies, against which Rs.1956 lakhs were outstanding on 31st March 1976. The table below indicates the details of the guarantees given by Government:—

Name of the Company and brief particulars	Maximum amount guaranteed	Amount guaranteed and outstanding on 31st March 1976
	(In lakhs of Rupees)	
(1) The Pradeshik Industrial and Investment Corporation of Uttar Pradesh Limited, Lucknow		
(*a*) Guarantee for repayment of principal and payment of interest on 6½ *percent* bonds issued by the Company	220	220
(*b*) Guarantee for credit guarantee scheme implemented by the Company	200	14

Name of the Company and brief particulars	Maximum amount guaranteed	Amount guaranteed and outstanding on 31st March 1976
	(In lakhs of Rupees)	
(2) Uttar Pradesh State Agro Industrial Corporation Limited, Lucknow—		
(*a*) Guarantee given to the State Bank of India for repayment of loan taken by the Company for purchase of 500 tractors	43	13
(*b*) Guarantee given to commercial banks for repayment of loans and payment of interest thereon for purchase of fertilizers	735	735
(3) Uttar Pradesh State Bridge Corporation Limited, Lucknow—		
Guarantee given to commercial banks for repayment of loans and payment of interest thereon for construction of bridges	347	347
(4) Uttar Pradesh State Sugar Corporation Limited, Lucknow—		
(*a*) Guarantee given to Central Bank of India for cash credit facilities	194	194
(*b*) Guarantee given to commercial banks for loans given to Sugar mills under the control of the Company	366	298
(*c*) Guarantee given to Industrial Finance Corporation of India for repayment of loan and payment of interest threon (Kichha Sugar Company Limited)	135	135
Total ..	2,240	1,956

1.07. Further, there were two Companies in the State coming under section 619-B of the Companies Act, *viz.* The Uttar Pradesh Industrial Consultants Limited and Steel and Fasteners Limited, with an aggregate paid-up capital of Rs.700 (excluding advance of Rs.8.50 lakhs an application for shares pending allotment) and Rs.70 lakhs as on 31st March 1976 and 22nd October 1976 respectively. Five shares of Rs.100 each of the Uttar Pradesh Industrial Consultants

NOTE—Figures as per the accounts of the Companies.

Limited were held by the State Government and companies and corporations owned or controlled by the State Government. Out of the paid-up capital of Rs.70 lakhs of Steel and Fasteners Limited, Rs.38.56 lakhs were held by companies and corporations owned or controlled by the Central and State Governments. The working results of the Uttar Pradesh Industrial Consultants Limited for the year 1975-76 showed a net profit of Rs.0.06 lakh. The account of Steel and Fasteners Limited for the year ended 22nd October 1976 have not been received (April 1977).

SECTION II

UTTAR PRADESH STATE SUGAR CORPORATION LIMITED

Introduction

2.01. With a view to bringing the sick sugar factories in the State under its control, Government enacted the U. P. Sugar Undertakings (Acquisition) Act, 1971. In order to own and run the sugar factories thus brought under State control, the Uttar Pradesh State Sugar Corporation Limited was incorporated as a public limited company on 26th March 1971.

Objects

2.02. The main objects of the Company, as set out in its Memorandum of Association, are to :

(*a*) carry on the business of sugar mills including dealings in sugar and by-products of sugarcane, sugar-beet, molasses, jaggery, alcohol and all products and by-products thereof ;

(*b*) take over the management of such sugar undertakings in the State as the Central Government may authorise ;

(*c*) purchase sugar undertakings ; and

(*d*) establish sugar mills and carry on business thereof as well as promote any sugar company as its subsidiary.

Organisational set-up

2.03. The Company is managed by a Board of Directors consisting of 11 Directors, one of whom represents the interest of the workers and another of the cane-growers. The Company has a part-time Chairman and one whole-time Managing Director. The Company has four subsidiary companies incorporated to run the factory at Kichha and set up new factories at Nandganj, Chhata, Chandpur and Rae Bareli.

The Chairman of the Company is the Chairman of all the Subsidiaries and the Managing Director of the Company is the Managing Director of Kichha Sugar Company Limited and Vice-Chairman of the other Subsidiaries.

These Subsidiaries are managed by their respective Boards of Directors and also have whole-time Executive Directors.

The factories owned by the Company are headed at the unit level by whole-time General Managers.

For day-to-day management, powers have been delegated by the Board of Directors of the Company to its Managing Director and the General Managers of the individual factories.

Functions

2.04. In pursuance of its objects, the Company has :

(*a*) taken over five sick sugar factories, one each at Bara Banki, Khadda (Deoria), Bhatni (Deoria), Sakhoti-Tanda (Meerut) and Mohiuddinpur (Meerut), acquired by Government in July 1971 under the U. P. Sugar Undertakings (Acquisition) Act, 1971 ;

(*b*) purchased a sick sugar factory at Pipraich (Gorakhpur) in an auction held in June 1974 ;

(*c*) set up a Subsidiary Company to own and run a sugar factory at Kichha (Naini Tal) which was transferred to the Company by Government in November 1971 ;

(*d*) obtained letters of intent/industrial licences (November 1973/April 1974) for setting-up four new sugar factories, one each at Rae Bareli, Nandganj-Sihori (Ghazipur), Chhata (Mathura) and Chandpur (Bijnor).

The Company has also been entrusted with the management of three private sector sugar factories at Saharanpur, Rohankalan (Muzaffarnagar) and Doiwala (Dehra Dun) under the Industries (Development and Regulation) Act, 1951 and the Defence of India Rules. It is acting as the Receiver of a private sugar factory at Bareilly and also renders advice and expertise on various financial, technical and administrative matters to five private sugar factories at Jarwal Road (Bahraich), Ramkola-Khetan (Deoria), Bulandshahr, Burhwal (Bara Banki) and Amroha (Moradabad) for which other Receivers have been appointed by the Collectors of the respective districts under the U. P. Zamindari Abolition and Land Reforms Act, 1952.

Take-over of sick factories

2.05. Mention was made in paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) about the take-over of five sick sugar factories. The value of the fixed assets along with the stores and spare parts in stock of these undertakings, in terms of the U. P. Sugar Undertakings (Acquisition) Act, 1971, amounted to Rs.80.50 lakhs. Ownership of the stock-in-trade (sugar, molasses, *etc.*) held in these factories at the time of take-over also vested in the Company ; the value realised on its sale was to be utilised for liquidating cane dues and other liabilities of the undertakings. The balance, if any, was to be remitted to Government.

The value of the fixed assets so taken over by the Company *less* the value of stores and spare parts consumed each year from the date of take-over of the factories is being exhibited distinctly in its accounts without any provision for depreciation, on the ground that the compensation payable to the ex-owners of these factories is in dispute (March 1977). Meanwhile, the Company has been incurring expenditure on rehabilitation and renovation of these factories. Such expenditure has been capitalised as addition to the existing fixed assets.

Purchase of a sugar factory

2.06. As directed by Government, the Company purchased a private sugar factory at Pipraich (Gorakhpur) for Rs.55 lakhs in an open auction (19th June 1974). The funds required for the purchase were made available by Government on 28th June 1974 in the form of equity capital. While payment of Rs.13.75 lakhs was made by the Company on the date of auction, the balance of Rs.41.25 lakhs was paid when the auction was confirmed by the Commissioner, Gorakhpur on 2nd November 1974 and the Company took possession of the factory on the same day.

After the take-over, the Company paid Rs.10.11 lakhs during the year ending September 1975 towards wages and salaries, *etc.* of the factory employees for the period June to October 1974 (Rs.9.94 lakhs) and electricity bills, railway siding charges, *etc.* (Rs.0.17 lakh) pertaining to the pre-take-over period on the ground that the payments were essential for continuous cane crushing operations. The Board of Directors also approved (January 1977) the payment of Rs.4.69 lakhs being labour dues of the pre-take-over period. The factory had, however, been purchased without any encumbrance. The Management stated (April 1977) that serious dissatisfaction would have continued amongst the workers if these payments were not made.

The requisite sale certificate has not been obtained and registered (March 1977) as the cost of stamp duty and registration charges amounting to Rs.6.19 lakhs in all, demanded by the Tehsildar, Gorakhpur in December 1974, have not been paid because, it was stated, Government have not provided the Company with funds for this purpose.

Capital structure

2.07. (*a*) *Share capital*

The Company was registered with an authorised capital of Rs.5 crores in March 1971, which was increased to Rs.10 crores in April 1974, to Rs.15 crores in June 1975 and to Rs.20 crores in

September 1976, mainly to accommodate the requirement of funds for setting up new sugar factories, directly or through its subsidiary companies, as well as for rehabilitation of sick factories. The entire paid-up capital of Rs.15.50 crores as on 30th September 1976 has been contributed by the State Government.

Out of Rs.15.50 crores received from Government as share capital, Rs.10.99 crores were earmarked for purchase of shares of Kichha Sugar Company Limited (Rs.1.10 crores), for purchase of the sugar undertaking at Pipraich (Rs.0.55 crore) and for new projects (Rs.9.34 crores). Out of Rs.9.34 crores earmarked for new projects, Rs.5.37 crores were utilised up to September 1976.

(*b*) *Borrowings*

(i) *Government loans*

Government also granted loans to the Company, aggregating Rs.493 lakhs, between March 1973 and December 1976. Three loans totalling Rs.85 lakhs sanctioned by Government in March 1973 (Rs.20 lakhs), November 1973 (Rs.20 lakhs) and November 1974 (Rs.45 lakhs) were overdue for repayment (30th September 1976). The first two loans carry interest at 11 *per cent* and 10 *per cent* respectively, subject to rebate of 2½ *per cent*. The third loan carries interest at the provisional rate of 15½ *per cent* subject to a rebate of 3½ *per cent*. The rebate is admissible on repayment of principal and payment of interest by the due dates. The Company could not repay the loans reportedly owing to its 'precarious financial position' and requested Government (January 1976) to extend the due dates of repayment of the first two loans (Rs.40 lakhs) up to September 1977 and to merge the third loan (Rs.45 lakhs) with the existing loans (the terms and conditions of which are stated to be undecided). Owing to its failure to repay these loans by the due dates, the Company has been losing the beenfit of rebate of interest of 2½ *per cent* on the first two loans and 3½ *per cent* on the third loan.

The terms and conditions of repayment of the remaining loans were under the consideration of Government as the Company was not able to suggest any specific period during which the loans could be repaid. In the meantime, the Company has been making provision in its accounts for interest at 15½ *per cent per annum less* rebate of 3½ *per cent* applicable on repayment of principal and payment of interest on due dates.

The Management stated (April 1977) that due to the serious financial position of the Company, the State Government had been requested to consider the following:

(i) to waive the entire interest accrued on the loans up to 30th September 1976,

(ii) to convert the loan into equity share capital, and

(iii) till a decision is taken in regard to (ii) above, to treat the loan as interest free.

A sum of Rs. 80.50 lakhs, being the assigned value of the assets of the five sick sugar factories taken over from Government has also been treated as a loan by Government to the Company. This loan carries interest at ½ *per cent* above the Bank rate from the respective dates on which the State Government actually makes payment to the erstwhile owners, and is repayable with interests in seven annual instalments commencing from the sixth anniversary of the date of take-over of the factories (3rd July 1977).

(ii) *Bank loans*

In October 1973, the Company obtained a term loan of Rs.17.50 lakhs from a nationalised bank for rehabilitation and renovation of the plant and machinery of the Mohiuddinpur factory. The loan carries interest at 4 *per cent* above the Bank rate (with minimum of 11 *per cent per annum*) with quarterly rests. Repayment of the loan has been guaranteed by Government. Of the loan, Rs. 5 lakhs were utilised in that factory for working capital purposes and the balance was transferred to the Sakhoti-Tanda factory (Rs. 3 lakhs) and the Company's head office (Rs. 9.50 lakhs). Repayment of the first two instalments of Rs. 3.50 lakhs each was made on due dates.

Further, the Company obtained a term loan of Rs.60.25 lakhs from another nationalised bank in May 1973. The loan carried interest at 4½ *per cent* above the Bank rate, with a minimum of 10½ *per cent per annum*, repayable in five equal annual instalments. Pending finalisation of the loan documents, the bank advanced two bridging loans of Rs.25 lakhs and Rs.10 lakhs in May and November 1973, respectively, to enable the Company to make payments to the suppliers of plant and machinery required under the programme of rehabilitation of Khadda, Bhatni and Sakhoti-Tanda factories. After the Company executed the loan documents in September 1975, the bank released the balance of Rs. 25.25 lakhs in December 1975, out of which Rs. 7 lakhs were adjusted by the bank towards repayment of the first instalment in respect of the two bridging loans due on 17th May 1975 (Rs. 5 lakhs) and 17th November 1975 (Rs. 2 lakhs). For the balance of Rs. 18.25 lakhs, the bank issued 11 fixed deposits receipts which were encashed by the Company in February 1976 on maturity after 46 days. The bank raised the interest rate to 16 *per cent* on the total amount from the date of the loan, *i.e.* December 1975.

A short-term loan of Rs.25 lakhs guaranteed by Government was taken by the Sakhoti-Tanda factory in September 1976 from a co-operative bank for payment of arrears of cane price. The loan carries interest of 15½ *per cent* with monthly rests and is repayable by 30th June 1977 out of realisations from sale of sugar by the factory at Rs.15 per bag of sugar, failing which the Company is liable to pay the whole amount by that date. Repayment of Rs.2.34 lakhs was made up to March 1977.

(iii) *Bank credit facilities*

The Company also availed of cash credit arrangements with banks for payment of the purchase price of sugarcane and other recurring expenses of the sugar factories. The maximum limit of cash credit allowed by the banks during the year ending September 1975 was Rs.6.43 crores and it was Rs.7.57 crores for the year ending September 1976. In 1975-76, the banks introduced the 'bill market scheme', under which the sugarcane suppliers are permitted to cash their bills with the banks for realising the cane price. The amount of discount charged by the banks together with the interest for the period of the bills is to be borne by the Company. On maturity of the bills the amounts payable under the scheme are to be debited to the cash credit account of the various factories.

The maximum extent to which cash credits were availed of during 1971-72 to 1975-76 is indicated in the following table :—

Factory	1971-72	1972-73	1973-74	1974-75	1975-76
				(In lakhs of Rupees)	
Bara Banki	76.50	86.50	86.50	87.00	84.00
Bhatni	42.78	109.32	82.43	93.04	97.85
Khadda	34.35	75.00	73.00	73.00	107.09
Mohiuddinpur	54.73	124.99	83.27	123.41	129.46
Sakhoti-Tanda	66.08	107.58	113.27	116.26	99.69
Pipraich	..			65.00	94.00

(iv) *Interest liability*

The interest liability of the Company and the extent to which it was discharged during the five years ending September 1976 are indicated below :—

Year	At the beginning of the year	Increase during the year	Paid during the year	Balance at the close of the year
			(In lakhs of Rupees)	
1971-72	..	12.20	12.20	..
1972-73	..	28.89	25.12	3.77
1973-74	3.77	40.27	39.84	4.20
1974-75	4.20	97.23	66.77	34.66
1975-76	34.66	117.21	75.48	76.39

The Management stated (April 1977) that the major portion (Rs. 76.30 lakhs) was due to the State Government and that Government had already been requested to waive the interest and to convert this into share capital.

Rehabilitation and renovation of sick factories

2.08. Since 1959, the working of the uneconomic sugar factories in the State had been examined by various committees/commissions appointed by the Central/State Governments. The Company decided (June 1972), to rehabilitate the sick factories in three phases during 1972-73 to 1974-75 and accordingly spent Rs.3 10 crores up to 1975-76 on rehabilitation and renovation of six factories, as detailed below :—

Factory	Installed capacity (In tonnes per day)	Expenditure (In crores of Rupees)
Khadda (Deoria)	768	0.81
Bhatni (Deoria)	1016	0.40
Mohiuddinpur (Meerut)	1000	0.69
Sakhoti-Tanda (Meerut)	1000	0.90
Bara Banki	1000	0.17
Pipraich (Gorakhpur)	800	0.13
	Total	3.10

While the work of rehabilitation and renovation was in progress, the Board of Directors of the Company decided (October 1974) that :

(*a*) the two sugar factories at Bara Banki and at Burhwal (under receivership) should be replaced with a new factory of capacity 2,500 tonnes per day ;

(*b*) the factories at Mohiuddinpur and Sakhoti—Tanda should be replaced with a new factory of capacity 2,500 tonnes per day ;

(*c*) the capacity of the factory at Khadda should be expanded to 1,250 tonnes per day and the Bhatni factory should continue to run after rehabilitation without any expansion in the capacity.

In December 1975, the Company informed the State Government that heavy investment on rehabilitation of the sick factories would be unsound until Government took a firm decision on the question of closure or replacement of these factories.

In February 1976, Government constituted a committee under the Chairmanship of the Commissioner and Secretary, *Chini Udyog* and *Ganna Vikas Vibhag* with ten other members to go into the question of rehabilitation, modernisation and expansion of the sick sugar factories. Meanwhile, the Company again reported to Government that the performance of all the six factories was unsatisfactory as the plant and machinery had outlived their utility. For complete rehabilitation of these factories, the Company estimated a financial outlay of Rs.22.57 crores over a period of five years from 1976-77 to 1980-81. At the instance of the committee appointed by Government in February 1976, the Company submitted (June 1976) to the Industrial Development Bank of India (IDBI), through Government, applications alongwith project estimates for refinance facilities aggregating Rs.22.57 crores for comprehensive rehabilitation, modernisation and expansion of the six factories in the off-seasons of the years 1976 to 1980. The applications are under the consideration of IDBI (March 1977).

Meanwhile, the Board of Directors approved in May 1976 a proposal to incur further expenditure of Rs.2.18 crores on rehabilitation of the factories during the off-season of 1976.

Production performance

2.09. The table below summarises the production performance of the six factories *viz.*, at Khadda, Bhatni, Bara Banki, Pipraich, Mohiuddinpur and Sakhoti–Tanda for the four years up to 1975-76 (ending September) :—

Particulars	1972-73	1973-74	1974-75	1975-76
			(In lakh quintals)	
Sugarcane crushed	46.01	42.91	52.57	44.34
Sugar produced	4.35	3.68	4.93	4.10
Percentage of sugar recovery ..	9.45	8.58	9.38	9.25

NOTE—Production in Pipraich factory under the Company started in 1974-75.

It will be noticed that in spite of the capital investment of Rs.3.10 crores up to 1975-76 (in addition to the expenditure on repairs and maintenance) there was no appreciable improvement in the performance of the factories either in regard to the quantity of cane crushed or the percentage of sugar recovery.

The Management stated (April 1977) that the comparatively low recovery of sugar in 1973-74 was due to extensive attack of *pyrilla* on cane crop and frost in January 1974, which adversely affected the quality of cane. It was further stated (April 1977) that better results were expected during 1976-77 season after completion of the limited rehabilitation programme up to 1975-76.

The number of days on which the individual factories crushed cane during each season also generally decreased, as indicated in the follwing table :—

Factory	1972-73	1973-74	1974-75	1975-76
			(days)	
Sakhoti-Tanda	189	176	161	128
Mohiuddinpur	195	173	162	131
Bara Banki	147	144	163	115
Bhatni	108	87	95	86
Khadda	118	136	137	117
Pipraich	..	..	66	91

The Management stated (April 1977) that many factors like climatic condition, rainfall, diversion of sugarcane towards *gur* and *khandsari, etc.,* were responsible for shorter duration of crushing seasons.

Capacity utilisation

2.10. The daily installed cane crusfing capacity of the Company's factories and the total quantity of cane which the factories could crush in a normal season of 150 days in the eastern zone and 180 days in the western zone (except Bhatni factory where the normal season is of 140 days) working in three shifts is indicated below :—

Factory	Daily installed capacity (in tonnes)	Cane crushing capacity in a season (in lakh quintals)
Eastern Zone—		
Khadda	768	11.52
Bhatni	1016	14.22
Bara Banki	1000	15.00
Pipraich	800	12.00
Western Zone—		
Mohiuddinpur	1000	18.00
akhoti-Tanda	1000	18.00

The year-wise capacity utilisation of the factories with reference to the total cane crushing capacity in the normal season is tabulated below :—

	1971-72	1972-73	1973-74	1974-75	1975-76
Eastern Zone—					
(i) Khadda—					
Gross season (days) ..	108	118	136	137	117
Cane crushed (in lakh quintals) ..	5.21	6.58	7.42	8.25	7.33
Capacity utilisation (*per cent*) ..	45.2	57.1	64.4	71.6	63.6
(ii) Bhatni—					
Gross season (days) ..	63	108	87	95	86
Cane crushed (in lakh quintals) ..	3.95	9.02	6.84	7.54	6.70
Capacity utilisation (*per cent*) ..	27.8	63.4	48.1	53.0	47.1
(iii) Bara Banki—					
Gross season (days) ..	90	147	144	163	115
Cane crushed (in lakh quintals) ..	4.81	8.44	8.91	9.87	6.66
Capacity utilisation (*per cent*) ..	32.1	56.3	59.4	65.8	44·4
(iv) Pipraich—					
Gross season (days) ..	..	..	..	66	91
Cane crushed (in lakh quintals) ..	..	..	..	4.40	6.25
Capacity utilisation (*per cent*) ..	..	..	..	36.7	52.1
Western Zone—					
(i) Mohiuddinpur—					
Gross season (days) ..	114	195	173	162	131
Cane crushed (in lakh quintals) ..	6.96	12.06	10.06	10.77	9.58
Capacity utilisation (*per cent*) ..	38.7	67.0	55.9	59.8	53.2
(ii) Sakhoti—Tanda—					
Gross season (days) ..	105	189	176	161	128
Cane crushed (in lakh quintals) ..	5.22	9.91	9.68	11.74	7.82
Capacity utilisation (*per cent*) ..	29.0	55.1	53.8	65.2	43.4

According to an estimate made by the Company in February 1976, the normal capacity utilisation in the sugar factories of the Company should be around 85 to 90 *per cent* of the installed capacity.

It was noticed in the course of test check of records that the following factors were mainly responsible for the shortfall in the utilisation of the cane crushing capacity of the Company's factories :—

(i) Supply of cane was insufficient for the normal cane crushing season.

(ii) There were frequent stoppages of cane crushing operations for various reasons.

(iii) The plant and machinery of Bhatni factory were not balanced at various stages of production.

(iv) The condition of the plant and machinery of Mohiuddinpur and Sakhoti–Tanda factories was poor.

(v) Pipraich factory was started late (on 15th January 1975), after repairs.

Loss of working time

2.11. The total time available for cane crushing on the basis of the actual number of days of working varied from factory to factory and from year to year as indicated in the following table :—

Factory			1971-72	1972-73	1973-74	1974-75	1975-76 (In hours)
Eastern Zone—							
Khadda	..	..	2589	2818	3240	3273	2791
Bhatni	..	..	1502	2565	2070	2255	2040
Bara Banki	..	..	2155	3507	3447	39C5	2755
Pipraich	..	..	..	..	..	1584	2184
Western Zone—							
Mohiuddinpur	..	..	2724	4658	4148	3884	3128
Sakhoti—Tanda		..	2506	4517	4200	3852	3061

The time available for cane crushing operations in various factories in different years depended upon supply of cane. The longest period of cane crushing operation in Bhatni factory was during 1972-73 when it extended up to 15th March 1973. In Khadda factory, cane crushing during 1975-76 started late (6th December 1975) and closed earlier (31st March 1976) than in the previous two years when cane crushing started in the last week of November and extended up to middle of April. Bara Banki factory crushed cane up to 5th May both in 1973-74 and 1974-75, but only up to 4th April in 1975-76. Similar was the position in the case of Mohiuddinpur and Sakhoti–Tanda factories where the cane crushing operations were closed on 5th and 6th April respectively in 1975-76.

The time actually taken for the cane crushing operations is indicated in the following table :—

Factory			1971-72	1972-73	1973-74	1974-75	1975-76 (In hours)
Eastern Zone—							
Khadda	..	..	1891	2373	2629	2844	2446
Bhatni	..	..	1139	2331	1799	1897	1700
Bara Banki	..	..	1376	2481	2612	2717	1852
Pipraich	..	..	..	..	..	1110	1719

Factory			1971-72	1972-73	1973-74	1974-75	1975-66 (Inhours)
Western Zone—							
Mohiudd inpur	..	..	1843	3159	3007	2974	2605
Sakhoti—Tanda	..	..	1137	2889	2940	2678	1963

The extent of idle time during the crushing seasons of the five years up to 1975-76 in the six factories is given in the following table :—

Factory			1971-72	1972-73	1973-74	1974-75	1975-76 (In hours)
Khadda	..	..	698	445	611	429	345
			(26.96)	(15.79)	(18.86)	(13.11)	(12.36)
Bhatni	..	..	363	234	271	358	340
			(24.17)	(9.12)	(13.C9)	(15.88)	(16.67)
Bara Banki	..	..	779	1 026	835	1 188	903
			(36.15)	(29.26)	(24.22)	(30.42)	(32.77)
Pipraich	..	..	..	..	..	474	465
						(29.92)	(21.29)
Mohiuddinpur	..	..	881	1499	1141	910	523
			(32.34)	(32.18)	(27.51)	(23.43)	(16.72)
Sakhoti—Tanda	..	..	1369	1628	1260	1174	1098
			(54.63)	(36.04)	(30.00)	(30.48)	(35.87)

NOTE—Figures in brackets represent percentages of idle time to total available time.

The factors mainly responsible for the idle time in different factories, as available from the factory returns, are tabulated below :—

Reasons for idle time			1971-72	1972-73	1973-74	1974-75	1975-76 (In hours)
Khadda							
Mechanical break-downs ..		..	114	141	111	82	41
General cleaning	..	..	217	190	226	251	192
Cane shortage	..	..	107	49	58	50	26
Others	..	..	260	65	216	46	86
	Total	..	698	445	611	429	345
Bhatni							
Mechanical break-downs		..	21	51	30	90	31
General cleaning	..	..	..	51	66	70	86
Cane shortage	..	..	307	100	147	155	168

Reason for idle time	1971-72	1972-73	1973-74	1974-75	1975-76 (In hours)
Others	35	32	28	43	55
Total ..	363	234	271	358	340
Bara Banki					
Mechanical break-downs ..	188	460	267	524	332
General cleaning ..	192	269	339	363	272
Cane shortage	259	137	146	139	170
Others	140	160	83	162	129
Total ..	779	1026	835	1188	903
Pipraich					
Mechanical break-downs ..	..	..	..	126	125
General cleaning ..	..	..	..	127	147
Cane shortage	..	..	..	152	124
Others	..	..	..	69	69
Total ..	..	..	..	474	465
Mohiuddinpur					
Mechanical break-downs ..	222	403	362	335	225
General cleaning ..	246	483	272	141	99
Cane shortage	302	67	159	43	71
Others	111	546	348	391	128
Total ..	881	1499	1141	910	523
Sakhoti—Tanda					
Mechanical break-downs ..	325	514	339	415	568
General cleaning ..	132	374	302	232	262
Cane shortage	535	320	71	310	184
Others	377	420	548	217	84
Total ..	1369	1628	1260	1174	1098

In spite of the expenditure of Rs.2.67 crores incurred up to 1975-76 on repairs and maintenance and of Rs.3.10 crores on rehabilitation and renovation of plant and machinery, mechanical break-downs and the time taken in general cleaning of plant and machinery continued to be the main reasons for the idle time in the various factories except the Bhatni factory, where shortage of cane was the largest factor responsible for the idle time. There was also considerable idle time in Bara Banki, Mohiuddinpur and Sakhoti—Tanda factories on account of shortage of cane during cane crushing operations. Failure of electricity was responsible for 683 hours of idle time in Sakhoti—Tanda factory during 1971-72 to 1975-76 and 323 hours in Mohiuddinpur factory during 1972-73 to 1975-76.

Working results

2.12. (*a*) The working results of the Company for the five years ending September 1976 are indicated in the following table :—

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
			(In lakhs of Rupees)		
Expenses					
Raw materials consumed	276.74	620.85	578.17	809.05*	629.60
Wages and salaries	102.42	128.13	157.48	257.19	245.87
Repairs and maintenance	29.50	37.27	47.35	74.13	79.77
Stores and spare parts	16.06	32.31	30.85	58.10	34.75
Power and fuel	19.58	38.47	62.35	59.23	55.23
Other expenses	3.05	5.64	8.06	6.68	10.97
Depreciation	3.13	10.11	19.56	37.58	48.53
Administrative charges	4.21	6.94	11.22	16.29	20.47
Interest	12.20	28.89	40.27	97.23	117.21
Selling expenses	1.03	1.98	2.92	3.49	4.02
Total ..	467.92	910.59	958.23	1418.97	1246.42
Value of production and other income					
(i) Sales	395.88	712.37	735.83	973.54	1041.77
Add—Closing stock-in-trade ..	41.76	136.91	176.11	292.33	211.28
Total ..	437.64	849.28	911.94	1265.87	1253.05
Less—Opening stock-in-trade ..	..	41.76	136.91	176.11	292.33
Value of production	437.64	807.52	775.03	1089.76	960.72
(ii) Rebate on excise duty, purchase tax and other income ..	12.89	60.14	14.78	26.67	18.44
Total ..	450.53	867.66	789.81	1116.43	979.16
Working loss	17.39	42.93	168.42	302.54	267.26
Development rebate reserve ..	0.82	6.61	9.33	2.39	1.70
Loss on export of sugar	3.83	3.10	..	..	..
Net loss	22.04	52.64	177.75	304.93	268.96

*Includes Rs. 1.25 lakhs being value of sugar-in-process purchased with Pipraich factory.

The value of production was not sufficient in any year to cover the manufacturing, trading and other expenses as indicated below :—

Year	Expenses	Value of production	Excess of expenditure
		(In lakhs of Rupees)	
1971-72	467.92	437.64	30.28
1972-73	910.59	807.52	103.07
1973-74	958.23	775.03	183.20
1974-75	1418.97	1089.76	329.21
1975-76	1246.42	960.72	285.70

The gap would increase if provisions were made for depreciation of the fixed assets of the five sick factories vested in the Company.

In regard to the increase in expenses, the following reasons came to notice during test check of records :—

(i) payment of higher cane price than that fixed by the Government of India (paragraph 2.14) ;

(ii) excess expenditure on wages and salaries due to over-staffing and high incidence of overtime payments ;

(iii) consumption of extra fuel and purchase of firewood at high rates ;

(iv) heavy expenditure on repairs and maintenance of old plant and machinery (including cost of spare parts) ;

(v) expenditure on transportation of cane in excess of the transport cost included in the cane price ;

(vi) increase in administrative expenses ; and

(vii) lower recovery of sugar and excessive sugar losses in bagasse, molasses and pressmud.

While generally accepting the above, the Management stated (April 1977) that the one single important factor responsible for heavy losses was the low capacity of the plants.

(*b*) The working results of the individuals factories are tabulated below :

Factory	1971-72	1972-73	1973-74	1974-75	1975-76
			(In lakhs of Rupees)		
Khadda—					
Value of production ..	86.20	114.73	124.13	163.67	159.76
Other income	5.38	3.25	2.06	4.01	0.60
Total ..	91.58	117.98	126.19	167.68	160.36

Factory			1971-72	1972-73	1973-74	1974-75	1975-76
						(In lakhs of Rupees)	
Expenses	..	..	88.12	130.35	152.99	209.75	195.80
Net profit/loss (—)	..	..	3.46	(—)12.37	(—)26.80	(—)42.07	(—)35.44
Bhatni—							
Value of production	..	..	68.12	163.72	141.52	167.78	157.19
Other income	..	..	0.69	11.45	1.00	1.04	0.61
	Total	..	68.81	175.17	142.52	168.82	157.80
Expenses	..	..	67.44	166.33	145.08	192.29	177.03
Net profit/loss (—)	..	..	1.37	8.84	(—)2.56	(—)23.47	(—)19.23
Bara Banki—							
Value of production	..	..	75.98	141.44	165.21	211.69	149.00
Other income	..	..	0.42	6.91	1.51	2.59	0.46
	Total	..	76.40	148.35	166.72	214.28	149.46
Expenses	..	..	78.26	152.98	174.54	237.29	176.03
Net profit/loss (—)	..	..	(—)1.86	(—)4.63	(—)7.82	(—)23.01	(—)26.57
Mohiuddinpur—							
Value of production	..	..	119.11	211.12	178.93	228.09	204.20
Other income	..	..	1.91	16.52	3.76	5.48	0.76
	Total	..	121.02	227.64	182.69	233.57	204.96
Expenses	..	..	130.67	243.52	238.41	299.15	267.09
Net profit/loss (—)	..	..	(—)9.65	(—)15.88	(—)55.72	(—)65.58	(—)62.13
Sakhoti—Tanda—							
Value of production	..	..	88.23	177.50	165.26	228.30	156.62
Other income	..	..	0.55	19.94	2.77	4.88	1.08
	Total	..	88.78	197.44	168.03	233.18	157.70
Expenses	..	..	104.55	221.39	246.21	324.68	243.12
Net profit/loss (—)	..	..	(—)15.77	(—)23.95	(—)78.18	(—)91.50	(—)85.42
Pipraich—							
Value of production	..	..	..	..	..	88.99	133.93
Other income	..	..	..	..	..	0.43	0.42
	Total	..	..	..	..	89.42	134.35
Expenses	..	..	..	..	..	142.79	169.99
Net profit/loss (—)	..	..	..	..	..	(—)53.37	(—)35.64

In Pipraich factory, arrears of wages and salaries amounting to Rs. 10.11 lakhs pertaining to the pre-company period were paid during 1974-75 from the Company's funds and charged as its revenue expenditure (*see* paragraph 2.06 supra). Mohiuddinpur factory spent Rs. 47.24 lakhs on installation of plant and machinery for achieving economy in steam and power consumption and Rs. 69 lakhs on rehabilitation of the factory plant and machinery up to 1975-76. The performance of the factory has deteriorated since 1973-74, but the cost of electric power consumed increased from Rs. 2.20 lakhs in 1973-74 to Rs. 7.43 lakhs in 1975-76 (up to September 1976) partly due to revisions of the electricity tariff and partly due to increase in the consumption of electricity from 8.89 lakh kwh in 1973-74 to 19.69 lakh kwh in 1975-76 (up to September 1976).

Owing to the working losses incurred by the factories from year to year, the Company had to provide them, from time to time, with funds for working capital as well as for capital works. After taking into account the factory remittances to the head office of the Company, the net amount of funds so provided to the factories was Rs. 10.12 crores as on 30th September 1976.

Cost of production

2.13. The Tariff Commission, in its report of 1973 on the cost structure of and the fair price payable to the sugar industry, had worked out the actual average cost of conversion of cane into sugar for 1971-72 at Rs. 55.57 and Rs. 44.98 per quintal in respect of the factories in the eastern and the western zones of Uttar Pradesh respectively. Based on the average duration of the cane crushing season and of recovery of sugar in the previous five years (1967-68 to 1971-72), the Commission had estimated the average conversion cost for for 1972-73 to 1974-75 at Rs. 46.12 and Rs. 39.08 per quintal of sugar produced in the factories of the eastern and western zones of Uttar Pradesh respectively. The actual conversion cost per quintal of sugar produced in the factories of the Company during 1971-72 to 1975-76 was more than the average cost for 1971-72 and the estimates of cost worked out by the Tariff Commission for 1972-73 to 1974-75, as indicated in the following table :—

Factory/elements	Cost of sugar per quintal				
	1971-72	1972-73	1973-74	1974-75	1975-76
					(In Rupees)
Eastern Zone—					
(i) Khadda—					
Conversion cost ..	71.39	68.17	89.07	107.94	130.80
Raw materials ..	111.70	136.95	151.99	169.38	151.32
Total ..	183.09	205.12	241.06	277.32	282.12

Factory/elements			Cost of sugar per quintal				
			1971-72	1972-73	1973-74	1974-75	1975-76 (In Rupees)
(ii) Bhatni—							
Conversion cost	..	..	73.33	50.40	72.50	94.53	115.32
Raw materials	..	..	102.83	132.87	141.98	159.41	149.69
	Total	..	176.16	183.27	214.48	253.94	265.01
(iii) Bara Banki—							
Conversion cost	..	..	69.94	54.69	66.34	93.53	131.15
Raw materials	..	..	112.31	144.80	150.24	163.42	151.47
	Total	..	182.25	199.49	216.58	256.95	282.62
(iv) Pipraich—							
Conversion cost	..	..	..	..	..	154.30	141.40
Raw materials	..	..	..	..	..	164.92	159.62
	Total	..	..	..	..	319.22	301.02
Western Zone—							
(i) Mohiuddinpur—							
Conversion cost	..	..	72.07	58.00	101.66	107.49	121.64
Raw materials	..	..	118.14	150.97	167.74	158.92	149.14
	Total	..	190.21	208.97	269.40	266.41	270.78
(ii) Sakhoti-Tanda—							
Conversion cost	..	..	88.52	81.94	137.96	111.15	170.61
Raw materials	..	..	120.50	145.26	165·91	167.59	159.33
	Total	..	209.02	227.20	303.87	278.74	329.94

The average sales realisation per quintal of sugar in Bhatni factory in 1971-72 and 1972-73 was more than the cost of production. However, in all other factories during 1971-72 to 1975-76, and in Bhatni factory during 1973-74 to 1975-76, the sales realisation was lower (as given below) than the cost of production:

Factory			Realisation from sale of sugar per quintal				
			1971-72	1972-73	1973-74	1974-75	1975-76 (In Rupees)
Khadda	..	..	173	185	198	226	235
Bhatni	..	..	183	187	206	225	233
Bara Banki	..	..	182	187	210	225	231
Pipraich	..	..	..	..	..	213	231
Mohiuddinpur	..	..	180	183	202	218	215
Sakhoti-Tanda	..	..	181	184	211	200	214

The Tariff Commission, had in its report (1973), estimated the cost of wages and salaries per quintal of sugar produced during 1973-74 to 1975-76 at Rs.20.86 and Rs.13.21 for the factories in the eastern and the western zones respectively. The factory-wise incidence of actual wages and salaries per quintal of sugar produced was as given below :—

Factory	1971-72	1972-73	1973-74	1974-75	1975-76 (In Rupees)
Eastern Zone					
Khadda	42.25	34.94	43.90	52.20	53.40
Bhatni	44.51	23.22	38.36	47.76	57.34
Bara Banki	42.55	29.33	34.38	45.73	64.55
Pipraich	..	..	..	73.08	63.67
Western Zone					
Mohiuddinpur	37.06	26.47	41.06	45.62	49.03
Sakhoti-Tanda	41.46	31.36	47.00	42.15	60.58

The Management stated (August 1976) that the high incidence of wages and salaries in the factories was not only due to over-staffing but also on account of continuance of old and fatigued workers getting maximum wages.

The factory-wise and year-wise break-up of the other salient elements of the conversion cost for the five years are given in the table below :—

Factory-wise cost elements	1971-72	1972-73	1973-74	1974-75	1975-76
			(Rupees per quintal sugar)		
Power and fuel					
Khadda	5.70	4.27	5.56	7.65	10.23
Bhatni	2.16	1.80	2.65	4.09	6.30
Pipraich	..	..	..	4.89	4.08
Bara Banki	1.70	2.90	4.64	6.74	10.52
Mohiuddinpur	8.96	9.83	20.68	17.86	14.65
Sakhoti-Tanda	17.05	21.24	44.07	20.55	30.04
Stores and spare parts					
Khadda	7.65	7.81	9.35	12.45	8.52
Bhatni	5.16	7.72	7.97	10.40	6.87
Pipraich	..	..	..	14.22	18.37
Bara Banki	6.37	7.03	7.67	12.60	8.95
Mohiuddinpur	6.80	7.35	8.57	10.87	8.20
Sakhoti-Tanda	6.68	7.38	8.34	11.59	9.96

Factory-wise cost elements	1971-72	1972-73	1973-74	1974-75	1975-76
			(Rupees per quintal sugar)		
Repairs and maintenance					
Khadda	11.22	10.95	13.14	14.83	17.50
Bhatni	10.11	7.08	9.24	11.50	16.41
Pipraich	..	..	..	23.80	22.03
Bara Banki	10.90	6.66	8.17	12.65	23.86
Mohiuddinpur	12.26	5.56	13.20	13.76	13.80
Sakhoti-Tanda	15.49	13.58	19.70	17.48	25.70

In comparison to other factories, the incidence of cost of power and fuel was higher in Mohiuddinpur and Sakhoti-Tanda factories due to excessive consumption of firewood purchased at high rates [*see* paragraph 2.38 (*h*) I and II]. The cost of power, fuel and stores taken together was more than the estimates of Rs.4.55 and Rs.9.69 per quintal of sugar, made by the Tariff Commission, in its report of 1973, for the period 1972-73 to 1974-75 in respect of the factories in the eastern and western zones respectively. Similarly, repairs and maintenance charges exceeded the estimates of Rs.3.90 and Rs.5.35 per quintal made in the Tariff Commission's report for the factories in the eastern and western zones respectively.

The Management attributed (August 1976) the higher cost of production to the following factors :—

(i) The cane price paid to the cane growers was beyond the control of the Company.

(ii) The expenditure on salaries and wages was beyond the control of the Company as the staff already appointed could not be retrenched and the rates of salaries and wages were governed by the Wage Board Award.

(iii) Owing to the old age of the plant and machinery, the cost of repairs and maintenance as well as consumption of stores and spare parts was on the high side.

(iv) Sugar being a controlled item and the sales being regulated by the Directorate of Sugar and Vanaspati, Government of India, the Management was helpless in the matter of reducing interest and loan expenses.

(v) The crushing capacity of the Khadda factory was only 768 tonnes as against the minimum of 1,250 tonnes for a viable factory.

The Management further stated (April 1977) that the consumption of "extra" fuel in Sakhoti-Tanda factory was high due to old and obsolete boilers, high moisturing bagasse and low temperature of feed water.

It was noticed during test audit that the high conversion cost was also attributable to—

(i) inadequate utilisation of the cane crushing capacity of the factories;

(ii) inadequate cane supply to the factories, especially to Khadda and Bhatni factories ;

(iii) large payments to contractors as labour charges for repairs and maintenance of plant and machinery;

(iv) increasing expenditure on stores and spare parts due partly to issues without indents or in excess of the quantities shown in the indents; and

(v) payment of electricity charges in Bara Banki factory for the connected load of 425 Kw at higher rates under mixed load tariff instead of at lower rates applicable to large power consumers.

Cane price

2.14. The minimum price to be paid by a sugar factory for sugarcane delivered at the factory gate or at any purchase centre is fixed by the Government of India after giving due consideration to the recommendations of the Agricultural Prices Commission and the views of the State Governments, sugar industry, cane growers and other interests concerned. For 1971-72, minimum prices were fixed separately for each individual factory. For 1972-73 and 1973-74, the minimum prices were linked with the recovery of sugar. The base price was fixed at Rs.8 per quintal for a recovery of 8.5 *per cent* or below with a premium of 9.4 paise per quintal for every 0.1 *per cent* increase of recovery of sugar over 8.5 *per cent*. From 1974-75, the base price was increased to Rs.8.50 per quintal and the rate of the premium to 10 paise per quintal. The sugarcane prices so fixed by the Government of India for the sugar years (ending September) 1971-72 to 1975-76 were as follows :—

Factory	1971-72	1972-73	1973-74	1974-75	1975-76
				(Rupees per quintal)	
Bara Banki	7.37	8.28	8.47	8.90	9.30
Bhatni	7.37	8.94	9.32	9.50	9.70
Khadda	7.37	8.56	8.85	8.50	8.80
Pipraich	..	..	..	8.50	9.10
Mohiuddinpur	7.63	9.22	9.41	8.60	10.10
Sakhoti-Tanda	7.57	8.94	9.41	8.50	9.50

The actual cane price payable by the factories is decided in the tripartite meetings of cane growers, factory owners and Government.

The aggregate of the amounts paid/payable by the factories owned by the Company during the years 1971-72 to 1975-76 exceeded the amounts payable according to the prices fixed by the Government of India for the respective years by Rs. 7.76 crores.

Financial position

2.15. The table below summarises the financial position of the Company for the five years ending September 1976 :—

	1971-72	1972-73	1973-74	1974-75	1975-76
				(In lakhs of Rupees)	
Liabilities					
Paid-up capital	270.00	300.00	735.00	955.00	1550.00
Reserves	0.84	7.75	17.33	25.17	36.88
Borrowings from					
(*a*) State Government	80.50	100.50	170.50	375.50	523.50
(*b*) Banks (including cash credit) ..	2.04	120.79	146.17	242.21	269.42
Trade dues and other current liabilities (including provisions) ..	65.78	100.97	165.80	281.23	308.29
Total ..	419.16	630.01	1234.80	1879.11	2688.09
Assets					
Gross block	75.83	118.54	243.36	305.71	352.72
Less—Depreciation	2.17	11.99	31.30	63.21	101.22
Net fixed assets	73.66	106.55	212.06	242.50	251.50
Capital works-in-progress ..	8.98	29.39	272.26	71.88	108.35
Investments	75.00	110.00	110.00	437.39	638.41
Current assets, loans and advances ..	232.62	302.57	381.27	563.24	856.81
Miscellaneous expenses	0.36	0.32	0.28	0.24	0.20
Accumulated loss	28.54	81.18	258.93	563.86	832.82
Total ..	419.16	630.01	1234.80	1879.11	2688.09
Working capital	166.84	201.60	215.47	282.01	548.52
Capital employed	240.50	308.15	427.53	524.51	800.02
Net worth	241·94	226.25	493.12	416.07	753.86

NOTES:—(i) Capital employed represents net fixed assets *plus* working capital.

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

(iii) Working capital represents current assets, loans and advances *less* trade dues and current liabilities.

The trade credit availed of by the Company included unpaid cane price which increased from Rs. 35.20 lakhs on 30th September 1974 to Rs.55.34 lakhs on 30th September 1976. It also included unpaid purchase tax due to Government which increased from Rs.0.93 lakh on 30th September 1972 to Rs.21.31 lakhs on 30th September 1976.

Budgetary control

2.16. No production, sales and financial budgets for the Company, its factories and subsidiaries are prepared (April 1977).

Cost control

2.17. The Company has a Cost Accounts Officer (up-graded to the rank of Cost Adviser in 1974) at the head office and Cost Assistants in the factories. Monthly cost sheets and forecasts are prepared in the factories but the cost sheets are not analysed and no cost control measures have been devised to review the components of cost and to locate areas where cost reduction is possible (April 1977).

Internal audit

2.18. The Company has an internal audit wing headed by an Audit Officer at the head office, who is assisted by five Auditors attached to individual factories. The duties assigned to the internal audit wing are :

(i) reporting to the Management cases of non-observance of orders issued and procedures laid down;

(ii) checking accuracy of the accounting records ;

(iii) ensuring timely physical verification of stores and other materials; and

(iv) test check of cane weighments.

No internal audit manual has been prepared by the Company (March 1977). A set of instructions issued by the Company head office to the internal auditors in August 1972 was supplemented by further instructions in January 1974. The Managing Director had observed in August 1975 that the internal auditors attached to individual factories did not play their preventive role and permanent stationing of auditors in the factories led to reduction in their effectiveness. The Company formed in December 1975 two peripatetic internal audit parties for local audit. The performance of these parties was also not found satisfactory. Their reports were considered to be of a very general nature; further, they did not also go into the operational side. The Management stated (August 1976) that the internal auditors would remain attached to individual factories and that they would check the operational side during the cane crushing season.

Sugar pricing and sales

2.19. (*a*) *Distribution and price control*

Statutory control over prices and distribution of sugar was imposed by the Government of India for the first time in April 1942. From 1967, Government have been acquiring a major part of the sugar produced in vaccum pan factories. The proportion of levy and free-sale quota during the four years ending September 1976 was as follows :—

Year	Levy	Free-sale
1972-73	70	30
1973-74	70	30
1974-75	65	35
1975-76	65	35

The sale of both levy and free-sale sugar is controlled by the Government of India through monthly release orders issued by the Ministry of Agriculture under the Levy Sugar Supply (Control) Order of 1967.

The average realisation on sale of sugar by the factories of the Company during the four years up to 1975-76 was as follows :—

Factory	1972-73	1973-74	1974-75	1975-76
			(Rupees per quintal)	
Bara Banki	187	210	225	231
Bhatni	187	206	225	233
Khadda	195	198	226	235
Mohiuddinpur	193	202	218	215
Sakhoti-Tanda	184	211	200	214
Pipraich	..	..	213	231

(*b*) *Sales organisation*

Up to July 1973, the Company had not laid down any procedure for sale of free-sale sugar. The General Managers of the factories used to sell sugar at the rates offered by the selling agents after verification with reference to the market rates available from other sources such as newspapers. In a meeting of the Board of Directors held on 26th July 1973, the Management proposed the centralisation of the sales of sugar in the head office of the Company on the ground that the General Managers of Khadda, Bhatni and Bara Banki factories were not in a position to know the daily market rates as also the fluctuations in rates, as the communication system was not satisfactory. Further, the sales made by the General Managers of these factories during their visits to Kanpur and Varanasi markets, had been, irrespective of the market trend, disadvantageous on many occasions as there were wide variations in the rates at which sugar was sold (ranging up to Rs.20 per quintal). It was also mentioned in that meeting that most of the factories did not sell sugar during December 1972 to February 1973 and allowed the release orders to lapse when the prices were high and sold sugar when there was a slump in the sugar market during March/April 1973.

The Company decided (July 1973) to arrange centrally the sales of sugar of Bhatni, Khadda and Bara Banki factories from 1st August 1973 and those of Mohiuddinpur and Sakhoti-Tanda factories from 1st December 1973. Under this arrangement, sales were to be controlled centrally from the Company's head office at Lucknow by a committee consisting of the Chairman, the Secretary and the Cost Accountant (subsequently Cost Adviser). In accordance with the procedure laid down by the Chairman in August 1973 (partially modified in September 1973), quotations are collected on telephone from agents appointed by the Company on receipt of release orders of free-sale sugar. The rates so obtained are noted in a register and sales are arranged with the approval of the Committee. In case delivery is not taken by the purchaser and the sugar market goes down, the agent has to pay the difference in the price. The Company has not laid down any procedure for appointment of agents (March 1977).

The Management stated (April 1977) that in respect of free-sale sugar, most of the quota-lapses occurred in the months of January to April every year when sulphur *khandsari* was available in abundance in the market.

(c) Selling commission

Prior to December 1973, agents were given a commission of 0.25 *per cent* on the sale value excluding excise duty. With the approval of the Chairman, the rate of commission was increased in September 1973 to 0.50 *per cent*. Reasons for the enhancement in the rate were not on record. In November 1973, the Cost Accounts Officer of the Company recommended inclusion of excise duty in the sale price for computing the agency commission at 0.50 *per cent*, on the following grounds :—

(i) The selling agents were pressing for inclusion of excise duty in the sale price (no written demand was, however, on record).

(ii) Most of the factories, except the factories in the co-operative sector, were paying commission at 75 paise and some even at Re. 1 on sale value of Rs. 100, including excise duty. Two private sector factories at Daurala and Mawana (Meerut) did not, however, pay any commission as they allowed sale of sugar on credit basis.

(iii) The selling agents were arranging sales through brokers and were paying brokerage at 25 paise per sale value of Rs.100 (including excise duty) and the agents had to incur heavy expenses on telephone and postage for contacting the parties for sale.

The proposal was accepted by the Chairman (November 1973) with effect from December 1973. The upward revision of the agency commission increased the expenditure on this account from Rs.1.23 lakhs in 1972-73 to Rs.2.07 lakhs in 1973-74, Rs.1.89 lakhs in 1974-75 and Rs.1.96 lakhs in 1975-76.

Manpower analysis

2.20. (*a*) *Manpower*

The Engineering Adviser of the Company had studied the manpower requirements of each factory (excluding Pipraich) and observed in February 1973 that the labour strength in the factories was in excess of the actual requirements, resulting in high cost of sugar production, adversely affecting the profitability of the factories. In March 1976, the Company fixed the requirements of manpower in each factory. The actual strength has, however, been more consistently, except in Khadda factory in 1975-76, as per the details given below :—

Particulars		Khadda	Bhatni	Pipraich	Bara Banki	Mohiu-ddinpur	Sakhoti-Tanda
Strength fixed							
Regular	..	223	231	195	216	222	246
Seasonal	..	529	570	526	584	619	683
Total	..	752	801	721	800	841	929
Actual strength year-wise							
1972-73							
Regular	..	234	246	..	236	292	258
Seasonal	..	592	682	..	728	786	898
Total	..	826	[illegible]28	..	964	1 078	1156

Particulars	Khadda	Bhatni	Pipraich	Bara Banki	Mohi-uddin-pur	Sakhoti-Tanda
1973-74						
Regular ..	226	249	..	237	289	280
Seasonal ..	572	703	..	716	775	910
Total ..	798	952	..	953	1064	1190
1974-75						
Regular ..	233	256	301	225	287	279
Seasonal ..	548	704	693	705	764	904
Total	781	960	994	930	1051	1183
1975-76						
Regular ..	225	259	301	233	292	280
Seasonal ..	492	727	670	694	806	893
Total	717	986	971	927	1098	1173

(*b*) *Overtime*

The expenditure on overtime wages in different factories was as follows :—

Factory	1971-72	1972-73	1973-74	1974-75	1975-76 (Up to April 1976)
				(In lakhs of Rupees)	
Khadda	0.31	1.80	0.85	1.75	0.75
Bhatni	0.12	0.35	1.04	1.28	0.50
Sakhoti-Tanda	0.43	2.01	2.36	2.30	1.78
Mohiuddinpur	0.29	0.69	1.17	1.26	1.39
Bara Banki	0.30	0.28	0.82	1.97	1.71
Pipraich	..	..	..	0.44	0.91

The Bara Banki factory spent Rs.2.95 lakhs on wages of casual labour employed during the period from 1971-72 to 1975-76 (up to April 1976) for maintenance and repairs of civil works and minor construction works, although five masons and seven mazdoors were employed regularly for such work.

In Pipraich factory, the expenditure on casual labour increased from Rs.0.59 lakh in 1974-75 to Rs.0.90 lakh in 1975-76.

The Management stated (April 1977) that the increase in the expenditure on the wages of casual labour was due mainly to operation of three more purchasing centres in 1975-76. The expenditure in other factories on wages of casual labour was as follows :

	1972-73	1973-74	1974-75	1975-76 (Up to April 1976)
			(In lakhs of Rupees)	
Bhatni	0.59	0.82	1.06	0.77
Sakhoti-Tanda	1.28	2.54	3.14	3.03
Mohiuddinpur	0.01	0.06	0.22	0.05

The Sakhoti-Tanda factory had the highest incidence of overtime payment as well as expenditure on casual labour, although the factory was the most overstaffed among the factories. The Management stated (April 1977) that steps had been taken to minimise considerably the expenditure on overtime wages and salaries.

Inventory control

2.21. (*a*) *Inventory*

The value of stores and spare parts at the close of each of the five years up to 1975-76 was as indicated below :—

	1971-72	1972-73	1973-74	1974-75	1975-76
				(In lakhs of Rupees)	
Closing stock	33.56	56.71	97.27	98.88	103.15

The closing stock was in excess of the requirement every year. The actual inventory in stock was even more as the value of stores and spares received by the Company at the time of take-over of the five sick sugar factories in July 1971 was included under fixed assets instead of being included in the stores inventory. The consumption of these stores and spares up to September 1976 (Rs. 23.62 lakhs) was exhibited as deduction from the value of fixed assets.

(*b*) *Surplus Stores*

In March 1976, the Company directed the General Managers to make a study of the surplus stores with them with reference to the non-moving and slow-moving items. Non-moving items were taken to be those which had not been issued during the previous one year while slow-moving items were taken to be those whose consumption during the previous one year was not more than 25 *per cent* of the stock holding. Out of the non-moving and slow-moving items, the surplus stock holding was to be determined on the basis of the estimated consumption of those items, during the next two years. The surplus list was to be circulated among the various sugar factories under the Company's control (owned, managed and under receivership). Transfer of such items to the factories owned by the Company was to be made at their book values and to the subsidiary companies and the factories under management/receivership of the Company at their market value. The value of the stock holding declared surplus by the General Managers of the different factories was as follows :—

Factory	Month	Value (In lakhs of Rupees)
Bara Banki	March 1976	0.64
Khadda	April 1976	0.61
Pipraich	August 1976	0.79
Bhatni	March 1976	3.68
Mohiuddinpur	April 1976	1.95

The position of surplus stores was not worked out by the Sakhoti-Tanda factory. The surplus lists included a large number of items of which there were no issues since procurement. A summary of such items is given below :—

Factory	Number of items	Period of procurement	Value (In lakhs of Rupees)
Bara Banki	9	January 1973 to September 1975	0.41
Khadda	11	Not available	0.28
Bhatni	27	Not available	3.32

The Management stated (April 1977) that some of the items which had been acquired along with the factories were non-standard items and might not be of much use to the other factories and that efforts were being made to dispose these off.

(c) Stock shortages

Physical verification of stores and spare parts was not conducted during 1970-71 and 1971-72. Physical verification made at the close of the subsequent years disclosed the following shortages and exesses :

Year ending September	Value of Shortages (In lakhs of Rupees)	Value of Excesses (In lakhs of Rupees)
1973	4.25	3.98
1974	2.63	2.87
1975	4.83	3.79
1976	1.76	1.65

The net value of the shortages and excesses was shown as consumption during the respective years without accounting for the surplus as receipts and fixing responsibility for the shortages. The store-keepers/godown-keepers, besides being the custodians of stores, were responsible for maintenance of stores accounts, including the value accounts. Priced stores ledgers were not independently maintained in the accounts wings of the factories. In this connection, the following points noticed from the records may also be mentioned :—

(i) Stores and spare parts were often drawn from stock without any indent or in excess of the indented quantity ;

(ii) issues were made in many cases on the basis of approximate weights/measurements;

(iii) in certain cases, the requisitioned items were not actually drawn from the stores but recorded in the books as issues which resulted in excesses;

(iv) issues were, in some cases, recorded in units of measurement different from those shown in the requisitions, due to which the quantity of issues recorded in the books varied from the quantity as per the requisitions, resulting in shortages/excesses ; and

(v) the actual issues recorded were sometimes different than the requisitioned quantities.

The Management stated (August 1976) that the shortages and excesses above Rs. 50 in individual items had been investigated and after due consideration the Board of Directors had approved the adjustment of the excesses against the shortages. It was, however, noticed during test audit that :

(i) there were either only shortages or only excesses in certain items, but their value was adjusted against the value of excesses or shortages in other items ;

(ii) the value of shortages in certain items exceeded the value of excesses in the same or similar item and the net value was adjusted against the value of shortages/excesses in other items; and

(iii) the net value of shortages and excesses of one factory was adjusted against the net value of excesses and shortages of other factories.

2.22. *Performance of individual factories*

(A) KHADDA FACTORY

The factory was set up by a public limited company in 1933-34. It defaulted in payment of Government taxes from 1952-53 (Rs.25.76 lakhs), cane price from 1958-59 (Rs.36.77 lakhs) and wages and salaries of staff from 1963-64 (Rs.20.64 lakhs) up to 1970-71. The factory was taken over by the Company in July 1971 with the object of its economic rehabilitation and clearance of cane dues, taxes, wages and salaries aggregating Rs.83.17 lakhs. The Company could clear the liabilities in respect of cane price and workers' dues to the extent of Rs.24.76 lakhs and Rs.12.40 lakhs respectively out of the sale proceeds of the vested sugar stock. Government taxes and the remaining liabilities in respect of cane price and workers' dues remain unpaid (March 1977).

Prior to its transfer to the Company, the factory was obtaining sugarcane from 129 villages in its reserved area, *i.e.* the area ear-marked by Government, the cane crop from which was to be supplied exclusively to the factory. The quantity of cane available to the factory from its reserved area in 1964-65 was 11.03 lakh quintals, in spite of diversion of cane grown in a part of the area to another private factory at Ramkola-Khetan from 1958-59 onwards. In 1970-71, the quantity of cane available to the factory was 5.21 lakh quintals. In the subsequent years, there was marginal improvement in the availability of cane but the factory was not able to procure the requisite quantity of cane in any of these years. In September 1975, the General Manager requested the Uttar Pradesh Cane Commissioner not to allot the cane grown in the reserved area of the factory to the Ramkola-Khetan factory. The Management stated (April 1977) that the cane which had been diverted to the factory at Ramkola-Khetan was restored to the factory during 1976-77.

The Management stated (August 1976) that owing to non-payment of cane dues and inefficient working of the factory, it started losing sizable quantities of cane from the reserved area; further, in a part of the area production had gone down due to waterlogging after start of the Gandak canal.

The table below summarises the performance of the factory (as per returns submitted to the Company) for the five years of its working under the Company up to 1975-76 :—

	1971-72	1972-73	1973-74	1974-75	1975-76
Cane crushed (Lakh quintals)	5.21	6.58	7.42	8.25	7.33
Sugar content in cane as per laboratory test (*per cent*)	12.02	12.17	11.24	11.34	11.75
Yield (Lakh quintals)					
Sugar	0.47	0.62	0.61	0.72	0.65
Bagasse	1.88	2.32	2.74	2.99	2.63
Molasses	0.22	0.26	0.33	0.35	0.34
Pressmud	0.16	0.19	0.19	0.28	0.25
Yield (*per cent* cane)					
Sugar	9.09	9.34	8.19	8.68	8.90
Bagasse	36.13	35.19	36.88	36.24	35.88
Molasses	4.22	3.95	4.45	4.24	4.64
Pressmud	3.03	2.94	2.50	3.25	3.42

In this connection, the following points may be mentioned :—

(i) According to the report (1974) of the Sugar Industry Enquiry Commission constituted by the Government of India, the loss of sugar in bagasse should normally range between 0.9 to 1.1 *per cent, i.e.* an average of 1 *per cent*. The losses in the factory exceeded this limit and the resultant excess loss amounted to 8,982 quintals of sugar, valuing Rs.18.54 lakhs (calculated at the average sales realisation), as per the details given below :—

Year	Cane crushed (In lakh quintals)	Loss (*per cent* of cane)*	Excess loss (*per cent* of cane)	Excess loss of sugar (Quintals)
1971-72	5.21	1.14	0.14	729
1972-73	6.58	1.26	0.26	1711
1973-74	7.42	1.40	0.40	2968
1974-75	8.25	1.22	0.22	1815
1975-76	7.33	1.24	0.24	1759
Total	..			8982

*Figures as per the Factory records.

(ii) As in the case of bagasse, the higher the yield of molasses the higher is the loss of sugar. With efficient juice clarification, working of pans, crystallisers and centrifugal stations, the sugar loss in molasses (for factories using the sulphitation process) should not be more than 1.4 *per cent* as per the Sugar Industry Enquiry Commission Report, 1974. In the Khadda factory, the loss of sugar in molasses in 1972-73 was 1.36 *per cent* and in 1974-75 1.3 *per cent* of cane. The loss of sugar in molasses during 1971-72, 1973-74 and 1975-76, however, ranged between 1.44 and 1.49 *per cent* of cane. The excess loss over 1.4 *per cent* in these years accounted for extra loss of sugar to the extent of 1,374 quintals valuing Rs. 2.86 lakhs.

(iii) The sugar losses in pressmud during 1974-75 and 1975-76 were only 0.05 and 0.06 *per cent* respectively both of which were *less* than the normal loss of 0.1 *per cent* cane recommended in the Sugar Industry Enquiry Commission Report, 1974. In the first three years, the loss ranged between 0.13 *per cent* and 0.23 *per cent*. The extra loss of sugar in pressmud in the first 3 years of working of the factory is estimated to have accounted for extra sugar loss of 1,295 quintals, valuing Rs.2.34 lakhs, with reference to the norm of 0.1 *per cent*.

The Company had assessed (October 1974) that with an investment of Rs.36.65 lakhs on rehabilitation, the percentage of recovery of sugar would improve and go up to 9.6 by 1974-75. The actual recovery in 1975-76, after incurring an expenditure of Rs.68 lakhs (up to 1974-75) on rehabilitation was 8.9 *per cent*.

The Management stated (April 1977) that while judging the efficiency of the factory, the condition of the plant and equipment should be taken into account.

(B) BHATNI FACTORY

The factory was set up in 1921-22 with installed crushing capacity of 726 tonnes per day (increased to 1,016 tonnes in 1962-63). After taking over the factory in July 1971, the Company spent Rs.40 lakhs on its rehabilitation up to September 1976.

The sugarcane supply to the factory had been low even in the period of private ownership of the factory. The maximum quantity of sugarcane available to the factory was 10.81 lakh quintals in 1965-66. Thereafter, up to 1970-71, the availability of cane ranged between 4.75 and 7.99 lakh quintals. Owing to shortage of sugarcane, the factory had to stop cane crushing operations in all these years about a month earlier than the other sugar factories in the area. The following factors were responsible for cane shortage in the factory :—

(i) Owing to the closure of the factory from 1947 to 1956, its reserved cane area was allotted to other neighbouring factories in Deoria and also in Bihar. Thereafter, the factory could not regain its full reserved area.

(ii) The area under sugarcane cultivation in the factory zone declined from 23,687 acres in 1965-66 to 19,710 acres in 1970-71 and to 9,222 acres in 1975-76 in spite of expenditure of Rs.3.79 lakhs incurred by the factory for cane development in the form of subsidy/grants and interest-free loans of Rs.5.29 lakhs advanced to the cane unions, as per the details given below :—

Year	Subsidy and grant-in-aid	Interest-free loans
	(In lakhs of Rupees)	
1971-72	0.35	0.50
1972-73	0.93	2.36
1973-74	1.23	0.44
1974-75	0.44	0.65
1975-76	0.84	1.34
Total ..	3.79	5.29

The Management stated (April 1977) that the sharp decline in cane area during 1975-76 was due to allotment of cane of Ballia and Azamgarh districts to two co-operative factories established in those districts as well as lack of cane development work in the factory area on account of weak financial position of the cane unions and the cane growers.

The production performance of the factory (as per returns submitted to the Company) for the five years ending September 1976 is summarised in the table below:—

	1971-72	1972-73	1973-74	1974-75	1975-76
Cane crushed (Lakh quintals) ..	3.95	9.02	6.84	7.54	6.70
Sugar content in cane as per laboratory test (*per cent* cane)	12.25	12.56	12.06	12.48	12.04

	1971-72	1972-73	1973-74	1974-75	1975-76
Yield (Lakh quintals)					
Sugar	0.37	0.89	0.64	0.73	0.64
Bagasse	1.33	3.26	2.48	2.52	2.32
Molasses	0.14	0.34	0.25	0.29	0.24
Pressmud	0.13	0.24	0.20	0.22	0.18
Yield (*per cent* cane)					
Sugar	9.42	9.86	9.42	9.61	9.55
Bagasse	33.67	36.13	36.20	33.47	34.65
Molasses	3.60	3.77	3.72	3.88	3.66
Pressmud	3.37	2.69	2.98	2.90	2.75

The sugar losses in bagasse, which ranged from 1.11 *per cent* to 1.38 *per cent* during 1971-72 to 1975-76, were more than the norm of one per cent (laid down by the Sugar Industry Enquiry Commission in 1974). The loss of sugar in bagasse in excess of one *per cent* accounted for 8,546 quintals of sugar valuing Rs.17.07 lakhs.

(C) PIPRAICH FACTORY

This factory was purchased by the Company in June 1974 in a public auction. Before bidding for the purchase, the Senior Engineer of the Company visited the factory on 15th and 16th June 1974 to make a spot assessment of the condition of the factory. As the factory was not open for inspection he could not conduct inspection of its plant and machinery. However, the Senior Engineer held discussions with the Receiver and the officers of the factory and reported a number of defects in the working of its plant and machinery. He estimated that Rs.19.40 lakhs would be necessary immediately for replacement of the worn-out/defective items. The Company spent Rs.8.54 lakhs in 1974-75 on replacement of boiler tubes (Rs.6.46 lakhs) and other items (Rs.2.08 lakhs) and Rs.4.46 lakhs on various items in 1975-76.

During the pre-Company period the quantity of cane crushed in the factory varied from 15.08 lakh quintals in 1960-61 to 10.11 lakh quintals in 1972-73. Working of the factory under the Company was started on the 14th January 1975 after hurried repairs to its plant and machinery. Owing to shortage of cane, the factory had to be closed on 21st March 1975 after crushing 4.40 lakh quintals (average about 667 tonnes per day). In 1975-76, the sugarcane crop was poor and in spite of purchase of cane from areas outside the reserved area of the factory, 6.25 lakh quintals were crushed in 91 days (average about 687 tonnes per day).

The cane cultivation in the reserved area of the factory declined from 11,256 acres in 1973-74 to 8,747 acres in 1974-75 and 6,131 acres in 1975-76. The Company spent Rs.0.40 lakh for cane development in 1974-75 by grant of subsidy through the cane unions. The expenditure during 1975-76 (up to May 1976) amounted to Rs.0.75 lakh on subsidy and Rs.2.21 lakhs on interest-free loans advanced to the cane unions for purchase of cane seed, insecticides and pesticides.

The Management stated (April 1977) that non-payment of cane dues for 1972-73 and 1973-74 delayed remittance of cane price for 1974-75, attractive and more remunerative prices of other crops and consolidation proceedings in the reserved area were some of the reasons for decline of sugarcane area during 1975-76.

The table below summarises the production performance of the factory (as per the returns submitted to the Company) for the two years up to September 1976 :—

Particulars	1974-75	1975-76
Cane crushed (Lakh quintals)	4.40	6.25
Sugar content in cane as per laboratory test (*per cent* cane)	11.93	11.79
Yield (Lakh quintals)—		
Sugar	0.40	0.56
Bagasse	1.61	2.18
Molasses	0.17	0.27
Pressmud	0.11	0.17
Yield (*per cent* cane)—		
Sugar	9.02	8.90
Bagasse	36.63	34.88
Molasses	3.97	4.33
Pressmud	2.48	2.73

Owing to high bagasse yield, the sugar losses in bagasse (1.22 *per cent* cane in 1974-75 and 1.13 *per cent* cane in 1975-76) were higher than the norm of one *per cent*. Similarly, the sugar losses in pressmud were 0.17 *per cent* in 1974-75 and 0.16 *per cent* in 1975-76 as compared to the norm of 0.10 *per cent*.

According to the Management (August 1976), the extra sugar losses in bagasse and pressmud could be controlled by addition of three rollers in the mill station and replacement of the existing old and outdated plate and frame type presses with rotary vaccum filter.

(D) BARA BANKI FACTORY

On a writ petition filed by the ex-owners against the take-over of the factory by the Company, the Court did not permit (July 1971) any additions and alterations to the existing fixed assets of the factory. The Company, however, obtained permission of the Court in July 1972 for incurring expenditure of Rs.12 lakhs and again in July 1973 for expenditure of Rs.20.50 lakhs on additions, replacements and modifications of the plant and machinery. The expenditure incurred on these additions, replacements, *etc.* was Rs.16.56 lakhs up to 1975-76.

In the pre-Company period, the cane supply to the factory from 1961-62 to 1970-71 ranged between 5.42 lakh and 14.08 lakh quintals. However, during the period of working under the Company (1971-72 to 1975-76) the cane supply declined from 8.44 lakh quintals in 1972-73 to 6.66 lakh quintals in 1975-76. The fall in cane availability was attributed by the Management (August 1976) mainly to :

(i) diversion of cane to *gur* and *khandsari* industries ;

(ii) reduced cane cultivation due to lack of irrigation facilities ;

(iii) lack of cane development ; and

(iv) heacy arrears of cane dues relating to the pre-company period.

The production performance of the factory (as per the returns submitted to the Company) during 1971-72 to 1975-76 was as shown below :—

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Cane crushed (Lakh quintals) ..	4.81	8.44	8.91	9.87	6.66
Sugar content in cane as per laboratory test (*per cent* cane)	11.78	12.32	11.99	12.35	12.04
Yield (Lakh quintals)					
Sugar	0.42	0.76	0.78	0.91	0.60
Bagasse	1.68	3.23	3.30	3.47	2.36
Molasses	0.19	0.38	0.42	0.46	0.31
Pressmud	0.15	0.24	0.25	0.31	0.22

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Yield (*per cent* cane)					
Sugar	8.79	8.96	8.80	9.20	9.05
Bagasse	34.97	38.32	37.09	35.15	35.38
Molasses	3.89	4.46	4.75	4.67	3.60
Pressmud	3.13	2.88	2.79	3.09	3.34

The extra sugar loss works out to 19,876 quintals valuing about Rs.41.26 lakhs, as per the details given below :—

(*a*) *Bagasse*—The yield of bagasse was high. This resulted in higher sugar losses ranging between 1.24 *per cent* and 1.38 *per cent* cane as against the normal loss of one *per cent* recommended by the Sugar Industry Enquiry Commission. The excess sugar losses in bagasse amounted to 12,417 quintals valuing about Rs.25.66 lakhs.

(*b*) *Molasses*—In the first year of working of the factory under the Company, the sugar loss in molasses was 1.34 *per cent* as against the norm of 1.40 *per cent*. In the subsequent years, the sugar losses in molasses ranged between 1.53 *per cent* and 1.63 *per cent* cane. During the years 1972-73 to 1975-76, the extra losses aggregated 6,089 quintals of sugar valuing Rs.12.77 lakhs.

(*c*) *Pressmud*—Sugar losses in pressmud were also higher in all the years, ranging between 0.11 *per cent* and 0.13 *per cent*, than the norm of 0.10 *per cent*. The extra sugar losses worked out to 1,370 quintals valuing Rs. 2.83 lakhs.

The Management stated (August 1976) that the norms under reference were for ideal conditions and that the sugar extraction during 1974-75 was efficient for the 'junk' factory.

(E) MOHIUDDINPUR FACTORY

The Company was appointed by the Government of India in August 1971 as the authorised controller of the factory under the Industries (Development and Regulation) Act, 1951. The Company did not undertake any activity in that capacity as the factory had meanwhile been taken over by it in July 1971 under an ordinance promulgated by the State Government.

It was seen from the records that sugarcane was in short supply mainly for the following reasons :—

(i) Considerable diversion of sugarcane from the reserved area to *khandsari* and *gur* industry ;

(ii) delayed payment of cane dues (The arrears of cane dues pertaining to the pre-Company period were cleared by 1971-72, but the Company was not able to clear the cane dues for supplies obtained after take-over. The unpaid amount of cane price, at the end of September 1975, was Rs.22 lakhs); and

(iii) high losses of sugarcane in transit.

The Management stated (April 1977) that the cane-availability at out-centres was reduced in April 1975 and March 1976 as the *khandsari* units offered higher prices for cane.

The production performance of the factory (as per the returns submitted to the Company) during the five years of its working under the Company is given below :

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Cane crushed (Lakh quintals) ..	6.96	12.06	10.06	10.77	9.58
Sugar content in cane as per laboratory test (*per cent* cane) ..	12.63	12.43	11.79	12.95	12.58
Yield (Lakh quintals)					
Sugar	0.67	1.14	0.86	1.08	0.93
Bagasse	2.01	3.47	3.06	3.23	2.94
Molasses	0.31	0.56	0.52	0.50	0.43
Pressmud	0.22	0.35	0.28	0.30	0.29
Yield (*per cent* cane)					
Sugar	9.68	9.41	8.54	10.05	9.74
Bagasse	28.93	28.76	30.36	29.98	30.74
Molasses	4.50	4.66	5.17	4.60	4.47
Pressmud	3.10	2.91	2.75	2.79	3.08

The high proportion of bagasse yield, stated to be due to milling inefficiency, resulted in higher loss of sugar in bagasse than the norm of 1 *per cent*, which accounted for an extra sugar loss of 5,842 quintals valuing Rs.12.02 lakhs. The proportion of the sugar loss in molasses (between 1.45 *per cent* and 1.76 *per cent)* was also more than the norm of 1.4 *per cent*. The excess sugar loss in molasses aggregated 8,989 quintals valuing Rs.17.76 lakhs.

The proportion of undetermined sugar losses was also very high in the first three years (0.25 to 0.26 *per cent* cane as against the norm of 0.1 *per cent* cane). In 1974-75 and 1975-76, the proportion of undetermined sugar loss was, however, only 0.15 and 0.12 *per cent* cane. The excess sugar loss in undetermined factors aggregated 5,213 quintals valuing Rs.10.04 lakhs.

(F) SAKHOTI-TANDA FACTORY

The management of the factory was taken over by the Government of India in December 1965. The factory was vested in the Company in July 1971. A study of the condition of the factory plant and machinery, conducted by the National Sugar Institute, Kanpur in December 1969, July 1970 and February/May 1971, had disclosed the need for replacement of boilers, removal of defects in undersized rollers and replacement of settling tanks and tubes of the evaporator. The cost of replacements/repairs was estimated at Rs.8.46 lakhs. The factory spent Rs.90 lakhs during the period from 1972-73 to 1975-76 on rehabilitation and renovation but could not achieve normal utilisation of capacity (85 to 90 *per cent* as estimated by the Company).

The Management stated (April 1977) that the reasons for incurring more expenditure than that estimated by the National Sugar Institute were *(a)* inflation and *(b)* the items of repairs done being more than that recommended by the Institute.

The details of the cane yield in the reserved area of the factory and the cane available to the factory during 1971-72 to 1975-76 are as under :—

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Area under cane cultivation (Acres) ..	25695	27621	30989	27354	30747
Cane yield (Lakh quintals) ..	39.86	45.55	52.46	44.45	48.79
Average yield of cane per acre (Qunital)	155	165	169	161	159
Cane available for crushing Quantity (In lakh quintals) ..	5.22	9.91	9.68	11.74	7.82
Per cent of total cane yield ..	13	22	18	26	16

The factory received a small proportion of the cane yield due mainly to diversion of cane to other factories and *khandsari* and *gur* industries, under-utilisation of the factory capacity and delayed payment of cane price. At the time of the transfer of the factory to the Company, the arrears of cane price and commission were Rs.28.84 lakhs (including supplementary claims which were paid by the Company up to 1975-76 from the sale proceeds of the vested stock of sugar). The unpaid cane dues for the period of working under the Company rose from Rs.0.15 lakh at the end of 1973-74 to Rs.30.32 lakhs at the end of 1974-75 and Rs.40.55 lakhs at the end of May 1976. Therefore, according to the Management (August 1976), the canegrowers became reluctant to offer their cane to the factory. Further, owing to non-payment of cane commission, the cane unions also diverted the cane yield of their areas to other factories.

The factory spent Rs.5.45 lakhs during 1971-72 to 1975-76 (up to April 1976) on payment of subsidy to cane unions for development of cane in its reserved area.

The production performance of the factory (as per the returns to the Company) for the five years ending September 1976 is shown in the following table :—

Particulars	1971-72	1972-73	1973-74	1974-75	1975-76
Cane crushed (Lakh quintals) ..	5.22	9.91	9.68	11.74	7.82
Sugar content in cane as per laboratory test (*per cent* cane)	12.34	12.51	11.87	12.48	12.12
Yield (Lakh quintals)					
Sugar	0.49	0.95	0.79	1.11	0.71
Bagasse	1.49	2.70	2.72	3.57	2.37
Molasse	0.23	0.44	0.56	0.57	0.37
Pressmud	0.18	0.32	0.27	0.36	0.24
Yield (*per cent* cane)					
Sugar	9.42	9.61	8.19	9.42	9.10
Bagasse	28.55	27.22	28.11	30.38	30.35
Molasses	4.39	4.14	5.81	4.85	4.77
Pressmud	3.46	3.18	2.83	3.02	3.02

Losses of sugar in bagasse ranged between 1.11 *per cent* and 1.26 *per cent* cane in all the five years. The extra loss of sugar in bagasse over the norm of one *per cent* aggregated 8591 quintals of sugar valuing Rs.17.29 lakhs. The sugar losses in molasses were between 1.43 *per cent* cane and 1.92 *per cent* cane during 1971-72 to 1973-74. During 1974-75 and 1975-76, the sugar losses in molasses were 1.55 and 1.51 *per cent* cane respectively. Calculated with reference to the norm of 1.4 *per cent* the extra loss of sugar during the five years was 8,207 quintals valuing Rs.17.00 lakhs. The extent of loss of sugar for undetermined reasons varied from 0.15 *per cent* to 0.46 *per cent* cane as against the norm of 0.10 *per cent*. The extra loss of sugar due to undetermined factors was 7,035 quintals valuing Rs. 14.25 lakhs.

The Management stated (April 1977) that the norms laid down by the Sugar Industry Enquiry Commission were under ideal conditions, and should not be applied to the sick plant of the factory. It may, however, be stated that the Commission while making the recommendations in 1974 had observed that "In judging the performance the technical norms given in our report are on the generous side".

KICHHA SUGAR COMPANY LIMITED (A SUBSIDIARY)

2.23. *Introduction*

Mention was made in paragraph 34 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) about the acquisition of a sugar factory (under construction) at Kichha by Government and its subsequent transfer to the Company in November 1971. A Subsidiary of the Company, *viz.* Kichha Sugar Company Limited, was incorporated in February 1972 to manage the affairs of the sugar factory.

Capital structure

2.24. (*a*) *Share capital*

The authorised share capital of the Subsidiary is Rs.2.70 crores, including preference share capital of Rs.30 lakhs. The paid-up capital as on 30th September 1976 was Rs.171.75 lakhs, besides share application money of Rs.5.84 lakhs received from cane growers through the cane unions (allotment of shares had not been made up to September 1976). The paid-up share capital was held by the Company (Rs.110 lakhs), Government (Rs.32.59 lakhs), the Uttar Pradesh State Industrial Development Corporation Limited (Rs.20 lakhs) and the cane growers (Rs.9.16 lakhs).

(*b*) *Government loans*

The factory was transferred by Government to the Subsidiary through a conveyance deed (5th March 1973) for a consideration of Rs.132.59 lakhs (Rs.131.59 lakhs paid as compensation to the ex-owners and Rs.1 lakh incurred on upkeep of the factory under Government control from 12th September 1970 to 16th February 1972). The amount was treated partly as loan (Rs.100 lakhs) and partly as contribution to share capital (Rs.32.59 lakhs). The terms and conditions of the loan have not been finalised (March 1977). The Subsidiary has, however, been making provision in its accounts for interest at 8 *per cent per annum*. Government gave another loan of Rs.50 lakhs in June 1973 for making payments to suppliers of plant. This loan carries interest at 11 *per cent per annum,* subject to a rebate of $2\frac{1}{2}$ *per cent* for timely payment. The amount along with interest was to be repaid by August 1973 or on receipt of a loan from the Industrial Finance Corporation, whichever was earlier. Although the Subsidiary obtained loans of Rs.135 lakh from the Industrial Finance Corporation in October 1973 (Rs.100 lakhs) and August 1974 (Rs.35 lakhs) for completion of the factory, it had not repaid (March 1977) the second loan of Government reportedly due to financial stringency.

(c) Other loans

The Subsidiary arranged a bridging loan of Rs.40 lakhs from a nationalised bank in 1972-73 against Government guarantee, which was repaid in October 1973 on receipt of loan from the Industrial Finance Corporation. The Subsidiary also took a short-term loan of Rs.30 lakhs in 1974-75 from the Uttar Pradesh State Industrial Development Corporation Limited, which was repaid in 1974-75 (Rs.19.68 lakhs) and 1975-76 (Rs.10.32 lakhs). Another loan of Rs.30 lakhs was taken from the Uttar Pradesh State Industrial Development Corporation Limited in 1975-76, which was outstanding at the end of September 1976.

For working capital, the Subsidiary depended upon cash credit facilities. The liability on this account as on 30th September 1976 was Rs.100.20 lakhs including interest of Rs.5.63 lakhs.

Completion and commissioning of the factory

2.25. Mention was made in paragraph 34 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) about supply of the sugar plant and erection and commissioning of the completed plant by a Calcutta firm. The Subsidiary spent Rs.19.57 lakhs on rectification of the plant, which was recoverable from the firm. The amount has not been recovered (March 1977). Examination of the machinery supplied by this firm conducted by the Chief Engineer, National Federation of Co-operative Sugar Factories in May 1976 indicated that out of 18 filter presses, two were second-hand; the presses were provided with 17 defective plates and 7 headers were patched. The Management stated in April 1977 that 588 plates had been found defective out of which 516 plates had been replaced and that headers of presses were weak and broke during operation. A claim for recovery of the cost of repairs was stated to have been lodged with the suppliers and was pending.

The project cost of the plant and machinery and civil works as on 19th March 1974 when the factory was ready for commissioning amounted to Rs.225.85 lakhs and Rs.25.86 lakhs respectively. The other assets as on 30th September 1974 amounted to Rs.9.14 lakhs.

Capacity utilisation

2.26. The following table indicates the capacity utilisation of the factory of the three years up to 1975-76 :

	1973-74	1974-75	1975-76
Gross season—			
Days of working	88	194	139
Available hours of working ..	2,088	4,655	3,334

	19J3-74	1914-75	1975-76
Cane crushed (Lakh quintals)	7.02	27.17	21.64
Actual crushing time (Hours) ..	1,576	4,015	2,868
Crushing time lost (Hours) due to—			
Cane shortage	148	106	124
Mechanical break-downs ..	292	239	145
Other reasons	72	295	197
Total ..	512	640	466
Percentage of time lost	25	14	14

The Board of Directors of the Subsidiary had laid down in February 1975 that in 180 days of cane crushing season, the factory should crush 30 lakh quintals of cane in 1975-76 with 10 *per cent* sugar recovery. Thus, there was shortfall of 28 *per cent* in cane crushed in 1975-76.

According to the Management (April 1977), the short duration of working in 1975-76 when most of the defects had been rectified was due to shortage of cane partly on account of its diversion to *khandsari* factories which paid attractive price of Rs.14 to Rs.16 per quintal, against Rs.13.25 per quintal paid by the factory.

Production performance

2.27. The table below summarises the production performance of the factory for the three years ending 30th September 1976 :—

Particulars	1973-74	1974-75	1975-76
Cane crushed (Lakh quintals)	7.02	27.17	21.64
Sugar content in cane as per laboratory test (*per cent* cane)	11.92	12.10	12.65
Yield (Lakh quintals)—			
Sugar	0.59	2.51	2.20
Bagasse	2.55	9.7	6.86
Molasses	0.35	1.14	0.77
Pressmud	0.59	2.17	1.62
Fibre content (*per cent* cane)	16.10	16.10	14.32

Particulars	1973-74	1974-75	1975-76
Percentage of yield to cane crushed—			
Sugar	8.40	9.26	10.16
Bagasse	36.38	35.85	31.68
Molasses	4.96	4.20	3.55
Pressmud	8.37	8.00	7.49

The sugar losses in the by-products during 1973-74, 1974-75 and 1975-76 were as indicated below :—

	1973-74	1974-75	1975-76
	(Sugar losses *per cent* cane)		
Bagasse	1.31	1.11	0.92
Molasses	1.71	1.43	1.29
Pressmud	0.33	0.21	0.16
Undetermined	0.19	0.11	0.13

It will be seen that even in the third year of the factory's working, the sugar losses in pressmud and undetermined sugar losses were higher than the norm of 0.1 *per cent* each.

Working results

2.28. The working results of the factory for 1973-74 to 1975-76 were as under :—

	1973-74	1974-75	1975-76
	(In lakhs of Rupees)		
Expenses			
Raw materials	98.46	437.00	315.51
Wages and salaries	10.55	34.18	36.12
Repairs and maintenance	3.15	22.90	25.34
Stores and spare parts	10.11	43.02	33.18
Power and fuel	7.68	5.72	9.70
Other xpenses	0.51	2.74	2.71
Depreciation	39.08	52.47	43.60
Interest charges	20.60	61.61	63.29
Administrative expenses	2.30	4.66	4.76
Selling expenses	0.68	2.54	3.95
Development rebate reserve	34.97	..	..
Total ..	228.09	666.84	538.16
Value of production and other income			
Sales—	91.49	350.96	600.76
Add—Closing stock	27.71	196.83	95.10
	119.20	547.79	695.86
Less—Opening stock	..	27.71	196.83
Total ..	119.20	520.08	499.03
Other income	3.25	0.65	0.90
Total ..	122.45	520.73	499.93
Net loss	105.64	146.11	38.23

In its report to the shareholders, the Board of Directors of the Subsidiary attributed the working loss incurred in 1974-75 to :

(i) payment of higher cane price,

(ii) higher purchase tax from October 1974,

(iii) higher rate of cane society commission,

(iv) increase in the wages of the factory workers under a tripartite agreement with provision for variable dearness allowance, and

(v) higher interest on cash credit allowed by the banks.

The following points may be mentioned in connection with the working losses :—

(i) The Subsidiary's drawals of cash credit from the bank and loans from the financial institutions increased from Rs.1.51 crores on 30th September 1974 to Rs.3.16 crores on 30th September 1975 and Rs.2.65 crores on 30th September 1976. The trade dues payable also increased from Rs.0.84 crore on 30th September 1974 to Rs.2.18 crores on 30th September 1976. The adverse financial position resulted in delayed payment of cane dues. The unpaid cane price increased from Rs.32 lakhs on 30th September 1974 to Rs.42.53 lakhs on 30th September 1976. This resulted in increased interest liability on unpaid cane price from Rs.2.42 lakhs in 1973-74 to Rs.10.52 lakhs in 1974-75 and Rs.20.57 lakhs in 1975-76.

(ii) The expenditure on overtime wages increased from Rs.0.26 lakh in 1973-74 to Rs.1.50 lakhs in 1974-75 and Rs.2.00 lakhs in 1975-76 even though the cane crushing operations were stopped earlier in 1975-76 and the total expenditure on wages and salaries in 1975-76 was higher than that in 1974-75.

(iii) There was heavy increase in the consumption of furnace oil and firewood. Calculated on the basis of the difference between the average fuel costs per quintal of sugar produced during the two years as indicated in the next paragraph, the expenditure on this account in 1975-76 was more by Rs.5.63 lakhs than in 1974-75.

Consumption of fuel

2.29. The Sugar Industry Enquiry Commission in its report (1974) had observed that in a well-maintained and well-operated factory the fuel requirement in terms of bagasse should be 26 to 28 *per cent* of cane, and that in a carbonation factory a further two *per cent* of cane was needed. The factory which is a newly set up carbonation type, used fuel in addition to the bagasse produced by it (36.38 *per cent*, 35.85 *per cent* and 31.68 *per cent* of cane crushed during the three years up to 1975-76 respectively) as detailed below :—

Fuel	1973-74	1974-75	1975-76
Firewood (Quintals)	16,698	579	8,178
Furnance oil (Litres)	50,000	..	186,300
Bagasse other than factory production in the season (Tonnes)	5,323	3,259	618

The value of the extra fuel and power used each year was as follows :—

	1973-74	1974-75	1975-76
Total cost (In lakhs of Rupees) ..	7.68	4.60	9.52
Cost of fuel per quintal of sugar produced (Rupees)	13.02	1.83	4.39

The cost of fuel and power per quintal of sugar produced in 1975-76 was more than double of that in 1974-75 due to excessive consumption of furnace oil and firewood. In 1974-75, the factory saved 2,050 tonnes of bagasse which were sold or utilised in 1975-76.

The excessive fuel consumption in 1975-76 was attributed by the Management (July 1976) mainly to the following :—

(i) Cane crushing operations were closed earlier than in 1974-75.

(ii) Fibre content in the sugarcane crushed was lower than that in 1974-75.

(iii) Pol percentage in 1975-76 was lower (2.94 *per cent*) than that in 1974-75 (3.05 *per cent*) due to addition of more water to the juice.

(iv) More steam was needed for reducing sugar losses by increasing the efficiency of the boiler house.

The Management stated (April 1977) that the reason for the increase in the cost of extra fuel in 1975-76 was the lower yield of bagasse in 1975-76 as compared to 1974-75.

Transportation of sugarcane

2.30. The expenditure incurred by the factory on transportation of sugarcane from out-centres through contractors was in excess of the deductions made from the sugarcane price (including the margin for transportation from the out-centres to the factory premises paid to the growers as shown below :—

Particulars	1973-74	1974-75	1975-76
		(In lakhs of Rupees)	
Actual transportation charges	4.15	22.65	17.57
Amount deducted from growers	1.86	15.18	16.22
Excess expenditure	2.29	7.47	1.35

Thus, the factory incurred expenditure of Rs. 11.11 lakhs in excess of the margin of recovery forming part of the cane price.

The Management stated (April 1977) that expenditure in excess of the actual deduction made from the growers had enabled the factory to get more cane. It may, however, be mentioned that the cane crushing operations in the factory during 1975-76 were stopped in mid-April on account of short supply of cane.

Stores management

2.31. The table below indicates the value of the closing stock of stores and spare parts during the three years ending 30th September 1976 :—

1973-74	1974-75	1975-76
		(In lakhs of Rupees)
40.35	39.36	40.74

The Board of Directors of the Subsidiary had decided on 30th January 1976 that the Chairman and the Managing Director should take action to reduce the inventory to the minimum level of requirements for two months. Further developments are awaited (March 1977).

Stock shortages

2.32. During physical verification of stores and spare parts, conducted at the end of 1973-74 and 1974-75, shortages and excesses were noticed, the values of which were as follows :—

Value of	1973-74	1974-75	1975-76
		((In lakhs of Rupees)	
Shortages	1.59	1.48	2.48
Excesses	1.46	1.32	2.23

The value of the excesses was adjusted against the value of the shortages although in a large number of cases the shortages were in different items of stores or in different sizes/specifications or exceeded the excesses in similar items. The shortages were not investigated. The shortages and excesses were recorded to be due to :

(i) accounting of receipts/issues under wrong heads,

(ii) non-accounting of receipts,

(iii) short issues,

(iv) wrong posting of quantities, and

(v) posting of the figures of the vested store materials in the accounts of the Subsidiary's stock and *vice-versa*.

Defective diesel generating sets

2.33. In 1973-74, the factory installed three 133 Kw diesel generating sets at a cost of Rs.9.07. lakhs. Immediately after their commissioning, the sets were found to be defective and the factory spent Rs.0.72 lakh on their repairs. The performance of these sets was reported to the Company (April 1975) by the Chief Engineer of the factory to be very poor. The supplier firm repaired the damaged super charger of a set free of charge. The Management stated in April 1977 that a debit note for Rs.0.72 lakh spent on the repairs of these sets had been issued to the firm, acceptance of which was awaited.

Excess payment for electricity

2.34. The Subsidiary obtained a power load of 250 Kw in January 1971 and an additional power load of 600 Kw in April 1975 from the State Electricity Board. On the Board's advice (June 1973) to instal a separate circuit for the residential colony through a separate feeder line, the Subsidiary segregated the colony circuit and applied for a load of 130 Kw for the colony in October 1975 when it also deposited Rs.1.12 lakhs for the purpose. A meter was installed by the Board in January 1976 to record the domestic consumption in the colony but it was reported (January 1976) to be defective. The domestic consumption in the colony could not, therefore, be ascertained and the factory was being charged for the entire load of 980 Kw at higher rates under the mixed load tariff instead of the lower rate tariff applicable to consumers of heavy power having connected load of more than 200 Kw. The amount overcharged on this account on the basis of proportionate consumption, as assessed by the Electricity Board, for the period from October 1975 to March 1976 was Rs.1.44 lakhs approximately. The details for the earlier period were not available.

The Management stated (April 1977) that the matter had been taken up with the State Electricity Board for getting the meter corrected and that action was being taken to get the refund of the excess charges paid.

Purchase and consumption of furnace oil

2.35. (*a*) In July 1974 the Government of India had ordered that in view of the shortage of petroleum products, use of furnace oil in sugar factories should be stopped. The factory, however, purchased 2 lakh litres of furnace oil during 1975-76 from the New Delhi storage yard of the Indian Oil Corporation Limited for use in its two (out of three) boilers which are designed to burn bagasse as well as furnace oil. Two tankers with 10,000 litres of oil in each were received in the factory on 11th and 13th January 1976. On 18th January 1976, the Chief Engineer reported to the General Manager of the factory that only 6,500 litres of oil were available in the factory tanks even though there were no issues since receipt of 20,000 litres of oil. The value of the shortage (13,500 litres) was Rs.0.16 lakh.

The General Manager reported the matter to the head office of the Subsidiary on 5th March 1976 seeking instructions for lodging a report with the Police. Instructions were issued by the Chairman on 26th March 1976. The matter was reported to the Police on 1st May 1976 ; final report of the Police is awaited (April 1977).

(*b*) In its commissioning stage, the factory consumed 0.50 lakh litres of furnace oil during 1973-74. In 1974-75 season, no furnace oil was used as the Government of India had directed discontinuance of its use in sugar factories. In that season, the factory saved 2050 tonnes of bagasse. During 1975-76 season, no bagasse was saved. Even then the factory recorded consumption of 1,86,300 litres of furnace oil (value : Rs.1.97 lakhs) while the expenditure on purchase of electricity was also more in 1975-76 (Rs.7.34 lakhs up to May 1976) than in 1974-75 (Rs.4.60 lakhs) notwithstanding the factory operations being lower.

The cost of power and fuel increased from Rs.1.83 per quintal of sugar produced in 1974-75 to Rs.4.39 per quintal in 1975-76.

The entries in the boiler log book and other connected records relating to the receipt and consumption of furnace oil indicated the following :—

(i) There was no arrangement for measuring shiftwise consumption which was recorded on the basis of estimates.

(ii) Lump sum consumption of 50,000 litres of oil was recorded between 22nd and 29th November 1975 in trial runs.

(iii) Consumption figures in the cane crushing operations recorded in the boiler log book were later enhanced by overwriting or by recording additional quantities in the shifts in which "nil" consumption had been originally recorded. For this reason, the quantities recorded as issued were larger than the quantities shown in the abstract recorded at the end of each day.

(iv) On a number of days the extra fuel consumption (*i.e.* in addition to the consumption of bagasse) recorded in the boiler log book was high, reported (April 1977) to be on account of low crush and during maintenance period.

(v) No check was exercised on consumption of furnace oil by ascertaining the daily consumption on the basis of dip-reading of the oil in the tank although a case of suspected pilferage was noticed in January 1976. No investigation has been conducted into the above cases (March 1977).

The Management stated (April 1977) that the irregularities were on account of the boiler attendants being not literate and that remedial steps had since been taken.

Purchase of limestone

2.36. On the basis of limited tender enquiry (August 1973), the General Manager placed orders (September 1973) with five parties of Dehradun for 15,000 tonnes of black unbroken limestone at the lowest quoted rate of Rs. 34.50 per tonne *plus* sales tax, *f.o.r.* despatching station, for supply up to February 1974. The parties supplied only 6,742 tonnes of limestone up to May 1974. The Chief Chemist reported to the General Manager of the factory (4th June 1974) that the limestone received from the suppliers was of poor quality, resulting in higher consumption of coke as well as limestone and adversely affecting the quality of sugar. Orders for the remaining quantities were, therefore, cancelled in June 1974.

The price of Rs. 34.50 per tonne mentioned above was firm. Nevertheless, on the ground of rise in the price of fuel and oil used in motor vehicles, the parties were given price increase of Rs.5 per tonne for supplies made up to 20th March 1974 (1,159 tonnes) and a further increase of Rs. 4.25 per tonne in respect of 5,583 tonnes of limestone supplied thereafter. The suppliers were thus given financial benefit of Rs. 0.57 lakh.

The purchase (value : Rs.2.90 lakhs) was made by the General Manager on the basis of limited quotations though under the rules he was authorised to make purchase up to Rs.20,000 in each case on the basis of limited tenders.

In July 1974, the General Manager invited limited quotations from nine parties of Dehradun, for purchase of 10,000 tonnes of limestone of the same specifications required in 1974-75. In all, eight quotations at Rs.53 per tonne *plus* sales tax, *f.o.r.* despatching station were received. Orders were placed with two firms which had supplied only about 50 *per cent* of the quantity ordered in the previous year. Each of them was to supply 5000 tonnes at Rs.53 per tonne in five equal monthly instalments between November 1974 and March 1975. One of them supplied only 822 tonnes and the other 2,696 tonnes by January 1975. Thereafter, the factory obtained 3,212 tonnes of limestone from them by road for which Rs.2.10 lakhs were paid as transport charges. The extra expenditure on transportation of limestone by road as compared to transportation by rail was Rs.0.76 lakh.

The Management stated (April 1977) that on account of unsatisfactory availability of wagons (from November 1974) and in view of the time required for transhipment, limestone had to be transported by road.

For supply of 13,300 tonnes of limestone during 1975-76, 24 quotations were received. The lowest rates of a firm of Katni *viz.* Rs.25 and Rs.28 per tonne for different specifications of limestone, were not accepted on the ground that the total cost, including transportation charges, was higher by Rs.2 per tonne than the cost of supply (including transportation by rail) from Dehradun. The second lowest rate of a firm of Kotdwara at Rs.40 per tonne (ex-works) was also not accepted on the ground that the quality of limestone supplied by the firm in 1974-75 against a trial order was not satisfactory. Orders were placed (August 1975) with eight parties of Dehradun at Rs.55 per tonne *f.o.r.* despatching station. Three of them supplied 562 tonnes but as the limestone supplied was of poor quality, they were asked to take it back from the factory. However, there was no response from the suppliers. The remaining five parties of Dehradun did not make any supply. Meanwhile, the General Manager floated a limited enquiry (November 1975) addressed to 12 suppliers of Dehradun (including the three firms which supplied poor quality limestone against orders placed with them in August 1975) inviting them to quote their rates for supply of limestone and its delivery to the factory. Seven quotations were received at Rs.50.05 per tonne (ex-works) for supply by road and Rs.57.50 per tonne, *f.o.r.* despatching station for delivery by rail.

The General Manager and the Chief Chemist visited Dehradun in November 1975 and decided to place supply orders with five of them (including the three whose supplies against the order of August 1975 were of poor quality) at their quoted rate of Rs.50.05 per tonne plus Rs.54.50 per tonne for road transport charges. Orders were, accordingly, placed with them in November 1975 for 4,500 tonnes of limestone.

In all, 5626 tonnes of limestone were received by the factory by road. As compared with the cost of transportation by rail the extra expenditure was Rs.0.38 lakh. The Chief Chemist of the factory pointed out to the suppliers several times during November 1975 to January 1976 that the supplies against these orders were found oversized and poor in quality. No action was taken against the suppliers as the supplies made by them had been consumed. The suppliers were, however, asked to improve the quality of their supplies. In this connection it may be mentioned that the General Manager and the Chief Chemist had visited the quarries of the suppliers before placing the orders but no report on the quality of the limestone was available in the records of the factory.

The consumption of coal in burning the limestone during the three years up to 1975-76 was as under :—

	1973-74	1974-75	1975-76
(i) Limestone burnt (tonnes)	3,667	12,543	9,087
(ii) Coal consumed (tonnes)	376	1,374	1,399
(iii) Coal *per cent* of limestone	10.25	10.95	15.39

The proportion of coal consumption in 1975-76 was higher than in the preceding years.

The Management stated (April 1977) that the consumption of coal had been high because unburnt limestone and limestone-chips were burnt in the country-lime-kiln which required additional quantity of coal.

New projects

2.37. In April 1972, Government decided that the Company should set up new sugar factories. In pursuance of this policy, the Company applied in April 1972 to the Government of India for grant of industrial licence for establishing factories at (i) Nandganj-Sihori (Ghazipur), (ii) Chandpur (Bijnor), (iii) Lakhimpur-Kheri,

(iv) Chhata (Mathura), and (v) Rae Bareli. All the factories were to have daily cane crushing capacity of 1,250 tonnes with provision for expansion up to 2,000 tonnes each. Letters of intent or industrial licences were granted by the Government of India between January 1973 and April 1974 for the projects with the exception of the one for Lakhimpur-Kheri which was rejected (May 1975) on the ground that availability of cane for the factory had not been established.

The progress of these projects is indicated in the following paragraphs :

(A) Rae Bareli project

The industrial licence granted by the Government of India in April 1974 (revalidated up to April 1977) require the Company to establish the factory within two years. The Company selected a site at Daryapur (January 1975), and obtained possession of 97.69 acres of land for the factory in January/July 1975. The State Government contributed Rs.1.40 crores between January and March 1975 to the share capital of the Company for purchase of plant and machinery for the factory but no purchase order had been placed (March 1977). Expenditure on the project up to April 1976 amounted to Rs.7.66 lakhs which included Rs.2.12 lakhs incurred on pay and allowances of the Cane Development Officer and the staff posted by the Company from December 1974 for cane development work in the area of the proposed factory.

(B) Nandganj-Sihori project

The project was taken up by the Company on receipt of the letter of intent issued in January 1973 (revalidated up to November 1977). A Subsidiary in the name of Nandganj—Sihori Sugar Company Limited was incorporated in April 1975 with an authorised share capital of Rs.230 lakhs (raised to Rs.260 lakhs in 1975-76). The paid-up capital of Rs.260 lakhs as on 31st March 1977 was wholly contributed by the Company. The Company had already selected the factory site in August 1973 and taken possession of 100 *bighas* of *Gram Samaj* land in January 1974 on payment of Rs.0.68 lakh. Possession of about 95 bighas of cultivated land was also taken by the Company in May 1974 for which Rs.1.96 lakhs were deposited with the Collector, Ghazipur in May 1974 towards compensation. An additional amount of Rs.0.56 lakh for compensation was deposited in May 1976. The compensation award has, however, not been finalised (March 1977).

The project was, initially, estimated to cost Rs.501.30 lakhs which was revised to Rs.650 lakhs. The Industrial Finance Corporation had observed (January 1975), on an application of the Company for grant of loan of Rs.442 lakhs, that in view of the steep rise in the capital cost of new sugar factories, the commercial viability of the project was doubtful. It had, therefore, advised the Company not to make any financial commitments with regard to purchase of plant and machinery. The Company had, however, already placed an order for plant and machinery (value : Rs.324 lakhs) with a firm of Calcutta and advanced Rs.75 lakhs to the firm (April 1974).

The Management stated (April 1977), that in view of incentives granted by the Government of India, the project had become financially viable and that the work on the project was in progress. The expenditure on the project up to February 1977 was Rs.154.68 lakhs. Construction work has not, however, made much progress.

(C) Chhata project

Industrial licence for the project was granted by the Government of India in November 1973. The factory site selected by the Company in December 1973 was approved by the State Government in February 1974. For acquisition of 85.99 acres land, the Company deposited (December 1975/January 1976) Rs.6 lakhs with the Collector, Mathura. Possession of the land was taken in November 1974 but the final amount of compensation payable for the land is still to be determined by the revenue authorities (April 1977). A Subsidiary, viz. Chhata Sugar Company Limited, was formed in April 1975 with an authorised share capital of Rs.250 lakhs. The paid-up capital, wholly contributed by the Company, was Rs.146.25 lakhs as on 31st July 1976.

The project estimate of Rs.630 lakhs was expected by the Subsidiary to go up by the time the factory was completed. The actual expenditure up to February 1977 was Rs.234.17 lakhs including advance payments (Rs.81 lakhs) and other payments (Rs.110.85 lakhs) made to a firm of Naini (Allahabad) for plant and machinery for which an order was placed with them (value : Rs.322 lakhs) in April 1974. Construction of sugar godown and machine foundations was suspended in May 1975 after spending Rs.1.79 lakhs. The work has not been resumed (March 1977). Construction materials (cement, steel, etc.) already procured for the civil works (value : Rs.13 lakhs) were, therefore, rendered idle, out of which materials valuing Rs.2.46 lakhs were transferred to the other factories of the Company and materials valuing Rs.0.55 lakh were loaned to the Uttar Pradesh State Electricity Board and Hindustan Housing Factory Limited, (a Government of India undertaking), up to June 1976.

The contract executed by the Company with the supplier of the plant for the project stipulated provision of a workshop with necessary equipment. Workshop building costing Rs.1.47 lakhs was completed in November 1975 and equipment costing Rs.1.50 lakhs were also provided, which were both lying idle owing to the delay in the supply of the sugar plant. Services of an Assistant Engineer (Mechanical), a Foreman (Electrical) and three wiremen, engaged between January and November 1975 for the workshop, could also not be utilised. The expenditure on pay and allowances of these officials was Rs.0.22 lakh up to June 1976. Besides, 36 labour hutments constructed by the Company in October 1975 at a cost of Rs.2.05 lakhs for housing the workers of the suppliers of the plant were lying unutilised (March 1977).

(D) Chandpur project

The Company obtained an industrial licence in November 1973 for starting production within two years. Owing to delay in the implementation of the project, the licence has been revalidated for another period of two years, i.e., up to November 1977. A Subsidiary, *viz.* Chandpur Sugar Company Limited, was incorporated in April 1975 with an authorised share capital of Rs.250 lakhs. The paid-up capital of Rs.220 lakhs as on 31st July 1976 was wholly contributed by the Company.

The factory site selected by the Subsidiary in June 1975 was approved by Government in August 1975. The Collector, Bijnor acquired 78 acres of land for the factory, possession of which was taken in December 1975. The Subsidiary deposited Rs.2.14 lakhs with the Collector, Bijnor towards compensation for the land for which awards were received in May 1976 and February 1977.

The project, estimated to cost Rs.699.64 lakhs as approved by the Subsidiary in July 1975, is proposed to be financed by obtaining share capital (Rs.245 lakhs) and loans from financial institutions (Rs.455 lakhs). Purchase orders for plant and machinery (value: Rs.322 lakhs) were placed by the Company with a firm of Naini (Allahabad), and advance payments of Rs.83 lakhs were also made to the firm in April 1974. The civil works were entrusted to the Uttar Pradesh Rajkiya Nirman Nigam Limited in April 1976 without finalising the details of various works. An advance of Rs.5 lakhs was given to the Nigam in June 1976. Neither any estimate for works was received from the Nigam nor was the work stated (August 1976). The expenditure on the project up to June 1976 (excluding two advance payments of Rs.88 lakhs) amounted to Rs.40.28 lakhs which included Rs.1.50 lakhs towards the salary of the project staff.

It was stated (April 1977) by the Management that as a result of discussions with financial institutions, the cost of the project was estimated at Rs.645 lakhs. Sixty *per cent* (Rs.387 lakhs) of the project cost was to be financed by financial institutions and the balance 40 *per cent* (Rs.258 lakhs) by the State Government through the Company. The work was reported to be in progress.

Other points of interest

2.38. (*a*) *Railway siding*

On receipt of letters of intent for Nandganj–Sihori as well as two other projects (Chhata and Chandpur), the Company moved the Railways in August 1973 to provide railway sidings for the three projects. The Railways estimated (February 1975) that the cost of a 2.5 km long railway siding for Nandganj–Sihori project would be Rs.5.12 lakhs out of which Rs.2.42 lakhs would be payable by the Company. The amount was deposited with the Railways in February 1975. In April 1975, the Railways increased the estimate to Rs.7.55 lakhs out of which Rs.4.50 lakhs were payable by the Company. The balance of Rs.2.08 lakhs was deposited by the Company in May 1975. The siding was completed in March 1976 but it has not been put to use (April 1977).

The Management stated (April 1977) that the railway siding would prove useful for transportation of sugar, steam coal, firewood, *etc.* after commissioning of the plant.

(*b*) *Electric power supply*

(*i*) *Electric connection*

At the request of the Comany, the State Electricity Board sanctioned (May 1974) a power load of 300 Kw for Nandganj–Sihori Project. An estimate amounting to Rs.2.05 lakhs for the service connection, received from the Electricity Maintenance Division, Ghazipur of the State Electricity Board, was accepted and the amount was deposited with the Division in January 1975 without ascertaining whether or not the whole amount was payable. The estimate provided for the construction of a 2.05 km long 11 KV feeder line from the Board's 33 KV sub-station at Nandganj to the point of supply in the project area and installation of a 1.5 MVA 33/11/KV transformer at the sub-station and another 400 KVA/11 KV transformer in the project area. It was noticed in the course of audit (June 1976) that the cost of the 1.5 MVA transformer provided at the Board's sub-station, together with overhead charges amounting to Rs.1.10 lakhs, was not chargeable to the Subsidiary as it was installed for the expansion of the Board's transformation system at the sub-station. The cost of the transformer in the factory premises (Rs.0.25 lakh including 11 *per cent* overhead charges) was also not chargeable to the Subsidiary in terms of an agreement executed (April 1975) by the Subsidiary with the Board for supply of electricity. Further, the cost of the feeder line was overcharged by Rs.0.08 lakh being the amount of 15 *per cent* supervision charges over and above the overhead charges of 11 *per cent*. Thus, the Subsidiary was overcharged to the extent of Rs.1.43 lakhs.

The Management stated (April 1977) that a refund claim had been lodged and that it was being pursued with the State Electricity Board.

(ii) *Excess payment of electricity charges*

Before the electric connection of the Nandganj–Sihori project was energised in June 1975, the State Electricity Board installed a 400 KVA transformer at the supply point in the project area. The transformer was burnt on the day it was energised for trial. In replacement, the Board provided (June 1975) a 160 KVA transformer and commissioned the line for supply of electricity to the factory. The provision of a lower capacity transformer at the point of supply without any request from the Company for load reduction amounted to reduction of the contracted load from 300 KW (353 KVA) to 136 KW (160 KVA). The electricity tariff applicable to consumers of 'large power' was, therefore, applicable and the Board was authorised to recover the minimum guarantee charge for 160 KVA contracted load. However, demand charges of 353 KVA were levied in the electricity bills for June 1975 to April 1976. The excess payment (Rs.0.78 lakh up to April 1976) made by the Subsidiary on this account was reported by Audit in June 1976. The total excess payment up to February 1977 works out to Rs.1.30 lakhs. The Management stated (April 1977) that payments had been made to the State Electricity Board under protest and the matter was being pursued.

(*c*) *Purchase of cement*

The Company placed two orders with a cement factory in March/April 1974 for supply of 1000 tonnes (20,000 bags) of cement for use in the civil works of Nandganj–Sihori project. By that time, neither any organisational set-up had been created at the project site nor any arrangement made for storage of the cement. Immediately on receipt of despatch intimation, the Company requested (17 June 1974) the District Magistrate, Ghazipur to make arrangements for storage of the cement. The consignments had, however, already arrived at Nandganj Railway Station on 13th June 1974. The Chief

Engineer of the project (at that time stationed at Lucknow) reached Nandganj on 18th June 1974 for taking delivery of the cement. Unloading of the cement, however, started on 23rd June 1974 after the Senior Engineer of the Company reached the station with funds for payment of demurrage charges amounting to Rs.0.51 lakh in respect of a consignment of 10362 bags. Half of the amount of demurrage charges paid was refunded by the Railways in October 1974 on the basis of a claim for refund made by the Company.

The cement received in two consignments (19,920 bags) was stored in godowns hired from private parties and the Irrigation Department at Nandganj and Saidpur (about 25 km from the project site) for which the Company had to pay Rs.0.21 lakh towards transportation and storage charges up to March 1976. As no contract for any civil work was finalised before October 1974 and the condition of the hired godowns was not good, the Company decided, in consultation with the District Magistrate, to sell the cement to the public. For this purpose, a tripartite agreement was executed on 9th August 1974 with a firm of Saidpur and the District Magistrate for sale of 6,000 bags of cement, in terms of which the firm was required to return the cement by September 1974. In case of failure to return the cement, it was to be replaced by the District Magistrate by October 1974. Accordingly, 6,000 bags of cement were delivered to the firm in July/August 1974 and the latter replaced 4,930 bags of cement between January 1975 and June 1976. Another 400 bags of cement were given on loan to the District Board, Ghazipur in September 1974 out of which 114 bags have not been returned (March 1977). The value of 1,184 bags not returned by the two parties was Rs.0.16 lakh.

Out of 18,736 bags with the Company, 15,166 bags of cement were used on works mainly during December 1974 to March 1976, 2,000 bags were transferred to other factories of the Company during June 1975 to March 1976 and 1,570 bags got set due to prolonged storage. The quantity used on works included 100 bags issued extra due to loss of strength of cement. The cement transferred to other factories included 1,400 bags which had lost 70 *per cent* strength resulting in extra consumption of 980 bags cement. The value of set cement and extra quantities used on works amounted to Rs.0.39 lakh.

The Management stated (April 1977) that the orders for supply of cement were placed on the basis of assessment that out of the total requirement of 3,000 tonnes, the project would require 1,000 tonnes of cement in the first phase of its construction to be started in

October 1974, but the start of civil works was delayed as the machine foundation drawings were not finally cleared by the plant suppliers owing to delay in opening a letter of credit in their favour.

The purchase of a large quantity of cement long before the start of civil works thus resulted in a loss of Rs.0.86 lakh, besides non-recovery of Rs.0.16 lakh (March 1977) for the cement to be returned by two parties.

(*d*) *Water supply installation*

On 1st August 1974, the Company placed an order with a firm of New Delhi for drilling and installation of a tubewell of 35,000 gallon capacity at Nandganj–Sihori project site (approximate cost : Rs.0.44 lakh for 350 feet deep boring). On the same day, another order was placed with a firm of Lucknow for purchase of a vertical turbine pump of 35,000 gallon capacity for Rs.0.50 lakh. The pump was received at Nandganj in November 1974. The drilling was started on 6th January 1975 and in the final testing it was noticed on 8th March 1975 that the water discharge was 10,200 gallons due to which the pump could not be installed. The General Manager requested (March 1975) the Company's head office to purchase another pump of 10,000 gallon capacity. The second pump was purchased in November 1975 for Rs.0.27 lakh and installed in the same month. The vertical pump of 35,000 gallon capacity costing Rs.0.50 lakh was lying idle at the project site since November 1974 and was transferred to Chandpur (Bijnor) in September 1976.

(*e*) *Purchase and installation of boilers*

In April 1973, the Company placed an order with a firm of Bombay for supply and installation of a 25 tonne capacity bagasse-based boiler in Khadda factory for Rs.17.73 lakhs excluding excise duty, other taxes, insurance and freight charges. The civil works needed for the installation of the boiler were the responsibility of the factory. The boiler was to be commissioned in October 1974. Erection of the boiler was completed by the firm in Decebmer 1976 and it was commissioned in January 1977. Owing to defects, the performance of the boiler was not satisfactory. The Company had spent Rs.21 lakhs on the boiler inclusive of taxes and freight up to November 1975, but the factory has not been able to avail of the fuel economy envisaged during 1974-75, 1975-76 and 1976-77 owing to the delay in supply, erection and commissioning of the boiler.

On the basis of a limited tender enquiry, the Company placed (April 1973) an order with a firm of Bombay for supply, erection and commissioning of a 25 tonne boiler in Sakhoti—Tanda factory for Rs.19.08 lakhs, ex-works Bombay. The price for the plant (Rs.17.73 lakhs) was variable within a ceiling of five *per cent*. The boiler was to be commissioned by 25th September 1974 (extended later up to 25th September 1975). Owing to delay in the completion of foundation work (to be got done by the Company), the firm was to be paid Rs.0.50 lakh extra for reducing the erection and commissioning schedule by two months. The boiler was commissioned in December 1976 but trial run has not yet been arranged by the firm (March 1977).

The firm was paid Rs.22.88 lakhs up to May 1976 including 66 *per cent* of the additional Rs.0.50 lakh, packing and forwarding charges, freight, transit-*cum*-erection insurance, customs duty and taxes, without any penalty for its failure to execute the contract in time. The delay in starting the foundation work was not investigated. The delay in the installation and commissioning of the boiler resulted in denying to the factory the facility of the boiler to secure fuel economy during the whole of 1975-76 and part of 1976-77 cane crushing seasons.

(f) Collapse of godowns

On the basis of tenders invited by the Company in October 1974, construction of two godowns (storage capacity: 40,000 bags each) at Nandganj—Sihori (Ghazipur) and Chhata (Mathura) was entrusted in January 1975 to a contractor 'G' of Varanasi and 'F' of Meerut for Rs.3.34 lakhs and Rs.2.94 lakhs respectively. The godowns were to be constructed as per the design finalised by the Company. Mild steel and cement were to be supplied departmentally (steel free of charge and cement at Rs.16 per bag. Work at both the places was scheduled to start on 15th January 1975 and was to be completed within five months. While construction of the godown at Nandganj was in progress, contractor 'G' reported (26th March 1975) to the General Manager that the northern wall (60 metres long constructed up to the height of 5.5 metres) had collapsed on 25th March 1975 owing to a storm. The contractor claimed (March 1975), damages amounting to Rs.0.11 lakh for loss of scaffoldings, etc., on the ground that the construction was done as per the prescribed design and specifications and under the whole time supervision of the Site Engineer of the Company. The value of work done (godown walls), as measured on 23rd March 1975, amounted to Rs.0.92 lakh against which payment of Rs.0.64 lakh had been made to the contractor after recovering the cost of cement (Rs.0.17 lakh) and other deductions (Rs.0.11 lakh). The work was re-started in April 1975 and the collapsed wall was reconstructed. The value of work done after re-start, as measured on 10th June 1975, amounted to Rs.0.63 lakh. On 17th June 1975, the southern wall (60 metres long constructed in May 1975) collapsed from ground level in heavy rains and storm. Two outsiders taking shelter along the wall died. The contractor was paid Rs.0.20 lakh (June 1975) as against Rs.0.48 lakh payable to him for the work done after re-start. The construction work was, however, suspended in June 1975. While the matter was being examined by the Company, two short walls (20 metres long) also collapsed on 31st March 1976 in a storm. Thus, the godown walls collapsed on three different occasions in storm/rains and the expenditure incurred, viz. Rs.1.20 lakhs, (payment to contractor—Rs.0.84 lakh and cost of materials supplied departmentally—Rs.0.36 lakh) became infructuous. The contractor's claims for compensation and balance payment of about Rs.0.39 lakh were under the Company's consideration (March 1977).

Similarly, when the four walls of the godown at Chhata had been constructed to heights of 8 to 10 metres, the whole of the southern wall (60 metres long constructed to height of 10 metres up to 3rd May 1975) and a major part of the eastern wall (20 metres long constructed to height of 8 metres up to 29th April 1975) collapsed during the night of 3rd/4th May 1975 reportedly as a result of storm and lightning stroke. The western wall (20 metres long constructed to the height of 9 metres up to 30th April 1975) collapsed in another storm on 25th May 1975. The northern wall (60 metres long constructed to the height of 8 metres up to April 1975) also collapsed thereafter (date not available). The value of the work done before the collapse of the walls was Rs.1.26 lakhs. The contractor was paid Rs. 0.67 lakh after making deductions for materials supplied departmentally, security money and income tax without, however, adjusting the cost of 208 bags of cement (value : Rs. 3,328). The contractor's claim for damages (Rs.0.44 lakh) has not been settled (March 1977).

Technical inquiries made by the Public Works Department and the Central Buildings Research Institute, Roorkee at the instance of the Company disclosed that :

(i) the construction design and specifications adopted by the Company were defective;

(ii) the construction work in open areas was ill-planned during summer and the areas were exposed to wind and storm ;

(iii) local fine sand was used in high structure instead of coarse sand;

(iv) arrangement for adequate supply of water was not made by the Company for proper curing of the walls; and

(v) there were no cross supports in the walls.

Use of cement of lower strength was also suspected in the case of Chhata godown.

The Management stated (April 1977) that the matter was under further investigation and that action against officials responsible was in progress.

(g) *Disposal of deteriorated molasses*

According to the procedure laid down by the Company in November 1971 and modified in May 1972, the General Managers are required to sell deteriorated molasses in public auction after obtaining permission of the Excise Department for removal of these from the factories. The anticipated market price of such molasses is required to be ascertained by the General Manager and in case the bid money is considerably lower than the anticipated market price so ascertained, the molasses are to be withdrawn from auction. This procedure was not followed in some of the factories as indicated in the following paragraphs.

I *Mohiuddinpur factory*

(i) On a report of the General Manager to the Company that 9091 quintals of molasses had got mixed with rain water, the Company instructed (17th October 1973) him to auction the molasses. Permission of the Excise Department for removal of the molasses was received on 23rd October 1973. The molasses were sold in auction on 8th November 1973 for Rs. 0.22 lakh. The auction was, according to the internal audit wing of the Company, held without due publicity. There were no analytical data to show that the molasses sold in the auction had deteriorated. It was seen from a report of the Cost Accounts Officer that in the same period deteriorated molasses had been sold in the Bhatni factory at Rs. 8 per quintal. The market price of deteriorated molasses as per the report of the Cost Accounts Officer (dated 3rd December 1973) was Rs. 10 per quintal and he assessed that the molasses should have been auctioned for Rs. 1 lakh approximately. The Management stated (April 1977) that due to the short time available wide publicity could not be given.

(ii) The Chief Chemist of the factory reported (23rd October 1975) that 18000 quintals of molasses, produced in 1974-75 season and stored in two *pucca* tanks, had got mixed with rain water and needed early disposal. Permission of the Excise Department for removal of 18725 quintals of molasses by 15th November 1975 was obtained on 29th October 1975. A limited enquiry was addressed to 9 parties, without indicating the quantity of molasses, for quoting rates for purchase and removal of the deteriorated molasses and also for cleaning the tanks. Six quotations received in unsealed covers were opened on 12th November 1975. The offer of a firm of Ghaziabad for Rs.0.12 lakh (18725 quintals) was accepted. On a complaint (20th November 1975) from the factory workers' union that the molasses held in the two tanks were being sold for Rs.0.12 lakh as against the market value of Rs.1.50 lakhs to Rs.2.00 lakhs, the Company directed the General Manager to arrange auction sale after due publicity and in the presence of a representative of the District Magistrate, Meerut. The firm of Ghaziabad was, therefore, asked (25th November 1975) to suspend removal of the molasses. The quantity of molasses removed, if any, by the firm till then was not available in the records of the factory.

In an auction held on 20th December 1975, the highest bid received was Rs. 0.05 lakh which was accepted by the General Manager. According to the available gate passes, the firm lifted 61 tankers of diluted molasses from 20th January to 3rd February 1976. The quantity of molasses lifted by the firm was not indicated in the gate passes. According to the carrying capacity of the tankers (130 quintals each), the quantity removed by the firm worked out to 7,930 quintals. The procedure laid down by the Company for ascertaining the market price for guidance was not followed in the auction of molasses.

The Management stated (April 1977) that as only four bidders turned up, there was no alternative but to accept the highest bid. In respect of the absence of mention of quantity of molasses in the gate passes it was stated that as complete tankfuls had been sold, the quantity was not recorded.

II. Sakhoti—Tanda factory

Before start of the cane crushing operations in November 1974, the factory held stock of 28,603 quintals of molasses diluted with water (out of the produce up to 1973-74), which was auctioned (10th November 1974) in favour of a party (A) of Gorakhpur for Rs.0.33 lakh. The auction notice was not given press publicity. Ten bids recorded on a loose sheet of paper were overwritten and the bids of three other parties including 'A' were inserted in between the bids of the 7th and 8th parties. The auction proceedings were not signed by any other officer of the factory. The General Manager requested the Excise Department on 20th November 1974 to extend the time for removal of the molasses up to 30th November 1974 on the ground that 'A' could not remove the molasses owing to strike of the truck operators of Meerut from 10th November 1974. No such request from 'A' was on record. In April 1975, 'A' was asked to lift the molasses after depositing Rs.8 per quintal demanded by the Excise Department as administrative charges. An enquiry was also made (May 1975) from seven local parties as well as party 'A' if they would lift the water-diluted molasses on payment of the administrative charges. None of them came forward.

On a report of the General Manager (November 1975) the Excise Department permitted removal of 32,811 quintals of deteriorated molasses by 15th November 1975. On the basis of a quotation received against an enquiry pasted on the factory notice board, draining out of the deteriorated molasses from the tanks was entrusted by the General Manager to a local party on payment of Rs.250 for the work. On the same day, the Assistant Excise Commissioner, Meerut visited the factory and permitted transfer of 11,849 quintals of molasses of 1974-75 produce to *kachcha* tanks. This work also entrusted to the same local party on 24th November 1975 for which he was paid Rs.350 as labour charges. In the factory books 11,849 quintals of deteriorated molasses were shown as drained out. The factory gate records, however, indicated that the party removed 98 tanker loads (about 13,000 quintals) of deteriorated molasses from the factory between 10th and 29th November 1975, for which no payment had been made.

On receipt of complaints in the head office of the Company, the Financial Adviser and Chief Accounts Officer investigated the matter and reported (April 1976) that :

(i) there was a loss of 40,502 quintals of molasses (value : about Rs.4 lakhs at Rs. 10 per quintal),

(ii) quotation enquiries were made without wide publicity,

(iii) it was doubtful if party 'A' of Gorakhpur participated in the auction,

(iv) party 'A' never mentioned that it was unable to lift the molasses due to truck operators' strike,

(v) the auction proceedings were arranged to show that the market price was lower than the administrative charges of the Excise Department, and

(vi) the deteriorated molasses of 1973-74 and 1974-75 were not drained out in nearby fields but were actually taken out of the factory in trucks.

The Managing Director directed (May 1976) the Financial Adviser and Chief Accounts Officer to conduct another spot enquiry. Neither the report of any further enquiry nor the action taken on the earlier report was available on record.

III Kichha factory

In October 1975, the Excise Department accorded permission to the factory for removal of 24872 quintals of water-diluted molasses from the produce of 1974-75 by 15th November 1975. The General Manager reported that none was interested in lifting the molasses and sought permission of the Excise Department to drain out 29295 quintals of molasses (excluding about 4000 quintals recorded in October 1975 as lost by seepage). After arranging departmental draining out of 18300 quintals from two tanks, the General Manager entrusted (22nd January 1976) the draining out of the remaining quantity to a molasses dealer of Bareilly for Rs.2000 as cleaning charges. The work was to be completed by 31st January 1976. On that day, the Excise Inspector pointed out that the contractor had left the work unfinished and asked the General Manager to deploy extra pumps and factory staff to finish the work by that night. As the contractor failed to finish the work his security money (Rs.3,000) was forfeited and he was not paid the cleaning charges except Rs.800 paid subsequently.

The quantity of molasses removed departmentally and by the contractor from the remaining stock of 10995 quintals was not recorded in the books of the factory. Some of the gate passes available in the factory records, however, showed that the contractor had taken out 4031 quintals of molasses in 47 tanker loads. The Management stated (August 1976) that the contractor drained out a part of the molasses in the factory compound and that the rest was thrown outside the factory. The quantities thrown by the contractor inside and outside the factory were not, however, indicated.

In January 1976, loss of 10539 quinals of molasses from the produce of 1973-74 (6539 quintals) and 1974-75 (4000 quintals) by seepage was written off by the Board of Directors of the Subsidiary. Further, the Board was informed that 29300 quintals of molasses from 1974-75 produce spoilt in rain and mud were being drained out. Thus, there was loss of 39839 quintals of molasses. The loss has not been investigated. The Management stated (April 1977) that the maximum estimated value of 39839 quintals would be Rs.0.24 lakh as the molasses contained water and mud and that there was no ground for ordering further investigation.

IV Bara Banki factory

In December 1973, the Excise Department permitted the General Manager of the factory to remove residual molasses (5000 quintals) from the factory premises. The molasses were auctiond on 4th January 1974 for Rs.0.26 lakh. However, before the molasses were removed, an analysis of the auctioned molasses carried out by the Excise Department in January 1974 revealed that the sugar content in one lot of the molasses was about 40.98 *per cent* and as such the material was fit for use in distilleries. The Excise Department, thereafter, instructed (January 1974) the General Manager not to sell the molasses as their sale might result in misuse by making potable liquor. The material was, however, not allotted by the Excise Department to any distillery. In June 1975, the Excise Department again permitted the factory to remove the molasses from its premises. The Company, however, reported (September 1975) to the Excise Department that there had been seepage of the molasses since January 1974 and that the quality had also deteriorated with passage of time, and as such requested permission for its sale as deteriorated molasses. Further developments regarding the disposal of molasses are awaited (April 1977).

(h) Purchase of firewood

Mention was made in paragraph 37 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) regarding purchase of firewood by some factories of the Company. Some more instances of want of estimates of requirements, piecemeal purchases resulting in extra expenditure, unauthorised benefit to contractors, absence of detailed specifications of firewood purchased and purchases in excess of the powers delegated (up to Rs.1.00 lakh in each season) to the General Managers of the factories, are indicated below:

I Mohiuddinpur factory

(i) During the 1972-73 cane crushing season, the General Manager of the factory purchased 60191 quintals of fresh cut *sal* firewoods at a total cost of Rs.7.73 lakhs, against the initial estimated requirement of 20000 quintals. While 19800 quintals of fresh cut *sal* firewood were purchased against two orders issued in October 1972 at Rs.11.40 per quintal (value: Rs.2.26 lakhs), 40391 quintals were purchased between March and May 1973 by the General Manager against 23 purchase orders at different rates (average: Rs.13.50 per quintal) after negotiations. Compared to the price paid for the earlier supplies, purchases at higher rates between March and May 1973 resulted in an aggregate extra expenditure of Rs.0.81 lakh.

(ii) It was estimated that 45000 quintals of firewood would be required for the 1973-74 cane crushing season. The Company placed orders in September 1973 for 20000 quintals of dry firewood (8 months old cut – 75 *per cent sal* and 25 *per cent kukath*) and 10000 quintals semi-dry firewood (4 months old cut – 75 *per cent sal* and 25 *per cent kukath*) with firms 'C' and 'D' of Meerut at Rs.14.90 per quintal for dry firewood and Rs.13.75 per quintal for semi-dry firewood. The factory received 19256 quintals of dry firewood (value : Rs.2.87 lakhs) and 5994 quintals of semi-dry firewood between September 1973 and February 1974. Though the price for semi-dry firewood stipulated in the orders was firm, the Company allowed increase of Rs.4.25 per quintal in February 1974 to firm 'D', resulting in an extra expenditure of Rs.0.25 lakh. The Company stated (April 1977) that the increase was allowed due to sudden rise in prices.

The following purchases were also made during the crushing season on the basis of limited tenders :–

In January 1974, orders were placed for 20824 quintals of semi-dry *sal* firewood at Rs.20 per quintal (value : Rs.4.16 lakhs).

Piecemeal purchases of 21432 quintals of firewood (quality not specified) were made at rates ranging from Rs.20.50 to Rs.25.70 per quintal (value : Rs.5.19 lakhs) during the period from December 1973 to January 1974 either on limited quotation basis or directly from the market without inviting quotations.

(iii) During the 1975-76 cane crushing season the factory purchased 23013 quintals of firewood comprising–

11916 quintals of unspecified variety at Rs.18.15 per quintal (value : Rs.1.13 lakhs),

5568 quintals of *sal* firewood at Rs.21 per quintal (value : Rs.1.17 lakhs), and

5529 quintals of dry *sal* firewood at Rs.20.50 per quintal (value Rs.1.13 lakhs).

The Chief Accountant of the factory pointed out to the General Manager (October 1975) that the market price for firewood, at which the neighbouring factories were making purchases in that season, ranged from Rs. 14.40 to Rs. 16.75 per quintal.

The Management stated (April 1977) that the firewood market was fluctuating and depended on the demand and supply position at any point of time.

II Sakhoti-Tanda factory

After invitation of tenders, the Company placed an order with a firm of Meerut in August 1973 for supply of 20000 quintals of semi-dry firewood at Rs. 13.48 per quintal. The Company also placed two other orders in September 1973 for 15000 quintals of semi-dry firewood at Rs. 13.48 per quintal. 24945 quintals of semi-dry firewood (value : Rs. 10.57 lakhs) were received by the factory from the three firms. The Company, however, paid for the supplies at the rate of Rs. 18 per quintal thereby giving financial benefit totalling Rs. 1.13 lakhs to the three firms. Specifications of the supply at the enhanced rate were also changed to semi-dry *sal, kukath, babool* or *sheesham* with over-size/under-size up to 25 *per cent*.

The Management stated (April 1977) that as no supply against the rate of Rs. 13.48 per quintal was made by the suppliers on account of sudden rise in prices, increase in rate was allowed.

Between January and April 1974, the General Manager also purchased against 13 orders issued piecemeal, 82855 quintals of fire-wood of unspecified quality at rates ranging from Rs. 20.90 to Rs. 25.72 per quintal (value : Rs. 19.38 lakhs).

The factory did not estimate its requirements of firewood for 1975-76 cane crushing season. Orders were placed for supply of 15000 quintals of dry *sal* firewood with four firms at Rs.19 per quaintal, against which supplies totalling 15507 quintals were received.

In January 1976, the Company's Purchase Manager informed the General Manager that the Uttar Pradesh State Forest Corporation was selling semi-dry firewood at Rs. 11 per quintal ex-Pilibhit and that purchases in Doiwala (Dehradun) and Bulandshahr sugar factories had been made at the rate of Rs. 12.00 to Rs. 12.50 and Rs. 13 to Rs. 15 per quintal respectively. He also pointed that dry firewood was not available in the market. Nevertheless, the General Manager placed (January/February 1976) 22 orders with other suppliers for supply of 11800 quintals of dry *sal* firewood at Rs.22.35 per quintal. 25300 quintals of mixed *kukath* and *sal* at Rs.21.05 per quintal and 3500 quintals of semi-dry *kukath* and *sal* at Rs.15.91 per quintal. The Management stated (April 1977) that purchase of firewood from Uttar Pradesh Forest Corporation could not be made because the Corporation (i) supplied fresh cut wood, (ii) was not prepared to arrange transportation, and (iii) wanted payment against delivery.

III Bara Banki factory

Between October and December 1975, the General Manager placed four orders on the basis of the quotations, with a contractor of Bahramghat for 9000 quintals of dry *babool* firewood at Rs.16.50 per quintal (value : Rs.1.49 lakhs). The contractor supplied fresh cut wet firewood but the supplies were accepted by the factory without any deduction in the price paid, for which no reasons were recorded by the factory management. The Management stated (April 1977) that penalty had been imposed as per terms of contract for supply of wet and over-sized firewood (amount not specified).

IV Kichha factory

The factory purchased 9977 quintals of unspecified variety of firewood at Rs.9.90 per quintal (value : Rs.0.99 lakh) between September and December 1973. On the basis of an order placed in December 1973, the factory also purchased 7126 quintals of unspecified variety of firewood at Rs.21.50 per quintal (value : Rs.1.53 lakhs). Compared to the rate of Rs.9.90 per quintal paid for the earlier supplies, the purchase of 7126 quintals of firewood at higher rate resulted in extra expenditure of Rs.0.83 lakh. The Management stated (April 1977) that owing to uncertainty about the commissioning of the plant piecemeal purchases were resorted to and that when mid-season purchases were made, prices of firewood in the market had gone up.

(i) *Purchase of bagasse*

Though a tender enquiry sent on 22nd August 1974 for advertisement in newspapers, offers were invited by 6th September 1974 for purchase of 6000 tonnes of bagasse for the Mohiuddinpur and Sakhoti-Tanda factories. Tenders were received from three firm ('A' and 'B' of Bareilly and 'C' of Kanpur). No formal decision was taken on these tenders but in reply to the Company's telegram dated 6th December 1974 firm 'A', whose rates were the lowest, stated (13th December 1974) that it had already reserved its bagasse stock for despatch to the two factories.

On 23rd December 1974, the Kichha factory executed an agreement with firm 'D' (an associate firm of 'A') for sale of surplus bagasse at Rs.50 per 100 bales (Rs.15 per tonne) on the conditions, *inter alia,* that the firm would use the factory's baling machine free of charge and that the factory would arrange rail wagons at the request of the firm for transport of bagasse. If baled bagasse was retained by the factory for its own use, the firm would be paid Rs.40 per 100 bales (Rs.12 per tonne) towards baling and stacking charges.

Under this agreement, firm 'D' baled 200467 bales (6682 tonnes) bagasse, out of which 145916 bales (4864 tonnes) were sold to the firm up to February 1975 for Rs.0.73 lakh. Incidentally the factory purchased bagasse from firm 'A' between January and December 1974 at Rs.70 per tonne excluding transportation and handling charges. The remaining 54551 bales (1818 tonnes) were retained by the factory, out of which 41186 bales (1373 tonnes) valuing Rs.0.21 lakh were consumed in the factory and 13365 bales (445 tonnes) valuing Rs.0.07 lakh were reported to have been burnt in a fire in May 1975.

While the tenders for purchase of bagasse for Mohiuddinpur and Sakhoti—Tanda factories were pending with the Company from September 1974, its Engineering Adviser estimated (14th February 1975) that the supply of the Kichha factory bagasse to the Company's Mohiuddinpur and Sakhoti-Tanda factories would cost Rs.86 per tonne if transported by road and Rs.56 if transported by rail including cost of bagasse. However, considering that the transport arrangement was doubtful, the Company decided to press firm 'A' to reduce its rates. The firm agreed (23rd February 1975) to reduce the rates from Rs.127 and Rs.131 quoted in September 1974 to Rs.117 and Rs.121 for Mohiuddinpur and Sakhoti-Tanda factories respectively and also offered to supply bagasse to Rohan-Kalan factory at Rs.125 per tonne *f. o. r.* factory siding. Accordingly, an order dated 4th March 1975 was placed with firm 'A' for supply of 4000 tonnes of bagasse (value: Rs.4.86 lakhs) to the three factories at the reduced rates. The supply was to be completed in a month from 10th March 1975 and the weight of the bagasse per tonne was to be determined at the time of baling in the presence of the representatives of the consignee factories on the basis of the average weight of a representative number of bales. The moisture content at the time of baling was not to exceed 40 *per cent.*

Firm 'A' started supplies on 9th March 1975 from Kichha factory. In its bills the firm charged Rs.3.77 lakhs for 3069 tonnes of bagasse supplied to the three factories. The weight of the supplies recorded at the weigh-bridges of the factories was, however, 2215 tonnes. Thus, the firm made excess charge for 854 tonnes (value: Rs.1.03 lakhs). Rs.1.33 lakhs were paid to the firm at the time of delivery in the factories. The balance amount had not been paid (August 1976) for various reasons, including presence of excess moisture in bagasse and excess weight charged by the firm. Mohiuddinpur factory reported (March 1975) to the Company that the bagasse supplied by the firm was "very much wet" due to which there was difficulty in maintaining boiler pressure. Rohan-Kalan factory also reported (March 1975) that the quality of bagasse supplied was not up to the mark, owing to which fuel consumption in the factory had increased.

According to the estimate of the Engineering Adviser of the Company (February 1975), the cost of supply of 3069 tonnes of bagasse from the Kichha factory would have been Rs.2.64 lakhs if transported by road and Rs.1.72 lakhs if transported by rail as against Rs.3.77 lakhs claimed by the contractor.

(j) *Transportation of sugarcane*

The prices of sugarcane delivered at factory gates and at out-centres were fixed from time to time under notification issued by the Government of India. The Management stated (April 1977) that the prices fixed were low and that the cane growers did not find these prices to be remunerative. It was added that in the circumstances, agreements had to be made year after year between the growers of cane, the producers of sugar and Government for payment of cane prices and payments were made accordingly.

For the sugarcane delivered at the out-centres and transported by the factory, deduction up to a ceiling of 32 paise per quintal (difference between the rates fixed for delivery at out-centres and at the factory gate) from cane price was made. From 22nd December 1971, the margin for transportation charges was raised to 50 paise per quintal up to 6th December 1974, to 75 paise per quintal thereafter up to 8th December 1975 and to Re.1 per quintal from 9th December 1975 onwards. The Khadda factory arranged transportation of cane from out-centres at these rates. The position in respect of other factories was as under :

I Bara Banki factory

The expenditure incurred on transportation of cane from out-centres to the factory was more than the deduction made from the cane price as indicated in the table below:—

Particulars	1971-72	1972-73	1973-74	1974-7	1975-76
Cane transported (in lakh quintals)	1.85	4.04	4.63	5.41	3.84
Transport charges (in lakhs of Rupees).. ..	1.20	3.16	4.08	6.53	4.67
Amount deducted from cane price (in lakhs of Rupees)	0.92	2.02	2.31	4.00	3.84
Excess of expenditure over deduction (in lakhs of Rupees)	0.28	1,14	1.77	2,53	0,83

The Management stated (April 1977) that there was keen competition from *khandsari* units and that any reduction in price (by more deduction for transportation charges) would have diverted supply of cane to those units.

II Bhatni factory

During 1971- 72 to 1975-76, the factory arranged transportation of 7.73 lakh quintals of cane by rail from distant centres in Deoria, Azamgarh and Ballia districts and of 3.69 lakh quintals of cane through contractors by road. The total transportation charges amounted to Rs.25.19 lakhs as against Rs.6.49 lakhs deducted from the cane price. The excess expenditure over the deductions thus amounted to Rs.18.70 lakhs.

III Pipraich factory

In 1975-76, the transit loss of 2830 quintals out of 1.80 lakh quintals of cane transported by contractors from different out-centres was higher (1.24 to 1.98 *per cent*) than the norm of 0.5 *per cent* fixed by the Company, except in one centre where the transit loss was 0.01 *per cent*. After the cane crushing season was over, the General Manager decided (May 1976) to allow transit losses up to 1.29 *per cent* on the ground that the weigh-bridges at the out-centres were faulty. The contractors were, thus, given benefit for the extra loss of 1934 quintals of cane valuing Rs.0.27 lakh.

IV Mohiuddinpur factory

Deductions from cane price for transportation charges were made by the factory at 32 paise per quintal up to 1972-73 against permissible deduction of 50 paise per quintal, resulting in short-recovery of Rs.2.08 lakhs during 1971-72 and 1972-73. The deductions from the cane price were not sufficient to cover the transportation charges except in 1975-76 as shown below :—

Particulars	1971-72	1972-73	1973-74	1974-75
Cane transported (in lakh quintals)	3.86	7.72	4.87	5.61
Transport charges (in lakhs of Rupees) ..	2.69	6.08	4.18	5.78
Amount deducted from cane price (in lakhs of Rupees)	1.13	2.31	2.80	4.20
Short recovery (in lakhs of Rupees)	1.56	3.77	1.38	1.58

It was noticed in the course of audit that, on the basis of two quotations, transportation work for 1971-72 was entrusted to a contractor of Meerut at the rates in force in 1970-71. The contractor asked (December 1971) for 12½ *per cent* increase in the rates on the ground of shortage of trucks. The request of the contractor was accepted from 15th January 1972. This resulted in extra expenditure of Rs.0.10 lakh. The Management stated (April 1977) that with diversion of trucks for defence purposes transport rates had to be increased.

On the basis of quotations, the transportation work for 1973-74 was given to three contractors of Meerut (including two of the previous year). During February to May 1974, the contractors demanded 25 *per cent* increase in their contracted rates to cover the rise in the price of oil and spare parts. One of them was allowed increase of five *per cent* and the other two of six *per cent* (extra payment : Rs.0.30 lakh). The contract for 1974-75 was entrusted, on quotation basis, to four contractors, including two of the previous years. The rates settled on quotation basis in 1975-76 were lower than those of 1974-75 by 16 to 18 *per cent.* Between January and April 1976, the contractors were, however, allowed 10 per cent increase in rates over those in 1975-76 due to increase in the price of high speed diesel oil.

During 1971-72 to 1975-76, the transit losses of cane ranged between 1.60 and 3.44 *per cent* of total cane transported, which accounted for loss of 60498 quintals of cane (value : Rs.7.80 lakhs). No penalty was, however, imposed on the contractors. In the neighbouring Sakhoti–Tanda factory, the transit losses were reduced from 0.58 *per cent* in 1971-72 to 0.28 *per cent* in 1974-75 and 0.32 per cent in 1975-76.

The Company stated (April 1977) that recovery for transit losses was not possible due to absence of any such clause in the agreement.

V Sakhoti–Tanda factory

In 1971-72 and 1972-73, deductions from the cane price for transportation charges were made at 32 paise per quintal as against the permissible limit of 50 paise. This resulted in short-recovery of Rs.0.58 lakh. Thereafter, deductions were made at the rates provided in the cane price but the actual expenses could not be fully absorbed. The excess expenditure over the deductions during 1972-73 to 1975-76 amounted to Rs.4.14 lakhs.

The basis on which transportation work was entrusted to the contractors in 1971-72 to 1973-74 was not available in the factory records. In 1974-75, increase of 10 *per cent* on the quoted rates was accepted by the factory during negotiations with the contractors. For transportation of cane in 1975-76, six quotations were received in response to a limited enquiry. Negotiations were, however, held with four firms 'A', 'B', 'C' and 'D', though the first two had not quoted. The work was awarded to them at the "last year's rates" less 5 *per cent* on the condition that in case the rates of Mohiuddinpur factory were reduced by more than 5 *per cent* over the previous year's rates, the contractors would accept reduction in the rates to that extent.

On receipt of a complaint regarding irregularities in the award of the work, the matter was investigated by the Cost Adviser of the Company. In his report (January 1976), he stated that (i) no press publicity was given for the work costing about Rs.4 lakhs, though required under the rules, (ii) performance of contractors 'A' and 'B' in 1974-75 was not satisfactory and yet they were given the contract for that year though they had not quoted in response to tenders for 1975-76, (iii) the contractors were given Rs.1,200 per month in respect of eight out-centres as *jamadari* whereas no such payments had been made in any other factory, and (iv) the rates of the neighbouring factories were not kept in view while awarding the contracts.

In this connection it may be mentioned that in Mohiuddinpur factory, the rates for transportation in 1975-76 were lower than the rates of Sakhoti–Tanda factory for 1974-75 by 16 to 18 *per cent* inspite of longer hauls involved.

The Management stated (April 1977) that *jamadari* was paid as per the practice in the factory and that the transportation rates of the neighbouring factories as well as the distance of the centres from the factory were not material for transportation rates, which depended upon many factors like road condition, the quantity of daily purchases at the centre, etc. The Management also stated that wide publicity was not given so as to avoid expenditure on publicity.

VI Kichha Sugar Company Limited

In response to a tender enquiry of December 1973 for transportation of cane during 1973-74, three quotations were received ; none of these was for all the out-centres. Another enquiry was, therefore, floated in January 1974, in response to which there were four quotations, all of which were received in unsealed covers from four parties (including the three parties who had quoted earlier). The rates were higher in respect of certain centres. However, during negotiations, the tenderers reduced the rates. When the four parties were asked to complete the contract formalities and start the work (March 1974) they did not respond. One of them refused to work at the rates quoted on the ground of rise in price of fuel and oil. The Cane Manager of the factory had negotiations with them and recommended an increase of 35 paise per km for a truck load of 100 quintals on the ground of increase in the prices of diesel and mobil oils. The rates were actually increased by the General Manager by 70 paise per km for a truck load of 100 quintals. Increase of rates by 70 paise instead of 35 paise per km resulted in extra expenditure of Rs.0.54 lakh. Reasons for this increase were not on record.

The contracted rates for transportation during 1974-75 were firm. However, in March 1975, the rates were increased by seven *per cent* with retrospective effect from the commencement of the work on the ground of increase in the price of mobil oil, road tax and goods tax. This resulted in additional payment of Rs.1.42 lakhs to the contractors.

The review on the working of the Company was sent to Government in December 1976 ; reply is awaited (April 1977).

SECTION III

UTTAR PRADESH SMALL INDUSTRIES CORPORATION LIMITED

Introduction

3.01. The working of the Company was reviewed in paragraph 73 of the Report of the Comptroller and Auditor General of India for the year 1972-73.

Import of raw materials, machinery, etc.

3.02. The Company provides assistance to small scale industrial units in procuring imported raw materials, machinery, *etc.* either against actual users' licences or against release orders issued by the Government of Inida on canalising agencies. Under the scheme, a user unit, on receipt of an import licence or a release order, enters into an agreement with the Company which arranges import of the materials. The unit is required initially to deposit 5 *per cent* of the value of materials as security with the Company. Later, the materials are to be lifted in three instalments after paying their cost alongwith a service charge of 1 *per cent* to the Company.

(i) The Company imported 60 tonnes of acrylic sheet scrap valued at Rs. 6.58 lakhs (inclusive of service charges) on behalf of a firm of Ghaziabad during 1972-73 and 1973-74. The firm lifted 14 tonnes of the material valued at Rs. 1.10 lakhs up to September 1975 from the Company's depot at Ghaziabad. On receipt of complaints (December 1975) that some material had been issued from the depot to the firm unauthorisedly, investigations were made by the Company during which 27 tonnes of the material (value : Rs.3.10 lakhs) were found short. The management at head office suspected that the material had been removed 'fraudulently' by the depot staff in collusion with the user firm and lodged a complaint with the Police in February 1976. The Company also terminated the services of the Depot Manager and the Storekeeper in January 1976. The remaining material (19 tonnes valued Rs.2.38 lakhs) was lying in stock (December 1976).

The Management stated (December 1976) that the matter was being investigated by the Criminal Investigation Department. Further developments are awaited (April 1977).

(ii) The Company imported (December 1974) four machines valued at Rs.4.65 lakhs from West Germany on behalf of a firm of Meerut, which had deposited Rs. 0.14 lakh with the Company in January 1974. The clearing agents of the Company despatched (August 1975) the machines from Bombay by road to the Company's depot at Meerut. The Meerut firm, taking advantage of the fact that its name was also mentioned in the goods receipt note issued by the road transport agency, obtained delivery of the machines on 20th August 1975 at Meerut from the transport agency without payment of the amount due to the company of Rs.5.41 lakhs (including service and interest charges). The firm paid Rs.3 lakhs to the Company in November 1975. The Collector, Bulandshahr (where the firm had meanwhile shifted) was requested (March 1976) by the Company to recover the balance as arrears of land revenue. The Company lodged a complaint against the firm, the clearing agents and the transport agency with the Police in August 1976. Report about further progress is awaited (April 1977).

(iii) Tools and materials valued at Rs.4.33 lakhs imported by the Company on behalf of 11 firms during the period from 1973-74 to 1975-76 had not been lifted by them and were lying in stock in the depots of the Company. Interest charges of Rs.1.02 lakhs and godown rent of Rs.0.08 lakh had become due to be recovered from these firms for storage of the materials up to October 1976.

The Management stated (November 1976) that on the basis of the recommendations of the Director of Industries, the Chief Controller of Imports and Exports had permitted reallocation of materials to other actual users. Tools and materials valuing Rs.1.94 lakhs had been lifted up to May 1977. Further developments regarding the disposal of the remaining materials are awaited (May 1977).

Electroplating plant at Kanpur

3.03. In June 1969, Government had transferred to the Company an electroplating plant (originally purchased by the Director of Industries in 1962) for providing electroplating facilities to the small scale units located in the Industrial Estate in Kanpur for Rs.2.03 lakhs. As the working of the plant resulted in losses during 1969-70, 1970-71 and 1971-72 (accumulated loss during these three years being Rs.1.27 lakhs), a committee was appointed (November 1973) by the Board of Directors of the Company to examine its working along with that of all other commercial units of the Company. The Committee observed, *inter alia*, that it was not feasible to run the plant on economic basis because of over-capitalisation and lack of orders. The committee attributed the losses incurred by the plant to lack of regular maintenance, use of defective raw materials and inability of the plant Manager to run the plant properly. The committee recommended its sale. The report of the commitee was considered by the Board of Directors in July 1974, when it decided to work the plant for some time more in view of the marginal loss likely during 1973-74 (the loss during 1972-73 was Rs.0.22 lakh). The plant incurred losses of Rs.0.93 lakh and Rs.1.03 lakhs during 1973-74 and 1974-75 respectively. Working of the plant was again reviewed by the Board of Directors in December 1975 when it was decided to sell it. The plant was sold in July 1976 for Rs.0.73 lakh and the services of the Manager were terminated.

Government stated (February 1977) that the plant was sold considering its uneconomic working particularly in view of lack of orders and inadequate managerial effort in running the plant.

Damaged material

3.04. In February 1971, the Director of Industries decided to procure certain dyes and chemicals used in the handloom industry for issue to weavers. The materials were to be imported by the Company and were to be issued against allocations to be made by the Director of Industries. The Company imported 7.585 tonnes of a chemical—formusal rangulite—at a cost of Rs.0.56 lakh in August 1971. Of this, 951 kg of the chemical were sold to handloom weavers, leaving a balance of 6.634 tonnes in stock. The Company was permitted in February 1974 by the Directorate of Handlooms of the State Government to dispose of the chemical by free sale. In the meantime, the chemical had deteriorated due to prolonged storage. It was sold in March 1976 for Rs.0.08 lakh, resulting in a loss of Rs.0.41 lakh.

SECTION IV

OTHER GOVERNMENT COMPANIES

UTTAR PRADESH STATE BRIDGE CORPORATION LIMITED

4.01. The Uttar Pradesh State Bridge Corporation Limited, a Government Company with an authorised share capital of Rs.16 crores (paid-up capital as on 30th September 1974 : Rs.50 lakhs) was incorporated on 18th October 1972 with the following main objects—

(*a*) to construct, manage, control or maintain in Uttar Pradesh all types of bridges and other structures including roads to bridges ;

(*b*) to levy and collect toll on passengers and goods for the use of the bridges; and

(*c*) to purchase, take on lease or otherwise acquire by transfer any bridge owned by the State Government for the purpose of maintenance.

Delay in preparation of annual accounts

4.02. The accounts of the Company for the year ended 30th September 1975 are in arrears (April 1977). The accounts for the previous years were finalised after the expiry of the time limit prescribed in the Companies Act, as per the details given below :—

Year ending 30th September	Prescribed latest date for finalisation of accounts	Month in which accounts finalised
1973	31st March 1974	June 1975
1974	31st March 1975	September 1976

The Management attributed (December 1976) the delay in the preparation of accounts to lack of adequate staff trained in commercial accounts. The Company has not appointed a separate Financial Adviser and Chief Accounts Officer. The Secretary of the Company, who also works as the Financial Adviser, is assisted in the discharge of the accounting functions by an Accounts Officer. Financial powers and functions have also not been suitably delegated. The Company has not compiled any accounting manual nor has it prescribed any financial procedures. As between the different units of the Company, no uniform principles of accounting have been followed.

Non-maintenance of proper initial accounts

4.03. During a test check of the records of the Company in October 1976, it was noticed that the accounting records maintained by the various units were generally incomplete and the transactions recorded therein were not duly supported with vouchers. Some of the other important deficiencies noticed were as follows :—

(i) Property and plant registers were not maintained ;

(ii) register of works was not being maintained showing the up-to-date expenditure incurred on individual works taken up by the Company;

(iii) in regard to government works undertaken, there was no systematic correlation of the expenditure incurred against release of funds by Government for each work;

(iv) proper accounts of materials-at-site (estimated value on 30th September 1974 : Rs.13.05 lakhs) were not maintained nor any reconciliation with head office records attempted;

(v) a balance of Rs.47.49 lakhs was shown outstanding as on 30th September 1974 on account of inter-divisional transactions; no attempt had been made to clear this balance by linking the transactions between different units of the Company;

(vi) verification of materials and their accountal were being made not immediately on receipt but only at the time of payment and at times after the materials had been consumed; and

(vii) tools and plants and heavy earthmoving equipment valued over Rs.4 crores were taken over by the Company on its formation from the State Government. No agreement embodying the terms and conditions of transfer of these plants and equipment was executed. Value of these assets had also not been determined (November 1976). In May 1975, a Committee was appointed by Government to evaluate these assets. Recommendations of the Committee were awaited (May 1977). While the Company has been using these assets on the execution of its works, no provision has been made for hire charges payable to Government or for depreciation.

UTTAR PRADESH STATE TEXTILE CORPORATION LIMITED

'ntroduction

4.04. The Uttar Pradesh State Textile Corporation Limited was incorporated on 22nd December 1969 with the main object of carrying on the business of textile mills and of managing any such business entrusted to it by the Central Government or by the State Government. Against the authorised capital of Rs.20.00 crores, its paid-up capital (including share deposit) on 31st March 1976 was Rs.15.46 crores, wholly subscribed by the State Government.

Loss

4.05. According to the procedure prescribed (February 1972) by the Company for the sale of staple fibre yarn from its depots, the Depot Managers are to effect delivery of yarn to a customer after verification of the deposit of its value in the Company's bank account. However, the Depot Manager, Gorakhpur, delivered (27th August 1974) 15 bales of staple fibre yarn valued at Rs.0.28 lakh to a customer on the basis of a pay-in-slip showing deposit of the amount in the bank, without verifying its actual deposit. The pay-in-slip was later (in the course of internal check of depot accounts in April 1975) found to have been forged. The matter was reported (May 1975) to the Police for investigation. Results of police investigation are awaited (March 1977). In August 1975, the services of the Depot Manager were terminated after a departmental enquiry.

ALMORA MAGNESITE LIMITED

Introduction

4.06. The Company was incorporated on 27th August 1971 as a subsidiary of Uttar Pardesh State Industrial Development Corporation Limited, with the main object of undertaking mining of magnesite in the Almora region of the State and elsewhere. Its paid-up capital on 31st October 1975 was Rs.1.00 crore out of which 51 *per cent* were contributed by the Holding Company.

Purchase of blowers

4.07. Three sets of SP-50 blowers of 28" wire guage were purchased by the Company in March 1973 from a Calcutta firm at a total cost of Rs.0.67 lakh. The blowers were to form part of the oil burning arrangement of the shaft kilns installed by the Company. On the firing of the first kiln in April 1974, the blower installed therein was found technically unsuitable. As the performance of the shaft kiln with these blowers was not satisfactory, the blowers were replaced (August 1974) by compressors. The blowers were declared surplus in August 1974. These have been lying idle with the Company.

Government stated (January 1977) that efforts were being made to dispose of the blowers. Further developments are awaited (April 1977).

CHAPTER II

STATUTORY CORPORATIONS

SECTION V

Introduction

5.01 There were four Statutory Corporations in the State as on 31st March 1976, *viz.* Uttar Pradesh State Electricity Board, Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Financial Corporation.

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

The Uttar Pradesh State Electricity Board was established on 1st April 1959 under section 5 of the Electricity (Supply) Act, 1948. The Board incurred a loss of Rs. 1282.70 lakhs during the year 1975-76 as against the loss of Rs. 924.13 lakhs in the previous year.

(i) *Loan capital*

The aggregate of long-term loans, including loans from Government, bonds, debentures and deposits obtained by the Board, was Rs.1300.76* crores at the end of 1975-76 and represented an increase of Rs. 173.41 crores over the total long-term loans of Rs. 1127.35 crores at the end of the previous year.

(ii) *Guarantees*

The guarantees given by Government on behalf of the Board for repayment of loans and payment of interest thereon to the end of 1975-76 amounted to Rs.200.73* crores against which Rs.139.29* crores were outstanding as on 31st March 1976.

Source	Maximum amount of guarantee given by Government	Amount guaranteed and outstanding on 31st March 1976
		(In crores of Rupees)
Public issue of bonds ..	54.87	54.87
Financial institutions (including banks) ..	145. 86	84.42
Total ...	200.73	139.29

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

*Figures as per accounts of the Board.

(iii) A synoptic statement showing the summarised financial results of working of the Board for the year 1975-76 is given in Appendix—II.

(b) Other Statutory Corporations

(I) Uttar Pradesh State Road Transport Corporation

The Uttar Pradesh State Road Transport Corporation was established on 1st June 1972. The Corporation has not prepared its accounts for any year in the form of accounts prescribed by Government in November 1976.

Guarantees

Government have guaranteed the repayment of loan and payment of interest on the following loans taken by the Corporation up to 31st March 1976.

Source	Maximum amount of guarantee given by Government	Amount guaranteed and outstanding on 31st March 1976
		(In lakhs of Rupees)
A commercial bank ..	1100.00	1100.00
Industrial Development Bank of India ..	300.00	300.00
State Bank of India ..	100.00	100.00

(II) *Uttar Pradesh State Warehousing Corporation*

Under Section 31 (10) of the Warehousing Corporations Act, 1962, the annual accounts of the Uttar Pradesh State Warehousing Corporation, together with the audit report thereon, are required to be placed before the annual general meeting of the Corporation by the following 30th September. The table below shows that the accounts for the years 1973-74 and 1974-75 were placed before the annual general meeting later than the due date. Accounts for 1975-76 have not so far (March 1977) been finalised. The Corporation earned a net profit of Rs. 6.75 lakhs during 1974-75 as against a net profit of Rs. 7.07 lakhs in the previous year (1973-74).

Year	Date on which the accounts were adopted by the Board	Date on which the accounts were placed before the annual general meeting
1973-74	14th May 1975	28th July 1975
1974-75	2nd June 1976	19th July 1976

(III) Uttar Pradesh Financial Corporation

(i) Capital

During 1975-76, the authorised capital of the Corporation was increased from Rs. 3 crores to Rs. 5 crores. The paid-up capital as on 31st March 1976 was Rs.300 lakhs, representing an increase of Rs.35 lakhs over the capital of Rs.265 lakhs at the end of the previous year.

(ii) Long-term loans

The balance of long-term loans obtained by the Corporation was Rs. 2175.84 lakhs as on 31st March 1976. The break-up of the balance, according to the sources of finance, was as under :—

Source	Amount
	(In lakhs of Rupees)
State Government	63.23
Public issue of bonds	1089.88
Reserve Bank of India and Industrial Development Bank of of India	1022.73
Total ..	2175.84

(iii) Guarantees

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

Brief particulars	Maximum amount guaranteed*	Amount outstanding on 31st March 1976*
	(In lakhs of Rupees)	
Share capital .. .. (Annual dividend at 3½ *per cent* also guaranteed)	265.00	265.00
Bonds (interest thereon also guaranteed)	1197.70	1089.88
Borrowings	265.00	156.50
Underwriting agreements and guarantees ..	..	18.91

(iv) Profits

During 1975-76, the Uttar Pradesh Financial Corporation earned a profit of Rs. 100.83 lakhs representing 33.61 *per cent* of the paid-up capital of Rs. 300 lakhs.

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

*Figures as per the accounts of the Corporation.

SECTION VI

UTTAR PRADESH STATE ELECTRICITY BOARD

Stores procurement, handling and distribution

6.01. On its formation in April 1959, the Board adopted the system followed by Government in regard to procurement, utilisation and accounting of stores. According to the system, the responsibility for procurement, storage, issue and accountal of stores rested with the Divisional Officer, usually designated as the Executive Engineer. With the gradual expansion of its activities and taking up of construction of major thermal and hydel generating units and high voltage transmission lines, the Board considered (1963) that the organisational structure for stores procurement, etc. needed to be substantially modified and that the arrangements for accounting and inventory control had to be rationalised on commercial lines. However, it was only in September 1965 that the Board, for the first time, set up a Central Stores Purchase Committee for providing some degree of cohesive planning in the procurement of stores required for maintenance and operation works. The system was reviewed in 1968 and a comprehensive proposal for restructuring the stores organisation was put up to the Board for approval. In June 1968, the Board decided to set up an Inspection Circle but the other changes proposed were not approved. Later, the position was again reviewed and in October 1972, orders were issued for the setting up of regional/ sub-regional stores as an experimental measure in the Lucknow region. This arrangement provided for three basic changes in the then existing pattern, *viz.*

(*a*) stores would be kept under the control of an independent authority and not with the divisions using them,

(*b*) stores would be issued against specific sanctioned works to be undertaken within the next one month, and

(*c*) payment for purchases would be made by a nominated officer of the Stores Inspection Circle and not by individual divisions.

The above arrangement did not work satisfactorily and was ultimately discontinued in 1974. In December 1972, the Administrative Staff College, Hyderabad was requested by the Board to carry out a broad survey of its accounting system and to suggest measures for improving its effectiveness. In paragraph 16 (2) of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial), mention was made of the report (July 1974) of the

Administrative Staff College, Hyderabad on the stores accounting system of the Board. The Board did not, however, introduce immediately any basic change in regard to the system of inventory management and the public works system of accounting was allowed to continue with some marginal changes. In February 1975, the Board ordered the formation of a separate Inventory Management and Control Organisation in order to reduce the number of stores handling units and to maintain the stores accounts on commercial lines. The divisions of the Board, however, continue to keep large stock of stores even after the transfer of the responsibility therefor to the Organisation.

Accounting manual

6.02. The Board has not prepared any purchase and stores accounting manual (May 1977).

6.03. A brief description of the system followed for assessing the requirement of stores, placing orders for them, their distribution to various units and their accounting along with the working results of the Inventory Management and Control Organisation is given in the succeeding paragraphs.

Purchase of stores

6.04. The stores purchases of the Board fall under the following categories :—

(i) capital stores including plant and equipment, required for setting up thermal and hydroelectric generating stations,

(ii) steel structures, cables, *etc.* required for construction of high voltage transmission lines and transformers and materials for the attached sub-stations,

(iii) materials required for maintenance/distribution and rural electrification divisions and construction of low voltage transmission lines and attached sub-stations, and

(iv) store materials for operation and maintenance of power generating stations.

(*a*) The decision for the procurement of materials, including plant and equipment, for construction of thermal projects, is taken by the head of the project (Chief Engineer or Additional Chief Engineer) with reference to the approved project report and with the concurrence of the consultants for the project. For procurement action in regard to plant and equipment, each project has a thermal design circle with headquarters at Lucknow, except in the case of

Panki Project for which the circle office is located at the project site. It is the responsibility of the design circle to invite tenders, analyse the tenders received, obtain the advice of the consultants and to put up proposals for purchase to the appropriate purchase committee for approval. The circle is also responsible for placing the supply orders and executing formal agreements with the suppliers. The plant and equipment are, however, received directly by the divisions responsible for their erection and commissioning and payments are also made by the divisions concerned.

In regard to hydel projects also, the materials required for electrical and mechanical installations, including plant and equipment, are purchased by the head of the project through the design circle attached to it, the procedure followed being similar to that in force in the case of thermal projects.

(*b*) For high voltage transmission lines and attached sub-stations, the assessment of the requirement of materials as also the action to be taken for procurement thereof is entrusted to the transmission design circle and the sub-station design circle respectively, both located at Lucknow. The procedure for tendering, acceptance of tenders, placement of orders, execution of formal agreements with suppliers, issue of despatch instructions to suppliers and payment for the material received is normally the same as in the case of procurement of materials for thermal projects.

(*c*) Materials required by the maintenance and rural electrification divisions, covering construction of low voltage transmission lines and attached sub-stations, providing service connections to individual consumers and maintenance of these facilities, have been grouped by the Board in three categories, *viz*. 'A', 'B' and 'C'. Category 'A' items include conductors, earthwire, transformers, lightning arrestors, Kwh meters, high tension cables, isolators, fuses, switchgears, insulators and hardwares. Category 'B' items include line material, cable boxes, switchgear and protective gear equipment, cable jointing material, bulbs and fittings, procelain materials, bolts and nuts, paints, test laboratory equipment, weighing machines and tools and plants. Under category 'C' are included cable accessories, light fittings, pipe fittings, nuts, chemicals, oil and lubricants.

The materials falling under categories 'A' and 'B' are procured in bulk by two stores procurement circles located at Lucknow. It is the responsibility of these circles to assess the requirements keeping in view the works programme for the following year, the stock of materials in hand in the various divisions and materials already ordered and in the pipe line. The two circles also determine the design and specification of materials, invite tenders, tabulate the quotations received and obtain approval of the appropriate purchase committee before issuing orders for purchases, execute agreements with the suppliers and give directions for phased despatches to the user divisions. Payments for the materials received are, however, made by the receiving divisions in accordance with the terms and conditions incorporated in the supply orders and the agreements.

Category 'C' materials are purchased by the respective user divisions for which appropriate delegation of powers has been made to the Executive Engineers and the Superintending Engineers.

(*d*) Materials required for maintenance and operation of the power generating stations are purchased by the head of the respective power houses either within the powers delegated to them or after obtaining approval of the appropriate purchase committee.

(*e*) Materials required for civil works are arranged by the relevant formations of the civil works wing of the Board after obtaining approval of the appropriate purchase committee.

Delegation of powers for purchases

6.05. The Board has delegated powers to the Executive Engineers to make purchases of stores within a ceiling of Rs.10,000 per month and up to Rs.50,000 per month with the prior approval of the Superintending Engineer concerned. Purchases up to Rs.5,000 in each case can be made on the basis of limited quotations and for values exceeding Rs.5,000, open tenders are required to be invited. Purchases exceeding Rs.10,000 in value at a time, are required to be approved by the appropriate purchase committee mentioned below :

(i) Purchases exceeding Rs.10,000 but not exceeding Rs.1 lakh in each case are to be approved by a committee consisting of the Superintending Engineer of the circle, the senior-most Executive Engineer available and an Accounts Officer or Assistant Accounts Officer.

(ii) Purchases exceeding Rs. 1 lakh and up to Rs.5 lakhs in each case require approval by a purchase committee consisting of the Deputy Chief Engineer, the senior-most Superintending Engineer and a Senior Accounts Officer.

(iii) For purchases exceeding Rs.5 lakhs and up to Rs.10 lakhs in each case, the committee consists of the Chief Engineer (Hydel), the Chief Engineer of Kanpur Electricity Supply Administration (KESA) and the Chief Accounts Officer.

(iv) Decisions for purchases exceeding Rs.10 lakhs and up to Rs.50 lakhs in each case are taken by a sub-committee of the Board consisting of the Members for Engineering, Administration and finance and the Secretary. This committee, known as the Central Stores Purchase Committee, is also entrusted with the responsibility of making an overall assessment of the requirement of maintenance stores.

(v) Purchases exceeding Rs.50 lakhs in each case are to be made with the approval of the Board.

Inspection of materials

6.06. In August 1968, the Board created a separate Stores Inspection Circle with the object of exercising pre-despatch checks on materials purchased by the Stores Procurement Circle, Lucknow, verifying stores and keeping a proper watch over the stocks in each division. Orders were issued by the Board in August 1971 that the Projects and Divisional Officers should send a list of surplus and unserviceable/obsolete materials to the Inspection Circle for arranging their disposal or utilisation by other divisions where required. Up to September 1973, the Inspection Circle concentrated on physical verification of stores held by different divisions and the responsibility for quality control could not be discharged by it reportedly due to paucity of staff. Pre-despatch inspection of stores was taken up by the Inspection Circle from October 1973 after augmentation of its strength with Executive Engineers and Assistant Engineers. The officers of the Circle inspect materials at the producer's factory before despatch, with the help of available test equipment, on random sample basis. The Circle is empowered, where the reputation of the supplier and the quality control procedure available in its factory so justify, to issue inspection waiver certificates.

In regard to purchases made by agencies other than the stores procurement circles, there is no regular machinery for pre-inspection of the materials. The method and degree of check to be exercised is left to the discretion of the consignees of the stores purchased.

The procedure described above applies generally to all stores purchased by the Board except steel and coal, the procedure for purchase of which is indicated later (paragraphs 6.08 to 6.10).

General deficiencies in procurement of stores

6.07. The Board has not devised any machinery for reviewing periodically the exercise of powers by the Divisional Officers in regard to purchase of stores. Mention was made in paragraph 16 of the report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) regarding general defects in the procurement of stores and accountal thereof. Cases of the type noticed as a result of test check are given below :—

(*a*) *Purchases made in excess of financial powers*

Owing to financial stringency, the financial powers of the Executive Engineers for making purchases were withdrawn by the Board in April 1974 except for emergent requirements, arrangements for which could be made with the approval of the Superintending Engineers concerned. It was, however, noticed that in contravention of these orders, the Executive Engineers of the divisions mentioned below resorted to heavy purchases through purchase orders and/or work orders though purchases of stores through work orders had been prohibited by the Board in January 1973.

Name of divisions	Period	Value of orders placed
		(In lakhs of Rupees)
Electricity Distribution Division, Allahabad ..	April 1974 to March 1975	8.26
Electricity Distribution Division, Gorakhpur ..	April 1974 to March 1975	8.18
	July 1975 to March 1976	4.37
Electricity Distribution Division, Almora ..	April 1974 to March 1975	2.04
Central Payments and Accounts Division, Obra ..	August 1976	0.51
Electricity Distribution Division, Lucknow ..	May 1975 to March 1976	1.61

(*b*) *Extra expenditure due to delay in placement of order*

Tenders for supply, supervision of erection, testing and commissioning of a 415 volt 25.8 MVA rupturing capacity switchgear for two 110 MW units of the Panki Thermal Station, Kanpur were invited in April 1973 by the Panki Thermal Power Station Extension Stage I, Kanpur project. Of the nine tenders received, four were found technically acceptable. The lowest technically acceptable tenderer had quoted Rs.19.38 lakhs, inclusive of Rs.0.85 lakh for testing after erection of the equipment. Tenders were valid for four months, *i.e.* up to 4th October 1973 but the purchase was not finalised within this date. The Board's technical consultants, to whom the tenders were sent (June 1973), submitted their report on 22nd September 1973 recommending the rates in the lowest technically acceptable tender; the report was received by the project authorities on 11th October 1973. The tendering firm was requested (October 1973) by the project authorities to extend the validity period of the tender up to 15th November 1973. While agreeing to do so, the firm asked for an increase of 10 *per cent* (Rs.1,85,284 on the originally quoted firm price of Rs.18,52,840, excluding Rs.85,000 for testing). After negotiation, the tenderer accepted (November 1973) an increase of 5 *per cent* on its originally quoted price, subject to price variation with a ceiling of 5 *per cent*. Formal order was placed on the firm on 7th February 1974.

Non-finalisation of the tenders within the validity period resulted in an extra expenditure of Rs.1.90 lakhs.

The Board stated (March 1977) that (i) the delay of about 40 to 45 days occurred due to late receipt of clarifications sought from different tenderers, (ii) the consultants took 24 days to prepare and furnish their report against 15 days prescribed by the Board and (iii) the matter could not be pursued effectively due to the strike of the workers in the Power Station during September-October 1973.

(c) Purchase at higher rate

Tenders for supply of 250 tonnes of forged steel grinding media balls of 40 mm dia were invited in February 1974 by the Superintending Engineer (Generation), Obra Thermal Project. The two lowest offers received in May 1974 were from firms 'A' and 'B' of Patna which quoted Rs.3,818 and Rs.3,850 per tonne respectively. On the ground that the requirement of balls was of a very regular nature and that discontinuance of supplies for any reason would affect the running of the power stations, orders were placed by the Superintending Engineer with the approval of the Central Stores Purchase Committee on both the firms (for 150 tonnes on firm 'A' and 100 tonnes on firm 'B') in September 1974. Firm 'A' supplied 94 tonnes of 40 mm dia balls during the period from December 1974 to April 1975, 39 tonnes in December 1974 and the balance later.

Meanwhile, fresh tenders for 490 tonnes of forged steel grinding media balls of 40 mm (250 tonnes), 50 mm (60 tonnes) and 60 mm (180 tonnes) dia, were invited by the Superintending Engineer in August 1974. Firm 'A' offered the lowest rate for balls of 40 mm dia and firm 'B' offered the lowest rates for balls of 50 mm and 60 mm dia. As the rates offered by firm 'B' for 50 mm (Rs.4,030 per tonne) and 60 mm (Rs.3,940 per tonne) dia balls were higher than the rates (Rs. 3,580 and Rs. 3,535 per tonne respectively) offered by it against the earlier tender opened in May 1974, the firm was asked whether it would supply balls of 50 mm and 60 mm dia at the rates offered earlier. In reply, the firm agreed to the rate of Rs.3,850 per tonne for balls of both dia and was (October 1974) asked to supply 60 tonnes of 60 mm dia balls and 40 tonnes of 50 mm dia balls at that rate to meet the immediate requirements of the Project.

The lowest rate offered by firm 'A' for 40 mm dia balls (Rs. 4,249 per tonne) was subject to the condition that certain quantities of 60 mm and 50 mm dia balls would be obtained from it. The firm withdrew (October 1974) this condition after the tenders were opened. As the rate quoted by firm 'A' was higher than the rates at which orders for 40 mm dia balls had been placed on the two firms in September 1974, the Superintending Engineer asked all the firms to quote revised rates for 40 mm dia balls by 18th November 1974. The revised rate of firm 'A' (Rs. 3,789 per tonne) was again the lowest, the rate of Rs. 3,985 per tonne offered by firm 'B' for the first 100 tonnes and Rs. 4,075 for the balance 150 tonnes being the second lowest. Though not asked, firm 'A' further quoted (November 1974) revised rates for 50 mm and 60 mm dia balls at Rs.3,720 and Rs.3,650 per tonne respectively. As these rates for balls of 50 mm and 60 mm dia were lower than the rates at which order was placed on firm 'B' (Rs.3,850 per tonne) in October 1974, all the firms were again asked on 19th November 1974 to submit their revised rates for 50 and 60 mm dia balls. The revised offers were received on 3rd December 1974 and firms 'A' and 'B' were again the two lowest. The rates of these two firms for the three sizes of balls were as under :—

Firm	40 mm. (250 tonnes)	50 mm. (60 tonnes)	60 mm. (180 tonnes)
	Rate per tonne in Rupees		
"A"	3,789	3,720	3,577 (for 90 tonnes) 3,650 (for next 90 tonnes)
"B"	3,985	3,850	3,850

The Superintending Engineer recommended (December 1974) to the Central Stores Purchase Committee the placing of orders for the entire supply on firm 'A', *inter alia*, for the following reasons:—

(i) The firm was registered with the National Small Industries Corporation for manufacturing forged steel grinding media balls.

(ii) Earlier, orders for similar materials had been placed on the firm.

(iii) Three sample balls of the firm received against one of its earlier tenders were, on testing in the National Test House, Alipore, found satisfactory in metallic and chemical composition and hardness.

The Central Stores Purchase Committee did not accept (January 1975) the recommendation of the Superintending Engineer on the ground that it would take about six months before the actual performance of the balls that were being received against the earlier order on firm 'A' could be judged. The Committee approved the rates of firm 'B' for the entire quantity on the ground that this firm had supplied balls earlier to the Project and that these had given satisfactory results. Placement (February and March 1975) of orders on firm 'B' resulted in extra expenditure of Rs. 1.03 lakhs (the total value of the order being Rs. 19.20 lakhs).

The Board stated (December 1976) that the balls supplied by firm 'A' had since been used and found satisfactory and that its offers would be given due consideration in future.

(d) Inspection of materials

There is no system for ensuring timely inspection and quality control of the materials purchased. Some cases of receipt of defective materials are given below :

(i) The Stores Procurement Circle placed an order for 40000 PCC poles on a Jaipur firm in January 1973. The poles offered for inspection were required to be tested as per ISS 1678-1960 on increasing transverse load till the poles broke but these were not tested beyond 450 kg transverse load and inspection of 9000 poles was waived. Test check of records showed the receipt of 1652 defective poles valuing Rs. 2.48 lakhs in June 1974 in Rural Electrification Division, Ghazipur.

(ii) Physical verification of stores for the purpose of transferring them to the Stores Organisation, conducted in March 1975, revealed that clamps and brackets (value : Rs.2.37 lakhs) purchased in Electricity Distribution Division, Sitapur about two years earlier were defective and unsuitable for use. These were not put to use in the Division since the date of their purchase. The scrap value of the defective material was assessed at Rs.0.26 lakh. The purchase/receipt of defective material, leading to a loss of Rs. 2.11 lakhs, had not been investigated ; the materials were lying undisposed of (May 1977).

(e) Payment of demurrage and wharfage charges

In September 1965, the Board introduced a system of centralised control over deployment of funds by limiting the drawing powers of the field units to amounts specifically released for earmarked purposes. The Board did not, however, set up any co-ordinating machinery to ensure timely flow of funds to the field units to enable them to meet their commitments in regard to payments for materials ordered directly by them or centrally through the Stores Procurement Circle (s). There were cases of considerable delays in retiring railway receipts and taking delivery of goods resulting in payment of heavy demurrage and wharfage charges.

Demurrage and wharfage charges paid during the years 1973-74, 1974-75 and 1975-76 amounted to Rs. 26.00 lakhs, Rs. 41.70 lakhs and Rs.25.51 lakhs respectively. The reasons for the heavy payment of demurrage and wharfage charges were stated (May 1976) to be (i) non-availability of funds for releasing the purchase documents and (ii) non-availability of cranes for unloading wagons from the Railways. A few illustrative cases are cited below :—

(i) The Extra High Voltage Construction Division, Sultanpur established in July 1974 for erection of transmission lines and sub-stations, paid Rs. 1.53 lakhs as demurrage and wharfage charges on materials and equipment received during July 1974 to November 1975. The demurrage and wharfage charges had to be paid due reportedly, to non-availability of funds to retire the purchase documents (Rs. 1.01 lakhs) and delay in unloading wagons for want of cranes (Rs. 0.52 lakh).

The matter was reported to the Board in February 1976 ; reply is awaited (March 1977).

(ii) The Electricity Transmission Construction Division, Gorakhpur paid Rs. 0.52 lakh as demurrage charges to the Railways during February 1974 to July 1974 allegedly on account of delay in retirement of documents due to late release of funds by the head office of the Board.

The matter was reported to the Board in January 1976 ; reply is awaited (March 1977).

(iii) The Electricity Transmission Construction Division, Sitapur paid demurrage and wharfage charges totalling Rs.1.22 lakhs during 1974-75 to 1976-77 (up to November 1976) on account of delay in the retirement (one to eleven months) of railway receipts due to late release of funds by the head office of the Board.

The Board stated (February 1977) that owing to financial stringency funds for retirement of the documents could not be arranged in time.

Procurement of steel

6.08. In regard to steel, the problem of flow of funds was acute as the primary manufacturers of steel, on whom orders for production of required sections of steel were placed through the Joint Plant Committee (JPC), demanded advance payment before taking up production of the required sections. In September 1970, a Steel Cell was created under the charge of an Executive Engineer (subsequently, of a Superintending Engineer), exclusively for consolidating the requirements of the various circles/divisions, placing indents on producers through JPC and co-ordinating the despatches to the various units of the Board. The Steel Cell issued 105 indents up to June 1973, on which advance (100 *per cent*) payments to producers made through the consignee circles/divisions up to 20th May 1972 and directly by the Steel Cell from 21st May 1972 to 30th June 1973 aggregated Rs.47.09 lakhs and Rs.338.54 lakhs respectively. Delay in lifting of steel from the plants and the stockyards of the producers and failure to make timely payments resulted in suspension of supplies by the two main producers of steel from August 1973. The allocation of about 14000 tonnes of steel made in favour of the Board by the Steel Priority Committee of the Government of India for the quarter October—December 1973, could not also be fully utilised, stated to be mainly on account of the Board's inability to make timely payments. For the subsequent quarter, *viz.* January—March 1974, only 1,000 tonnes were, therefore, allotted by the Iron and Steel Controller to the Board.

In December 1973, a complete reorganisation of the procedure for procurement and distribution of steel, including centralised payments for steel from Lucknow, and creation of a Steel Division were proposed to the Board. The Board, in February 1974, sanctioned the creation of a Steel Division at Lucknow (set up in April 1974) under the Steel Cell with four sub-divisions at Meerut, Bareilly, Kanpur and Varanasi. Responsibility for centralised payments for all indigenous steel materials purchased through JPC or Billet Rolling Committee (B.R.C.) and raising of debits against the consignee circles/divisions was entrusted to the Steel Division. Since the various projects and other units of the Board continued to place direct orders, the arrangement for centralised payment did not have the desired result. In March 1975, it was decided to centralise the responsibility for arranging supply of steel in the Steel Cell. The

Kanpur Electricity Supply Administration (KESA), the Panki Thermal Project through the Additional Chief Engineer, Panki and other field officers were empowered to make purchases in case steel was not available through the Steel Cell. Six officers were authorised in March 1975 for placing indents on JPC under the overall co-ordination of the Superintending Engineer, Steel Cell, *vide* the details given below :—

Name of the Officer	Project
General Manager, Hydel Projects, Dehra Dun	All hydel projects under him
Superintending Engineer, Mechanical Plant Erection Circle, Stage IV, Kasimpur	Harduaganj Thermal Station
Superintending Engineer, Obra Thermal Civil Construction Circle, Obra	Obra Thermal Station including 400 KV Sub-station
Superintending Engineer, Transmission Design Circle, Lucknow	Transmission lines—66 KV and above
Superintending Engineer, Sub-station Design Circle, Lucknow	Sub-stations—66 KV and above
Superintending Engineer, Steel Cell, Lucknow	Rural electrification and maintenance works and civil circles, Moradabad, Lucknow, including secondary transmission lines and sub-stations

6.09. In connection with the procurement of steel, the following points came to notice :—

(*a*) Proper arrangements were not made to watch the actual supply of steel against advance payments made by the various units of the Board including the Steel Division/Cell. As a result, large amounts of advances remained unadjusted for long periods. For example, advance payments for supply of 812 tonnes of steel were made to Hindustan Steel Limited and for 491 tonnes to another producer supplier in 1972-73 but owing to non-availability of the material at the stockyards of the producers the requisite sections of steel could not be obtained. The advance payments (Rs. 24.26 lakhs) made had not been adjusted against other supplies nor refunded to the Board (December 1976). It has been stated (June 1977) by the Board that advance payments have since been adjusted against recent supplies.

(*b*) Steel procured by the Steel Cell and not despatched directly to user divisions is received at five store dumps of the Steel Division located at Allahabad, Kanpur, Bareilly, Ghaziabad and Agra. There is no arrangement for weighment at any of these places and the weight as per the railway receipt is accepted. The Board has no remedy available for despatches of short-weight or for losses in transit. Claims aggregating Rs.8.82 lakhs lodged (1976) against manufacturers/ Railways in respect of short receipt of steel (329.681 tonnes) remained unsettled (March 1977). In none of the store dumps physical verification of stores has been done since inception and the differences between the book value and the ground balance, if any, has not been worked out (March 1977).

(*c*) In a large number of cases, transfer debits issued by the Steel Division/Cell to other units of the Board have not been responded to; the balance outstanding on 31st March 1976 was Rs. 13.22 crores.

(*d*) The Steel Division was holding a total stock of 19650 tonnes (as per the stock records) as on 31st October 1975, out of which 15018 tonnes were earmarked for specified circles. There had been no utilisation against this quantity for about two years except for 2,000 tonnes diverted in November 1975 for utilisation by other units of the Board; steel valuing about Rs. 2.93 crores was thus lying unutilised (December 1976).

It was stated (June 1977) that 9475 tonnes (including 864 tonnes for specified works) were lying (May 1977) in Steel Cell for further use.

(*e*) Besides, in five major projects of the Board, 5882.9 tonnes of steel valuing Rs.117.66 lakhs were declared surplus in May/June 1976, out of which 3348 tonnes valuing Rs.66.96 lakhs were lying unutilised (May 1977), as indicated below :—

Project	Steel declared surplus (In tonnes)	Approximate value (In lakhs of Rupees)
Panki Thermal Project	447	8.94
Sub-station projects (steel procured by Sub-station Design Circle)	102	2.04
Transmission Projects	1041	20.82
Obra Thermal Project	1047	20.94
Harduaganj Thermal Project	711	14.22
Total ..	3348	66.96

Steel sections (1430.392 tonnes valuing Rs. 21.45 lakhs) of transmission projects lying at four stockyards (Bareilly, Allahabad, Kanpur and Ghaziabad) were also declared surplus in December 1976.

(*f*) The bulk of the steel procured by the Steel Cell on behalf of the high voltage construction divisions is supplied direct to fabricators of steel towers for high voltage lines. In the absence of any centralised monitoring arrangement for checking the progress of work against individual contracts (executed through more than one division), the supply of steel to the contractors is not regulated keeping in view the progress of supplies of fabricated towers against the contracted quantities. The only basis for determining the quantity of steel to be supplied is the total quantity required for the fabrication of the contracted number of towers and its sections. A survey report (September 1976) by the Superintending Engineer in respect of steel supplied to one such contractor, against four different contracts, for erection of 400 KV Obra-Sultanpur and Sultanpur-Kanpur lines showed that 14896 tonnes of steel valuing Rs.2.23 crores (approximately) issued during 1972-73 were lying unutilised. It was estimated by the Superintending Engineer that as per the programme of fabrication, the firm would require about four years to utilise this steel for fabrication of the towers.

Procurement of coal

6.10. Procurement of coal is made against allocations made by the Linkage Committee of the Government of India and against rate contracts with Coal India Limited (CIL). The responsibility for obtaining allocations and for executing contracts with CIL vests with a Monitoring Cell set up in the head office of the Board in June 1974 under the charge of a Superintending Engineer. The Cell also distributes the allotted quantity to the various thermal power stations. From most of the despatch points, coal wagons move without weighment and railway receipts are issued for "said to contain" quantities. There is no arrangement for weighment at the receiving ends also and the Board has to bear losses on account of shortfall, if any, in the quantities despatched and also on account of transit losses. Weighbridges purchased for six power houses in 1962 at a cost of Rs.4.11 lakhs were not installed and made use of as these were found unsuitable for handling wagons. As a result, the weighing machines are lying unutilised (March 1977).

Coal is also not weighed at the time of loading on conveyor belts for feeding the boilers. The actual quantity consumed is, therefore, not known. Consumption is notionally arrived at by deducting from the quantity shown to have been received as per weight recorded in the railway receipts, the quantity estimated to be in stock on the basis of visual estimation. There is, therefore, no check to prevent pilferages, unauthorised sales, etc. of coal.

(ii) Test check of the accounts of two units showed that payments were made for quantities recorded in the railway receipts which were in excess of the carrying capacity of the wagons plus the permissible two tonnes. This resulted in over-payment of Rs.1.65 lakhs—Rs.1.49 lakhs in 'B' Thermal Power Station, Kasimpur, Harduaganj during the period November 1975 to January 1976 and Rs.0.16 lakh in KESA during the period October 1975 to April 1976. Claims for recovery of the excess payments preferred with CIL in April 1976 were rejected (August 1976) on the ground that the quantities as recorded in the railway receipts were actually despatched, accounted for by the consignees and consumed in the power houses. No remedial measures have been taken in this regard (March 1977).

(iii) The calorific value of coal (2192.50 tonnes) received at Panki Thermal Power Station, Kanpur on 30th May 1976 from Bharkunda Colliery was worked out to 4511 kilo-calories per kg as against the standard requirement of 5170 to 5930 kilo-calories per kg for slack coal grade I, as prescribed by the Department of Coal of the Government of India. No reduction in rate could, however, be made by the Board in the absence of any provision in this regard in the agreements/supply orders with CIL. As calculated by the power station authorities, the supply of sub-standard coal resulted in consumption of additional 300 tonnes valued at Rs.0.42 lakh.

(iv) The boilers at the Riverside Power House, Kanpur are designed for use of high moisture and high volatile free burning type black coal of selected 'A' and 'B' grades. In the course of test audit (June—July 1976) it was noticed that during the period from January 1975 to April 1976, 30694 tonnes of coal valuing Rs.21.49 lakhs, received by the Power House, were found unsuitable and 49279 tonnes of coal valuing Rs.34.50 lakhs were found sub-standard. This resulted in excess consumption of coal ranging from 20 to 30 *per cent* as estimated by the power station authorities.

(v) The average consumption of coal in Aishbagh Power House of the Lucknow Electric Supply Undertaking was 1.25 kg per Kwh of energy generated during the period from July 1974 to February 1975. The consumption of coal increased to 1.40 kg per Kwh during the period from March 1975 to October 1975. The excess consumption (4768 tonnes) valuing Rs.5.91 lakhs was attributed by the power house authorities to the supply of inferior quality of coal, non-availability of chemicals to prevent faster scaling in condensor tubes, etc.

(vi) In Varanasi Electric Supply Undertaking, physical verification of coal stock on 5th April 1975 revealed shortage of 610 tonnes of coal valuing Rs.0.55 lakh. The loss was not reported to the higher authorities nor has responsibility for the loss been fixed (December 1976). During the period from November 1975 to January 1976, against 13818.5 tonnes of coal issued to the generating station as per the stores records, only 13593.39 tonnes were accounted for by the power house, resulting in short accountal of 225.11 tonnes valuing Rs.20,500. No action has been taken to investigate the shortage (December 1976).

Appointment of coal handling/servicing agents

6.11. In 1973 tenders were invited by the Board for the appointment of coal handling/servicing agents for maintaining liaison with the nationalised collieries and the Railways with a view to expediting movement of coal from the collieries to the various power houses of the Board. Sixteen offers were received in December 1973, but offers of four firms only (though not the lowest) were considered (April 1974) in view of their past experience and capability to handle the work. Their rates were as follows :—

Firm	Rate per tonne (in paise)	Other particulars
A	15	For Obra, Harduaganj, Panki and KESA power houses
B	22	Up to 1 lakh tonnes per month
	20	Over 1 lakh and up to 1.5 lakh tonnes per month
	19	Over 1.5 lakh and up to 2 lakh tonnes per month
	18	Over 2 lakh tonnes per month.
C	25	For KESA and Panki power houses
D	100	For all power houses in any quantity
	75	In case order for the entire quantity was placed

Although the offer of firm 'A' was the lowest technically suitable, the Central Stores Purchase Committee approved (18th April 1974) the appointment of firms 'B' and 'D' to handle 1.28 lakh and 1.35 lakh tonnes of coal per month respectively at the negotiated rate of 18 paise per tonne. Before orders were placed, the Committee reconsidered the issue as another firm ('E'), whose offer was not considered earlier on the ground of supply of 'sub-grade' coal to the Board, reduced (27th April 1974) its rate from 30 to 18 paise per tonne and requested for award of a part of the work. The Committee approved

(30th April 1974) the appointment of firm 'E' to handle 0.33 lakh tonnes of coal per month with a view to creating more competition. Formal orders were accordingly placed (13th May 1974) on firms 'B' 'D' and 'E' for handling 1.10 lakh, 1.20 lakh and 0.33 lakh tónnes of coal per month respectively. According to the provisions of the contracts, in case the Board was not satisfied with the services rendered by the agents, the contracts were liable to be terminated. Though, as per records, the performance of the firms was not found satisfactory, the contracts were extended up to 23rd October 1975 in the case of firms 'B' and 'D' and up to 14th August 1975 in the case of firm 'E'. In October 1975, the Board decided to discontinue the system of appointing handling and servicing agents and since then the work has been handled by its own staff.

Non-acceptance of the lowest technically suitable offer of firm 'A' involved an extra expenditure of Rs.0.72 lakh on handling of 24.00 lakh tonnes of coal supplied to the four power stations for which the firm had tendered.

The Board stated (February 1977) that the offer of firm 'A' was not considered as the firm had no experience of coal trade and had no previous contact with the suppliers and the Railways. A Committee consisting of the Chief Engineer, a Superintending Engineer and an Executive Engineer of the Board had, however, while examining the offers, observed (April 1974) that the firm 'A' possessed sufficient knowledge of various procedures and rail transport problems and had contacts at the level of the Railway Board, Coal Mines Authority and National Coal Development Corporation Limited.

Stores Control

6.12. Prior to the formation of a separate Inventory Management and Control Organisation with effect from 1st April 1975, stores valuing Rs.60.37 crores as on 31st March 1975 (as per divisional schedules) were held in more than 300 divisions of the Board functioning independently. There was no effective control over the purchases made by the Divisional Officers and heavy purchases made by them had resulted in accumulation of stores. Stores of value Rs.12.01 crores were declared surplus during 1975-76, of which Rs.4.71 crores represented unserviceable/obsolete stores. Issue of stores from divisional/sub-divisional stores or site stores to the works was to be made on the basis of actual requirement as per estimates prepared and sanctioned before undertaking any work. This, however, was not ensured in most of the cases. Physical verification of stores was required to be conducted by an independent authority to determine their obsolescence, uncerviceability and the extent of damage, if any, due to storage and also the shortages and excesses in stores.

The deficiencies noticed in the course of test check are given below :—

(i) Maximum, minimum and ordering levels for different items of stores had not been determined.

(ii) Stores in hand had not been physically verified fully and reconciled with the book balances thereof in most of the units of the Board. The results of physical verification in some of the units subjected to test check, disclosed shortages as given below :—

Name of division	Stores verified in	Value of shortages (in lakhs of Rupees)
Electricity Test Division, Aligarh	August 1975 to January 1976	6.52
Electricity Distribution Division, Ghaziabad	March 1976	14.05
Electricity Distribution Division, Faizabad	March 1975	3.17
Electricity Distribution Division, Etawah	August 1975	2.71
Electricity Distribution Division, Lakhimpur-Kheri	March 1975	2.57
Electricity Distribution Division, Sultanpur	May 1975	2.01
Electricity Distribution Division, Mathura	September 1975	2.90
Electricity Distribution Division, Gorakhpur	1971-72	1.11
	March 1975	0.49
Electricity Distribution Division, Modinagar	May 1975	1.07
Electricity Distribution Division, Etah	August 1975	0.88
Electricity Distribution Division, Dehradun	April 1975	0.78
Electricity Disribution Division, Baraut	November 1975	0.59
Electricity Distribution Division (North), Bulandshahr	March 1975	0.41

Prompt action to investigate the shortages had not been taken.

(iii) Arrangements had not been made for physical verification of stores by an independent agency and proper classification of stores as usable, surplus, damaged, unserviceable and obsolete stores.

(iv) No procedure had been formulated regarding the method and periodicity of disposal of obsolete and scrap materials salvaged from transmission lines, transformers, etc.

(v) Completion reports for works including some major projects, *e.g.* Obra Thermal (250 MW), Obra Hydel, Harduaganj-Stage III and Yamuna Hydel Stage I, had not been prepared (May 1977). Consequently, the value of materials issued to works and remaining unutilised after their completion (figures were not available with the Board) remained unaccounted for and their transfer to and utilisation in other works were not watched.

(vi) Materials continued to be issued even after completion of works. During test check, it was found that materials worth Rs.2.99 lakhs were issued by the following divisions for lines, sub-stations and tube-wells which had already been energised :—

Name of division	Works	Value of material issued (in lakhs of Rupees)
Electricity Distribution Division, Lakhimpur-Kheri	Six works on 11 KV lines	0. 67
Electricity Distribution Division, Sultanpur	Nineteen works on 11 KV lines and tube-wells	0.49
Electricity Transmission Division, Azamgarh	Four works on 33 KV lines	0.38
Electricity Transmission Construction Division, Mainpuri	Eight works on 33 KV lines	0.70
Rural Electrification Division, Pratapgarh	Tubewells	0.75

Stores accounting

6.13. In June 1966, the Board decided to start maintaining the initial accounts of stores according to the commercial system, latest by the beginning of 1971-72. The stores accounts, however, continue to be maintained on the public works system even after the formation (April 1975) of a separate Inventory Management and Control Organisation.

Deficiencies

6.14. (*a*) *Closing of stock registers*

Test check of accounts of the units showed that stores accounts were not maintained upto-to-date and closed at prescribed intervals. For example, half-yearly stock registers had not been closed in the following divisions for the periods noted against each :—

Name of Division	Period
Electricity Distribution Division, Ghazipur	From April 1967 to March 1969 and April 1971 to March 1976
Electricity Distribution Division, Sitapur	From April 1970

Name of Division	Period
Electricity Distribution Division, Pratapgarh	From April 1972
Electricity Distribution Division II, Mirzapur	From April 1965 to March 1972 and October 1973 to March 1976
Electricity Distribution Division, Bahraich	From October 1969
Electricity Distribution Division, Pilibhit	From March 1971
Electricity Distribution Division, Jhansi	Since inception in 1968-69
Electricity Distribution Division, Kanpur	From April 1970
Electricity Distribution Division, Faizabad	From October 1964 to March 1974
Rural Electrification Division, Pratapgarh	Since inception in 1971-72
Rural Electrification Division, Meerut	Since inception in 1971-72
Rural Electrification Division, Rae Bareli	From March 1975

Under the orders of the Board, most of the divisions which had accumulated arrears in closing the stock accounts had opened in 1968 fresh stock accounts with the existing ground balances, resulting in past shortages, etc. being overlooked. In some of the divisions this was done again subsequently. For example, in the Electricity Distribution Division II, Mirzapur and Electricity Distribution Division, Faizabad the registers for the period ending September 1972 and and September 1974 respectively were closed as per the balances found on physical verification. Similar was the case in the Electricity Distribution Division, Ghazipur where a fresh register, on the basis of the existing ground balances, was opened in April 1969. It was also noticed that in a large number of divisions the half-yearly stock registers, *e.g.* half-yearly stock registers for the half year ending September 1975 in Electricity Stores Division, Gorakhpur and for the period from September 1968 to September 1971 in Electricity Maintenance Division II, Mainpuri, were closed without valuation of the quantities of stores.

Owing to non-closure of stock accounts in divisions and absence of revaluation of stocks with reference to current market rates, the issue rates were rendered unrealistic and these varied substantially from division to division, resulting in incorrect exhibition of cost of works undertaken by the divisions as also value of stock balances held by them. According to the schedules furnished by the divisions with their monthly accounts, the value of stores held by the divisions as on 31st March 1975 was Rs.60.37 crores but the Board's consolidated accounts showed a figure of Rs.54.54 crores only. The two figures have not been reconciled (May 1977).

(*b*) *Minus balances in stock registers*

The closing balance of stores in respect of certain items in 24 divisions showed an aggregate minus balance of Rs.4.15 crores to the end of 1975-76. In the Electricity Distribution Division, Roorkee, minus balances aggregating Rs.36.43 lakhs have been persisting since 1967-68.

(*c*) *Shortages/non-accountal of stores, etc.*

Losses due to shortages, theft and misappropriation of stores, when detected, were accounted for under "Accounts Receivable" against the store-keepers concerned or other persons held *prima facie* responsible, thereby clearing the stock accounts. Further follow-up action to investigate and fix responsibility and/or to effect recovery of the loss was, however, not taken. The balance under "Accounts Receivable" increased from Rs.12.59 crores at the end of 1971-72 to Rs.21.90 crores at the end of 1975-76 and to Rs.31.83 crores at the end of September 1976. This included Rs.41.22 lakhs recoverable from 182 store-keepers transferred to the Stores Organisation during July 1975 to March 1976. According to the Schedules furnished by the divisions with their monthly accounts, the balance under "Accounts Receivable" as on 31st March 1975 was Rs.34.19 crores whereas the Board's consolidated accounts showed a figure of Rs.35.88 crores.

Shortages of stores materials due to non-accountal or short accountal of receipts and accountal of issues in excess of the quantities actually issued, were noticed in a number of divisions of the Board. Some examples are given below :—

(i) Stock and tools and plant registers of Electricity Maintenance Division, Ballia were not closed since the inception of the Division in October 1965. On checking of the stock returns for May 1966 to February 1971, the Divisional Officer detected (July 1975) shortages of stores materials (Rs.4.48 lakhs) due to non-accountal or short accountal of receipts and accountal of issues in excess of the quantities actually issued. Special audit conducted (November 1975 to January 1976) by the head office of the Board confirmed shortages of Rs.3.49 lakhs. Further, receipts and issues during the period from July 1966 to March 1967, were accounted for by the Storekeeper in 1971. The value of the shortages was shown in the accounts as recoverable from the Storekeeper but no recovery had been made (May 1977). The Storekeeper retired from service in December 1975.

The special audit conducted by the head office of the Board during November 1975 to January 1976 further disclosed that materials valuing Rs.1.08 lakhs received by several Section Holders during the period from May 1966 to February 1971 from the divisional stores had not been accounted for by them. The special audit also brought out that in respect of 123 items of stock, the balances were in *minus* quantity. This was attributed by the special audit team to recording of fictitious issues, non-accountal of receipts and incorrect postings.

(ii) Physical verification of stores carried out in July 1975 disclosed shortages of Rs.1.56 lakhs in the Extra High Voltage Construction Division, Dehradun. After making certain rectificatory adjustments, the value of these shortages was finally assessed at Rs.0.53 lakh, for which an Assistant Store-keeper was held responsible. The same Assistant Store keeper had earlier (July 1974) inflated the issues of "Dog" conductor to the extent of Rs.0.25 lakh by overwriting in his stock account. As a result of departmental proceedings, the Assistant Store keeper was dismissed from service in February 1977. A case was also lodged (December 1976) against him with the Police.

(iii) A Storekeeper of the Electricity Maintenance Division, Deoria did not account for materials valued at Rs.0.40 lakh received from suppliers and other divisions during January 1974 to April 1975 as well as materials valued at Rs.0.27 lakh found surplus on physical verification in April 1975. He had also short-transferred (August 1975) materials valued at Rs.0.44 lakh to the Stores Division, Gorakhpur on creation of that division in March 1975. The Storekeeper was placed under suspension in May 1976. Further developments are awaited (March 1977).

The matter was reported to the Board in November 1975 ; reply is awaited (March 1977).

(iv) In Electricity Maintenance Division II, Mainpuri, shortages in stores (Rs.2.24 lakhs) were accounted for by exhibiting the value of stores as recoverable from five officials long after their resignation/termination of service/death/transfer to other divisions. The details are as under :—

Official	Resignation/termination of service/transfer/death	Month of Accounting	Value of stores (in lakh of Rupees)	Remarks
'A'	November 1970 (termination of services)	February 1972	0.57	The official did not hand over charge on termination of service but inventory of stores was taken in February 1972
		May 1974	0.73	The official had not handed over charge of stores in June 1969 on his transfer from one sub-division to another but reconciliation of store was done much later (exact date not available).

Official	Month of Resignation/termination of service/transfer/death	Month of Accounting	Value of stores (in lakh of Rupees)	Remarks
'B'	June 1970 (death) ..	February 1972	0.30	Reconciliation of stores done in February 1972.
'C'	June 1973 (termination of services)	May 1974	0.38	Reconciliation of stores done later (exact date not available) A case of misappropriation was lodged with the police in July 1975.
'D'	November 1972 (resignation)	May 1974	0.14	—
'E'	June 1969 (transfer)	February 1972	0.12	Shortages were found as per book balance in comparison with sub-divisional accounts.

The amounts have not been recovered nor written off (May 1977).

The matter was reported to the Board in September 1976 ; reply is awaited (May 1977).

(v) Materials of the Electricity Distribution Division, Deoria were transferred to Electricity Stores Division, Gorakhpur on 6th September 1975. The Storekeeper of the former Division was also transferred to the latter Division. In October 1975, when the Storekeeper handed over charge to another Storekeeper, shortages and excesses of materials valued at Rs.5.96 lakhs and Rs. 0.66 lakh respectively were detected. The shortages/excesses have not been investigated (May 1977).

(vi) Storekeepers of divisions and other stock holders have not been submitting their stock returns in time to the divisions. Test check of accounts showed that an Assistant Storekeeper did not submit any stock return to his sub-divisional office from December 1971 to September 1974 though he was asked to do so by the Sub-divisional Officer. Consequent on the merger of the division with another division in Jannary 1975, the Sub-divisional Officer himself compiled the accounts in arrears during March-April 1975 and in the process detected shortages of stores valued at Rs.1.30 lakhs. The amount had not been recovered from the defaulting official (December 1976).

(vii) In 1968-69, the Hydel Construction Division, Moradabad had transferred to the Electricity Distribution Division, Moradabad the balance of Rs. 0.41 lakh under "Accounts Receivable" without furnishing details of the parties against whom and the reasons for which the amounts were outstanding. No part of the amount has been recovered (May 1977). In the same Division, Rs. 0.12 lakh have been shown outstanding against an individual since 1957-58 but no particulars of the transaction were available.

(viii) In June 1965 and September 1965, amounts totalling Rs. 0.78 lakh were accounted for under "Accounts Receivable" against two Assistant Storekeepers of Construction Division, Roorkee. After merger of the Division with the Maintenance Division, Dehradun in September 1968, the amount was transferred to the latter Division without indicating its particulars.

(ix) Stores worth Rs.0.55 lakh (including tools and plant valued at Rs. 0.45 lakh) were not handed over by a Junior Engineer while transferring charge to his successor in July 1973 in the Harduaganj Plant Division, Kasimpur, Harduaganj. Action for recovery of the amount had not been taken nor had any investigation been carried out (May 1977).

Payment of materials not received

6.15. An order for supply of 40,000 mild steel galvanised stay rods (for use with poles/supports) at Rs. 14.18 each was placed on a firm of Calcutta by the Stores Procurement Circle, Lucknow in September 1972. The order was placed after an inspection (September 1972) of the firm's factory by an officer of the Board, who certified that the manufacturing process and the quality of the stay rods produced were satisfactory. The firm was to despatch the stay rods by rail, after inspection by an officer of the Board, to different divisions as per despatch instructions to be issued by the Stores Procurement Circle. It was to receive 90 *per cent* payment through bank against railway receipts. The payments were to be made after the firm had furnished security deposit of one *per cent* of the value of the contract. The supply was to commence from the date of the order and was to be completed within 12 months. In October 1972, the Stores Procurement Circle allocated 30,000 stay rods to the Chief Zonal Engineer, Meerut and the remaining 10,000 rods to the Chief Zonal Engineer, Varanasi. The latter distributed (October 1972) the allotment to four divisions with instructions that payments were not to be made to the firm till it had deposited the requisite security.

The firm furnished a bank guarantee for Rs. 0.06 lakh to the Board in January 1973; the guarantee was, however, returned (February 1973) to the firm, being defective. The firm did not inform the Stores Procurement Circle about the materials being ready for inspection. An officer of the Circle inspected its factory in June 1973, and reported, *inter alia*, that—

(i) the firm used outdated methods for manufacture of stay rods,

(ii) galvanising of stay rods by the firm was poor and the latter had no arrangement for determining the thickness of zinc coating,

(iii) the firm had not got its stay rods tested by any recognised test laboratory, and

(iv) it had no arrangements for quality control.

As a result, the Chief Engineer (Hydel) issued (July 1973) instructions that no supply should be accepted from the firm till full inspection of materials was carried out.

Meanwhile, the firm had sent documents of despatch of 6,000 stay rods by road, through the State Bank of India, to three divisions in April 1973. Without getting confirmation that pre-despatch inspection of stay rods had been done and that security deposit had been made by the firm, the Executive Engineers got the documents released on payment of Rs.0.79 lakh (90 *per cent* of the value of 6,000 stay rods). As the stay rods were not received by the divisions, enquiries were made from the transport agency, which intimated (November 1973) that goods receipts had been obtained by the firm fraudulently without delivery of stay rods to the agency. The stay rods have not been received nor has the amount paid been refunded by the firm (May 1977).

The matter was reported to the Board in March 1976; reply is awaited (May 1977).

Inter-divisional transfers

6.16. Stores, equipment, etc. are transferred from one division to another from time to time. For these inter-divisional transfers, the despatching division issues an advice of transfer debit which is to be accepted and accounted for by the receiving division with due expedition. Advices in respect of transfer of stores, etc., aggregating

Rs. 25.08 crores. Rs. 26.09 crores and Rs. 33.96 crores (year-wise and division-wise break-up not available) were lying un-accepted/ un-responded at the end of March 1974, 1975 and 1976 respectively. The aggregate balance of these advices as on 30th September 1976 was Rs. 48.60 crores. Non-acceptance of the debits in time is fraught with risks, as the losses, if any, on account of non-delivery or short delivery of materials/stores remain undetected.

In March 1976, 2736.4 kg of copper conductor scrap, valuing Rs. 0.41 lakh, were transferred by the Storekeeper of Electricity Distribution Division II, Deoria to Electricity Stores Division, Gorakhpur. The issue was accounted for in the accounts of the former Division in August 1976. The transfer debit raised against the latter division in August 1976, however, was returned un-accepted (October 1976) on the ground that the transactions appeared to be fictitious as the Storekeeper of the receiving division shown to have acknowledged the receipt of the stores in March 1976 had not been holding charge of the stores since October 1975. The Storekeeper of the former division (Electricity Distribution Division II, Deoria) was placed under suspension from 8th May 1976.

Accounts payable

6.17. The outstanding balance under "Accounts payable-contracts and supplies," representing amounts payable by the Board to contractors and suppliers, increased from Rs.43.63 crores at the end of 1972-73 to Rs. 49.20 crores and Rs. 63.84 crores at the end of 1973-74 and 1974-75 respectively. At the end of 1974-75, there were minus balances aggregating Rs. 1.47 crores under this head in the accounts of six divisions. Steps have not been taken to investigate and clear these minus balances in order to obviate the possibility of over payment/double payment.

Materials-at-site account

6.18. The Board's rules require that in respect of major works the utilisation of materials issued to works should be watched through a suspense account known as "Materials-at-site Account". This account had not been maintained in any division of the Board.

Theft

6.19. Thefts of 458 kg of copper scrap (Value : Rs.0.10 lakh) and 1005 kg of copper scrap and 5 switches of 100 amp. (Value : Rs.0.21 lakh) were reported to the Police as having occurred on the night of 5th/6th March 1975 and 25th/26th March 1976 respectively in the sub-divisional stores at Rampur. In March 1976, the

Police authorities informed the division concerned that the alleged theft of March 1975 was doubtful as the clutches of the displaced window were found to be intact and there were no signs of finger prints to indicate the occurrence of any theft. It was further stated by the Police that both the thefts of March 1975 and March 1976 were intended to cover up shortages of stock before their discovery at the time of annual physical verification. In regard to the alleged theft of March 1976, an Assistant Engineer, after site verification and inquiry, had reported in April 1976 that the theft had occurred with the connivance of the departmental staff. Further developments in the matter are awaited (March 1977).

Inventory Management and Control Organisation

6.20. The stores inventory increased from Rs.22.49 crores at the end of 1967-68 to Rs.54.54 crores at the end of 1974-75 and to Rs.61.53 crores at the end of 1975-76. The incidence of interest charges on account of the inventory carried exceeded Rs.5 crores in a year. In February 1975, it was recognised by the Board that a commercial organisation could ill-afford to carry inventory of this magnitude, scattered in over 300 centres. It was also considered not practicable to exercise any centralised control over purchase, quality, maintenance, utilisation and accounting of the stores. The Board, therefore, ordered (February 1975) the formation of a separate Inventory Management and Control Organisation which started functioning from April 1975.

The Organisation was to be placed under the overall control of an Additional Chief Engineer and a Controller of Stores, who were to be responsible for planning and ascertaining the needs of stores, arranging for their procurement, receipt and proper storage, for their issue to users, for ascertaining the suplus items and their disposal and for keeping proper accounts. This arrangement was, however, not made applicable to the stores at Obra, Panki, Harduaganj, Ram Ganga, Yamuna and Maneri Bhali projects. The Inventory Management and Control Organisation was to takeover all the stores of maintenance, rural electrification, test, transmission construction and extra high voltage construction divisions and of the Lucknow, Allahabad and Agra Electric Supply Undertakings on "as is where is" basis. All the stores taken over were to be kept in seven major stores centres, *viz.* at Roorkee, Ghaziabad, Agra, Bareilly, Lucknow, Allahabad and Gorakhpur. Each major stores centre was to have a number of stores centres under it and the total number of such centres was to be 54. It was also directed that materials required for works should be issued from the stores centres only against sanctioned estimates and when actually required for use at site. The Controller of Stores was made responsible for procurement of all stores except those for which orders were to be placed by the Sub-station Design Circle, Transmission Design Circle, Stores Procurement Circles, and for category 'C' items. The Chief Zonal Engineers and the Additional Chief Engineer (Transmission and Design) were directed to intimate the phased requirement of all these items to the Controller of Stores by 28th February each year together with the details of the anticipated receipt of materials against orders already placed and the anticipated stock balance as on 31st March.

For planning of stores purchases for execution of works during 1975-76, the likely balance of stores as on 31st March 1975, the receipts anticipated against orders already placed and the balance material to be purchased, were to be ascertained by the Controller of Stores by 28th February 1975. The required information from most of the divisions was, however, not available. In respect of the requirements for the year 1976-77, the information which was to be collected by 28th February 1976 was not available from about 50 *per cent* of the divisions concerned. The assessment of requirement of stores, therefore, continued to be made and procurement action also continued to be taken on *ad hoc* basis, even after the setting up of the Inventory Management and Control Organisation.

In spite of the revised arrangement, the following deficiencies/shortcomings were found to persist (May 1977) :

(i) No member of the Board or any other official in the head office exercised unified control over the entire range of inventory management operations.

(ii) The Board had not built up any cadre of officers having requisite training in stores procurement, inventory control and management.

(iii) Classification of stores into fast moving and slow moving items had not been done and no efforts had been made to reduce the lead time in procurement, particularly in regard to fast moving items, so as to reduce the value of the inventory held at any point of time.

(iv) No arrangement had been made for financial scrutiny of the stores procurement programme. A post of Financial Adviser and Chief Accounts Officer for the office of the Controller of Stores was created on 28th February 1975 but has not been filled (May 1977).

(v) The Board's orders did not prescribe that the stores to be taken over by the stores centres should be physically verified by the receiving units. The transferring divisions were, however, asked to get the stock physically verified before transfer ; even this was not done or was not done properly, *vide* examples given below :—

(*a*) Stores of the book value of Rs.171.92 lakhs were transferred to the major stores centres at Roorkee, Bareilly and Lucknow during the period from July 1975 to March 1976 without any physical verification.

(*b*) In the lists of materials received at the Stores Centre, Bareilly in August 1975 from Rural Electrification Division, Bareilly and Electricity Maintenance Division, Pilibhit, unauthorised alterations in quantities of materials without corresponding changes in value were found to have been made.

(*c*) In Electricity Maintenance Divisions I and II, Varanasi, Electricity Transmission Construction Division, Varanasi and Electricity Maintenance Division II, Ghazipur, physical verification of stores valuing Rs.52.91 lakhs, Rs.16.97 lakhs, Rs.27.65 lakhs and Rs.30.32 lakhs respectively, their transfer by the respective divisions and their acceptance by the Major Store Centre, Allahabad were all done on the same day, *viz.* on 11th August 1975, 24th June 1975, Ist July 1975 and 31st August 1975 respectively.

(vi) The main object of setting up the Inventory Management and Control Organisation was to reduce the inventory held by the Board. It was, however, noticed that the value of the inventory had increased from Rs.54.54 crores as on 31st March 1975 to Rs.61.53 crores as on 31st March 1976 and to Rs.68.73 crores as on 30th September 1976.

(vii) No reserve limit of stock had been fixed in respect of the major stores centres as well as the stores centres thereunder.

(viii) The organisation had not taken over the stores of the test, transmission, construction and extra high voltage construction divisions and of the Allahabad, Agra and Lucknow Electric Supply Undertakings. The stores of other divisions/units were to be taken over by the new stores centres by 30th April 1975. No division/unit had, however, made any transfer of stores by that date. Up to October 1976, stores of 84 units had not been transferred.

Reduction in value of stores

6.21. Instructions were issued by the Board on 31st December 1975 that the organisation would assign value to the stores taken over on the following basis :—

(*a*) Items which were not surplus or surplus items which could be used within wo years	Stock issue rate
(*b*) Obsolete, unserviceable and surplus items which could not be used within two years	Scrap value
(*c*) Damaged equipment which could be made serviceable after repairs	Cost of equipment *less* estimated cost of repairs or 20 *per cent* of value if the cost of repairs could not be assessed

The table below indicates the original book value and the extent of reduction in the value of the stores taken over by the Organisation up to March 1976.

Name of major stores centre	Original value	Revised value	Reduction in value
	(In lakhs of Rupees)		
Ghaziabad	383.36	288.90	94.46
Roorkee	177.52	157.91	19.61
Bareilly	347.48	346.03	1.45
Gorakhpur	480.54	319.93	160.61
Agra	300.21	274.49	25.72
Allahabad	459.86	430.74	29.12
Lucknow	415.26	330.51	84.75
Total ..	2564.23	2148.51	415.72

The transfer debits having been accepted by the Organisation on the basis of the reduced value of stores, the transferring divisions were showing in their accounts the balance amounts under the head "stock" even though no ground balances were held by them. No orders had been issued up to May 1977 regarding adjustment of the balance, consequent on reduction in the value of store items.

The Board stated (March 1977) that the existing method of accounting of inventory was not conducive to exercising control over the inventory levels and that there was urgent need for streamlining the inventory control and management by the Board. The responsibility for laying down an inventory control system was stated to have been entrusted (March 1977) to Engineers India Limited (a Government of India Undertaking) and that for laying down the inventory accounting procedures to a firm of Chartered Accountants. The Board further stated that the matter relating to purchase of steel had to be viewed in the context of the shortage of steel in the country in the past and the need for its stock piling and that payment for coal on the basis of its calorific value was being pursued with Coal India Limited. Instructions for inspection of goods purchased at all levels were also stated to be under issue.

The points were reported to Government in December 1976; reply is awaited (April 1977).

SECTION VII

UNDER-ASSESSMENT OF ELECTRICITY CHARGES

Non-levy of additional charge

7.01. According to a clause in the rate schedules applicable to licensees and consumers of 'heavy power', 'large power' and 'mixed loads' above 100 KW, if the monthly bill is not paid by the due date specified therein the consumer is liable to pay an additional charge of seven paise (five paise prior to 1st January 1975 and 12th October 1974 for licensees and for consumers of heavy power, large power and mixed loads respectively) per Rs.100 or part thereof per day on the unpaid amount of the bill for the period of delay beyond the due date.

Three units of the Board did not levy the additional charge for delayed payments, as detailed below :—

Name of the unit	Period of billing	Number of consumers	Amount under-charged (In lakhs of Rupees)
Kanpur Electricity Supply Administration, Kanpur	January 1975 to December 1975	7	10.49
Electricity Maintenance Division, Jhansi	May 1974 to February 1976	6	3.78
Electricity Maintenance Division, Etah	April 1974 to February 1976	1	0.29
	Total ..		14.56

The Board stated (January 1977) that the consumers had since been billed for and that action against the defaulting officials was being taken.

Similarly, the Electricity Maintenance Division, Mathura failed to levy (May 1976) the additional charge on payments delayed by a licensee whose business was taken over by the Board on 30th July 1975. During test audit, it was noticed that the licensee did not pay Rs.17.61 lakhs out of Rs.20.10 lakhs billed by the Division for electricity charges for the period from June 1974 to May 1975. The licensee had become liable to pay the additional charge amounting to Rs.1.24 lakhs for the delay in payment. The Division, however, raised a bill for the additional charge in July 1976.

The Board stated (February 1977) that the amount was being recovered from the ex-licensee by adjustment against the cost of assets taken over and that action was proposed to be taken against the officer at fault.

The Division has also been supplying electricity to Lift Irrigation Pump Canal, Dangoli from January 1972. The consumer (Irrigation Department) did not pay electricity charges amounting to Rs.1.09 lakhs for the period from March 1974 to July 1975 and from October 1975 to October 1976. The Division did not, however, claim the additional charge for delay in payment along with the monthly bills. An amount of Rs.0.39 lakh was due for payment on this account in December 1976. Further, the consumer did not pay the additional charge of Rs.1269 for the period prior to March 1974. On this being pointed out (May 1976) by Audit, the Division raised a bill for the additional charge in January 1977 ; the outstanding dues have since been paid by the consumer (March 1977).

Fuel cost variation

7.02. The rate schedules applicable to consumers of large power, heavy power and mixed loads above 100 KW provide for a charge for fuel cost, variable with reference to the cost of coal. In February 1976, the rate for fuel cost was revised upward from 5.013 paise per unit to 6.095 paise per unit for the period from April 1975 to September 1975. Further, the divisions were instructed by the Chief Engineer in February 1976 to levy the revised rate provisionally for the period from October 1975 to March 1976 unless a new rate was determined in the meantime.

However, two divisions of the Board did not charge their consumers at the revised rates, resulting in under-charge of Rs. 2.41 lakhs as deailed below :—

Name of unit	Number of consumers	Period of under-charge	Amount of under-charge
			(In lakhs of Rupees)
Electricity Maintenance Division II, Mainpuri	19	April 1975 to May 1976	2.02
Electricity Maintenance Division, Etah	10	April 1975 to January 1976	0.39

On this being pointed out by Audit, the consumers were billed for the short-charged amounts in June 1976.

The Board stated (January 1977) that Rs. 0.37 lakh had since been recovered and that suitable action was being taken against the concerned officials of the Etah Division. In regard to the Mainpuri Division, it was stated that the order revising the rate had not been received by it.

Theft of energy

7.03. A consumer firm of Faizabad was sanctioned an industrial load of 150 KW at 11 KV in February 1967, against its request for a load of 300 KW for manufacturing straw products. The consumer initially installed a 250 KVA transformer but later (November 1967) replaced it with a higher capacity (400 KVA) transformer to meet the higher load without informing the Board. The Sub-divisional Officer, Faizabad suspected in August 1970 that the consumer had tampered with the metering arrangement since July 1968. On checking, it was found by the Assistant Engineer (Meters) that the polarity of the circuit transformer had been reversed, resulting in recording of considerably lower consumption. A check meter was installed in September 1970 at the premises of the consumer.

According to an estimate (December 1975) of the Executive Engineer, Electricity Test Division, Faizabad, 8.06 lakh Kwh of power had been under-charged during the period from July 1968 to August 1970 on account of reversal of polarity.

As per a report of the Executive Engineer, the check meter installed in September 1970 was damaged in August 1971 and was replaced by a new one. The meter continued to show correct readings up to January 1973, when it was again tampered with and it stopped working in April 1974. This came to the notice of the Board in September 1974. A new meter was installed in the same month and it recorded consumption of 73133 Kwh in October 1974. The meter was again tampered with in November 1974, which came to notice in July 1975. The recorded consumption during the months November 1974 to February 1975 ranged between 29116 and 35308 Kwh per month. The Executive Engineer, Electricity Test Division, Faizabad assessed that the consumer had been under-charged by nine lakh Kwh of energy during the period from February 1973 to July 1975 owing to tampering with the meter. The Chief Engineer (Hydel) constituted (December 1975) a committee to examine the under-charging of the consumer. In March 1976, the committee submitted its recommendations on the basis of which the consumer was assessed for an additional amount of Rs. 0.14 lakh for the period of six months prior to September 1970, against the estimated undercharge of Rs. 0.74 lakh for consumption of 8.06 lakh units from July 1968 to August 1970.

For the period from April to September 1974, when the meter had stopped altogether, assessment was made on the basis of the average consumption in the earlier 3 months and for the period from November 1974 to June 1975, re-assessment was made at 2400 units per working day. No re-assessment was made for the period from February 1973 to March 1974, during which there was an under charge of Rs. 0.43 lakh for the estimated consumption of 4.64 lakh units. The total undercharge to the consumer based on the estimated consumption works out to Rs. 1.03 lakhs.

The Board stated (February 1977) that the consumer had indulged in thefts of energy and that the officers were not prompt in dealing with the consumer and preventing the thefts. It was further stated that in the circumstances of the case, action as suggested by the committee for re-assessing the consumer for a period of six months preceding the date of checking (i.e., April 1970 to September 1970) appeared reasonable.

Unrecovered dues

7.04. The Board had been making bulk supply of energy at 33 KV to a licensee up to November 1975, after which the business of the licensee was taken over. From 1st January 1972, the rebate admissible to licensees taking supply at above 11 KV and up to 66 KV was reduced from 7.5 to 5 *per cent*. On the bills raised by the Electricity Maintenance Division II, Mainpuri allowing 5 *per cent* rebate for the period from January 1972 to August 1975, the licensee made payments after arbitrarily availing of 7.5 *per cent* rebate. The amount thus less paid by the licensee for the period up to August 1975 was Rs. 6.33 lakhs. The licensee did not also pay the bills for fuel surcharge adjustment amounting to Rs.9.63 lakhs for the period from October 1972 to November 1975. An amount of Rs. 25.69 lakhs was also due from the licensee on account of non-payment or short-payment of energy charges for the period from January 1975 to November 1975.

During test check (June 1976) of the accounts of the Division, it was noticed that the Division had not made the fuel surcharge adjustment for the period from April 1975 to September 1975, though required as per the order (February 1976) of the Chief Engineer. It was also noticed that the Division had not levied the additional charge on payments delayed by the licensee for the period January 1972 to November 1975. On this being pointed out by Audit, the Division preferred bills for Rs.4.96 lakhs and Rs.4.62 lakhs on account of fuel surcharge adjustment and additional charge on delayed payments respectively.

Thus, a total amount of Rs.51.23 lakhs is due from the ex-licensee. The Board stated (December 1976) that the outstanding dues would be recovered by adjustment against the compensation which may become payable to the ex-licensee for the assets taken over.

Other cases of under-assessment

7.05. *(a)* According to the rate schedules applicable to large and heavy power consumers, if the electrical energy supplied for consumption in a factory is utilised for domestic purposes also, such consumption should be segregated by the consumer and metered separately. Consumption so recorded separately is to be charged under the appropriate rate schedule. In case the consumer fails to record domestic consumption separately, the entire consumption is to be charged at the higher rate applicable to mixed loads. Installations at the premises of the consumers are required to be inspected periodically by the officers of the Board to detect any misuse of contracted loads.

The following cases of under-charge were noticed in the course of test audit:—

(i) While recording the meter readings of two large consumers of Electricity Maintenance Division, Budaun for September 1975, the concerned Sub-divisional Officers found (October 1975) that the consumers were using electrical energy for domestic purposes without segregating such consumption from the consumption in the factory. Nevertheless, the consumers continued to be charged by the Division under the tariff contracted for, instead of under mixed load tariff. On this being pointed out by Audit (January 1976), one consumer was billed (November 1976) for an additional amount of Rs.0.59 lakh for the period from April 1975 to October 1976. The other consumer was also billed (November 1976) for an additional amount of Rs.0.05 lakh for the period from March 1973 to September 1974; the difference for the period from October 1974 to November 1976 was stated (January 1977) by the Board to be under reconciliation.

The Board stated (January 1977) that non-reporting of use of contracted load for domestic purposes prior to October 1975 and the delay in charging the difference to the consumers were being investigated for fixation of responsibility. Further, notices were being issued to the consumers for segregation of domestic and industrial loads.

(ii) After an inspection of the premises of a large power consumer of Electricity Maintenance Division, Dehradun with a contracted load of 150 KVA in October 1973, the Sub-Divisional Officer, Dehradun reported to the Executive Engineer that the consumer was using the energy partly for domestic purposes without segregation of loads. While a notice was issued (October 1973) to the consumer to get the loads segregated, it continued to be charged at the contracted tariff instead of at mixed tariff. The under-charge for the period from March 1973 to December 1975 worked out to Rs.0.89 lakh.

The Board stated (March 1977) that separate meters for light and fans were installed on 19th August 1976 and that on the basis of the consumption recorded by the light and fan meters during 19th August 1976 to 29th September 1976, an additional amount of Rs.0.04 lakh had been assessed for the period from 20th March 1971 (date of release of load) and paid by the consumer. It was further stated that there had been negligence on the part of some officers for which action was proposed to be taken.

(*b*) A consumer of Moradabad had a contracted load of 96.98 KW from 1st November 1972. The meter of the consumer was recording very low consumption as compared to the contracted load as well as the maximum demand recorded from the beginning. In September 1975, a check meter was installed in the premises of the consumer. During the period 1st September to 7th November 1975, the check meter recorded consumption of 61,438 units as against 1,097 units recorded by the original meter. The consumer was, however, billed (December 1976) for an additional amount of Rs.0.17 lakh relating to the period of six months prior to the installation of check meter. Billing for earlier period was not revised.

The Board stated in January 1977 that action was being taken against the concerned Executive Engineer for his failure to instal the check meter immediately after noticing (January 1974) that the consumption of energy was much lower than the maximum demand recorded by the meter earlier. The Board further stated that revised assessment for more than six months had not been made as the consumer's mills had been working intermittently and there were power restrictions owing to power shortage.

Non-levy of surcharge

7.06. (*a*) According to the rate schedule applicable to small and medium power consumers effective from 12th October 1974, if payment is delayed beyond six months reckoned from the first day of the month following the due date of payment the consumer is liable to pay a surcharge of two *per cent* per month or part thereof for the period of delay, in addition to the surcharge of 12 *per cent* for the delay up to six months leviable earlier.

It was noticed during test audit (July 1976) that the Kanpur Electricity Supply Administration had not levied the surcharge of two *per cent* per month in cases where payments were delayed beyond six months by the consumers. In the case of 135 consumers, surcharge not levied on delayed payments for the period from October 1974 to May 1975 aggregated Rs.0.37 lakh.

The Board stated in November 1976 that all cases of delayed payments had since been reviewed and the correct surcharge levied.

(*b*) As per orders of the Board (October 1975), bills for electricity consumed by Government tubewells were to be paid within 30 days of their issue, failing which surcharge at 2 *per cent* per month (effective from December 1975) was to be levied. The Electricity Maintenance Division II, Mainpuri did not levy surcharge amounting to Rs.0.37 lakh for late payment of bills by the tubewell Division, Mainpuri for the period from December 1975 to March 1976.

The Board stated (January 1977) that revision of bills on monthly basis was not feasible because the orders of October 1975 did not clarify the B.H.P. and the rate at which bills were to be issued. It was also stated that while a bill for the surcharge had been issued in June 1976, the State Tubewell Department had not made payment of the surcharge for which the matter was being pursued with the Irrigation Department.

Reduction of contracted load

7.07. A consumer of heavy power was being supplied energy at a contracted load of 340 H. P. by the Electricity Maintenance Division, Etah. According to the terms of the agreement (7th June 1968), the consumer was to give 12 months' notice for any variation in the contracted load. In November 1974, the consumer asked for reduction in the load to 260 H. P., which was allowed by the Executive Engineer in January 1975 (retrospectively from 11th December 1974) without waiting for the expiry of the prescribed period of notice. Meanwhile, the Board issued instructions in December 1974 that no reduction in the contracted loads would be made under any category of power consumers.

The reduction of load during the period of notice from December 1974 to November 1975 resulted in loss of revenue of Rs.0.48 lakh.

The matter was reported to the Board in September 1975; reply is awaited (March 1977).

Grant of rebate

7.08. According to an item (effective from November 1974) of the rate schedule applicable for mixed loads above 100 K.W., a rebate of five *per cent* is admissible if the supply is given at A. C. above 11 KV and up to 66 KV. The Agra Electric Supply Undertaking, however, allowed the rebate of five *per cent* to a consumer who was being supplied electricity at 400 volts. The rebate allowed for the period up to November 1976 amounted to Rs.0.27 lakh.

The Board stated (February 1977) that the consumer had since been billed in January 1977 for the rebate allowed to it.

Loss of revenue

7.09. A consumer of Modinagar (contracted load of 3000 KVA up to December 1969, 3750 KVA up to 15th September 1972 and 4750 KVA thereafter) was receiving supply at four metering points up to March 1970 and at five metering points thereafter. As per the rate schedule applicable to the consumer, supply of power at each point was required to be billed separately but the consumer was billed on the basis of the total supply as if the supply was at a single point. This resulted in reduction in demand charges to the extent of Rs.7.74 lakhs during the period from March 1969 to November 1976 as per the details furnished by the Division concerned.

The Board stated (January 1977) that arrangements were being made to insial a single point metering arrangement.

SECTION VIII

OTHER POINTS OF INTEREST

Purchase of earthwire

8.01. Tenders were invited in May 1973 for supply of earthwire against specification EHV-10 and in March 1974, an order for supply of 700 km of 7/9 SWG earthwire valuing Rs.20.95 lakhs was placed on a firm of Hyderabad which was the lowest tenderer. The firm's tender had not been recommended (January 1974) by the Superintending Engineer, Transmission Design Circle on the grounds that (i) the quality of the material had not been specified in the tender, (ii) the product was not registered with the I.S.I., (iii) the escalation clause of the offer was without any ceiling and (iv) the firm was new. The tender was, however, accepted by the Board in January 1974 after the firm had revised its offer to a firm price of Rs.2950 per km against the originally quoted price of Rs.2169 per km subject to escalation. Two more orders, for 250 km of 7/9 SWG earthwire valuing Rs.6.72 lakhs and for 500 km of 7/10 SWG earthwire valuing Rs.11.20 lakhs, were also placed on the same firm in the same month (March 1974) on the basis of tenders invited in June and July 1973 against specifications TD-44 and TD-48 respectively.

The purchase orders stipulated that (i) the material should conform to the tests stipulated in the Britiish Standard Specifications, (ii) the purchaser would reserve the right of inspection or test at the supplier's premises or at site and (iii) 100 *per cent* payment would be made through bank against railway receipts supported by test certificates and on furnishing of bank guarantee covering 10 *per cent* of the value of the contract.

Accordingly, the Superintending Engineer, Electricity Transmission Design Circle, visited the factory of the firm on 4th and 5th of April 1974 and reported that it was equipped with modern machinery for manufacture of earthwire and that it had proper facilities for testing earthwire as laid down in the relevant standards. He also reported that the firm had already manufactured the enire quantity of earthwire (750 km) against specifications TD-48 and TD-44 and that on the basis of random sample tests the material was found satisfactory. In respect of wire of specification EHV-10, the firm offered two lots of 200 km each for inspection but inspection was waived in June and July 1974 without recording any reason. A third lot of 160 km was, however, tested in the firm's factory in August 1974 and the material was declared to be satisfactory. Inspection in respect of the balance of 140 km was also waived in August 1974.

The firm despatched the earthwire against the three orders during the period from April to September 1974 but the entire quantity received against specifications EHV-10 and TD-44 was found to be defective and unfit for use. In May 1976, 500 km of earthwire were received against specification TD-48, but were not inspected as joint inspection could not be arranged. Delivery of the entire quantity (1450 km) of earthwire was taken by 15 divisions of the Board on 100 *per cent* advance payment, except six consignments (value : Rs.6.38 lakhs) delivery of which was taken on indemnity bond. In addition, payment of demurrage and wharfage charges aggregating Rs.3 lakhs was made in respect of the materials received in two divisions.

The first report regarding the materials being defective was made by one of the 15 divisions in October 1974 whereupon the matter was taken up by the Chairman and another Member of the Board with the representatives of the firm in December 1974 and January 1975, by which time delivery of 1162 km had been taken by different divisions; delivery of the remaining material (288 km) was taken in March 1975 after negotiations with the firm, in which it was agreed *inter alia* that the entire quantity of defective earthwire of specifications EHV—10, TD—44 and TD—48 (after joint inspection) would be replaced by the supplier without any extra cost.

The firm also agreed to extend the performance guarantee as well as the bank guarantees given as security against specifications EHV-10, TD-44 and TD-48 up to 30th April 1976 and to renew/revalidate them for such period (s) thereafter as to cover a period of 12 months from the date of complete replacement of the defective material.

For the material lying at the railway stations, the firm was to provide an additional bank guarantee of Rs.4.25 lakhs, valid for a period of one year, and renew/revalidate it for such period (s) thereafter as to cover a period of 12 months from the date of complete replacement of the defective material for retiring the documents pertaining to these consignments.

The defective material received from the firm was to be returned by the Board in lieu of equivalent fresh supplies to be received from the firm.

Accordingly, the firm furnished (January 1975) an additional bank guarantee of Rs.4.25 lakhs and revalidated (February 1975) the old bank guarantees (Rs.3.90 lakhs) up to April 1976. The divisions concerned retired the remaining railway receipts on payment of sums totalling Rs.8.35 lakhs and took delivery of 288 km of earthwire lying at the railway stations. The firm has not, however, replaced any part of the defective materials nor has it made any arrangement for joint inspection of the material supplied in respect of specification TD-48. The Board decided in August 1975 to encash the bank guarantee and to institute legal proceedings against the firm. Out of the bank guarantees totalling Rs.8.15 lakhs, guarantees amounting to Rs.1.02 lakhs only could be encashed, validity in respect of the others had not been extended by the firm after April 1976.

Thus, the Board incurred an expenditure of Rs.35.21 lakhs (Rs.33.23 lakhs paid to the firm and Rs.3 lakhs paid to the Railways as demurrage and wharfage charges *less* Rs.1.02 lakhs recovered by encashment of bank guarantees) on the purchase of the defective material.

The Chairman of the Board appointed in August 1975 a one man committee to investigate the reasons for awarding **contracts to** to the firm one after another and the circumstances in which defective materials were accepted even after these had been inspected at the facotry of the supplier; report of the committee is awaited (May 1977).

The Board stated (October 1976) that the firm had "cheated" it by supplying defective earthwire without any intention of replacing it and that the firm had opted for going to arbitration.

Re-rolling of steel scrap

8.02. Between November 1973 and March 1974, four divisions allotted the work of re-rolling of scrap iron to a firm of Lucknow at varying rates. The divisions issued 140.87 tonnes of scrap valued at Rs.2.62 lakhs to the firm for re-rolling, but the latter neither delivered the rolled products nor returned the scrap on the ground that the scrap had become unfit for use owing to frequent power cuts. The details are as under :—

Name of the division	Process rate per tonne at which work was allotted Rs.	Scrap issued Quantity (tonnes)	Value (In lakhs of Rupees)
Obra Thermal Electrical Division, Obra	350	28.423	0.51
Electricity High Voltage Construction Division, Allahabad	360	26.917	0.47
Store Procurement Division (Stage IV), Harduaganj—Kasimpur	350	26.775	0.46
Electricity Transmission Construction Division, Sultanpur	360 380	58.755	1.18

While the work was allotted to the firm by the first three divisions on the basis of quotations, the fourth division had allotted the work without calling quotations. The Board had filed four suits against the firm during October/November 1975.

The Board stated (March 1977) that (i) Harduaganj division had not obtained any security or guarantee, while the other divisions had obtained inadequate securities which did not cover the cost of materials issued to the contractor, (ii) he bnafides of the Executive Engineer, Sultanpur were in doubt since he had placed the third order on the firm even when its failure to deliver the goods against the earlier two orders was known to him, (iii) the firm had gone into liquidation but the suits filed against it were being pursued and (iv) action was proposed to be taken against officers whose *bonafides* were not established.

Employees' Prvoident Fund

8.03. From 8th May 1958, the Employees' Provident Fund Scheme was made applicable to the Kanpur Electricity Supply Administration (KESA) which, with effect from April 1959, became a unit of the Board. However, KESA neither recovered the employees share of contribution from their wages nor had it made any investments in the manner directed by the Regional Provident Fund Commissioner. Under the provisions of the Employees' Provident Fund Scheme, the employees' share of contribution is payable by the Board irrespective of whether the employees have or have not paid their contribution. The arrears on account of employees' and employer's shares of contribution (Rs.6.26 lakhs each) alongwith administrative charges (Rs.0.32 lakh payable to the Regional Provident Fund Commissioner) thereon for the period from April 1959 to March 1966 amounted to Rs.12.84 lakhs. The Regional Provident Fund Commissioner also levied (March and December 1975) damages of Rs.3.91 lakhs for defaults in the payment of contributions for the period from March 1959 to February 1973. The Board had paid Rs.10.60 lakhs to the Regional Provident Fund Commissioner up to December 1976.

The Board stated (February 1977) that there had been delay in taking action to clear the arrears and that since April 1976, Re.1 lakh were being deposited regularly every month with the Regional Provident Fund Commissioner against the arrears with the hope that the question of damages for not complying with the law would not arise. It was also stated that the question regarding recovery of arrears of employees' share from the employees had been referred (May 1976) to the Regional Provident Fund Commissioner, Kanpur with the resquest that the Board be permitted to recover these from the employees in easy instalments. Further developments are awaited (March 1977).

Damaged transformer

8.04. One 37.5/11 KV, 5 MVA transformer (cost : Rs.1.54 lakhs) supplied in August 1970 by a Bombay firm for installation at Gajraula Sub-station (Electricity Maintenance Division, Moradabad), was covered under the contract by a maintenance guarantee for 12 calendar months from the date of commissioning or 18 calendar months from the date of despatch f.o.r. Madras, whichever was earlier. The transformer was installed in February 1973 and was commissioned in April 1973 but went out of order in December 1973. When asked (December 1973) to repair it, the supplier refused to do so free of cost as the guarantee period had expired. An Engineer of the supplier firm who, at the request of the Board investigated (September 1974) the damage to the transformer, pointed out that the transformer had been operated under faulty conditions, resulting in the damage. The transformer is lying un-repaired (May 1977).

The Sub-station was operated from April 1974 onwards with another transformer of the same capacity (cost : Rs.3.50 lakhs) purchased by the Board in April 1976 from a Kanpur firm.

The matter was reported to the Board in September 1976 ; reply is awaited (April 1977).

Non-realisation of capital cost

8.05. In April 1975, the Board decided that in giving connections to private tubewells and pump sets it would bear the cost of energisation up to the following extent :—

(i) cost of construction of 11 KV and LT line at the rate of 60 metres per HP subject to a maximum of 300 metres per connection, and

(ii) full cost of setting up requisite distribution transformer station (s).

The consumers were required to bear the cost of the line in excess of the free limit specified above and the cost of the service connection beyond the last pole. Where, however, the cost of the Board's share per connection exceeded Rs.4000 each in nine specified districts and

Rs.6000 each in the remaining districts of the State, the excess over Rs.4000/6000 had to be deposited initially by the consumer but was refundable to him over a period of time.

In Electricity Maintenance Division, Hapur, connections were given and electricity supplied to 350 consumers during the period from April 1975 to February 1976 for running tubewells and pump sets without obtaining deposits from them to cover the Board's share of the capital cost in excess of Rs.4000 (the limit for the district). The unrealised amount in 118 cases aggregated Rs.5.60 lakhs ; the amount involved in the remaining 232 cases was not known.

The Board stated (February 1977) that action was proposed to be taken against the concerned Executive Engineer.

Cartage of cement

8.06. In June 1974, the Superintending Engineer, Civil Circle, Lucknow placed an order on a firm of Satna for supply of 1200 tonnes of cement to the Superintending Engineer, Electricity Transmission Circle, Kanpur. The cement was to be delivered at Sitapur. The Superintending Engineer of the Kanpur Circle informed (September 1974) the Superintending Engineer, Lucknow Civil Circle that the works, for which the cement was required, had been deferred, but the latter did not cancel the order till June 1975. Despite the cancellation, the firm despatched 1072 tonnes of cement to Sitapur in August/September 1975. The Superintending Engineer, Lucknow Civil Circle accepted the supply and got it transported from Sitapur to Lucknow and Lakhimpur-Kheri at a cost of Rs.0.40 lakh.

The Board stated (January 1977) that it was proposed to take action against the officer responsible for the extra expenditure on transportation.

Expenditure on regrouting

8.07. In March 1975, the 33 KV Unnao-Miyaganj line (57 km) was transferred by the Electricity Transmission Construction Division, Kanpur to the Electricity Maintenance Division, Unnao. The Maintenance Division reported on 26th March 1975 that the line was under break-down condition owing to falling down of poles at eight locations numbering 129 to 136. Subsequent joint investigations by the Divisional Officers of both the divisions disclosed that grouting of the supports at these locations had not been done and only rough plinths had been provided. This necessitated fresh grouting of the supports and other repairs to the line on which expenditure of Rs.0.20 lakh was incurred.

The Board stated in October 1976 that the irregularities during construction were being investigated. It was further stated that action would be taken against the persons responsible for the lapses. Further developments are awaited (March 1977).

The points were brought to the notice of Government during August to December 1976 ; replies are awaited (April 1977).

SECTION IX

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

Excess payment of sales tax

9.01. Under the U. P. Sales Tax Act, 1948, as amended with effect from 26th May 1975, all offices of the Central Government or a State Government or a Company, Corporation or undertaking, owned or controlled by a Government, located in the State could purchase any goods for their own use (but not for re-sale or use in the manufacture or packing of any goods) at a concessional rate of sales tax, *viz.* 3 *per cent* up to 30th June 1975 and 4 *per cent* thereafter. This facility was to be available only if the concerned purchasing officer furnished to the selling dealer a declaration in the prescribed form obtainable from the Sales Tax Department.

In the course of test audit it was noticed that four units of the Corporation made purchases of goods of value aggregating Rs.50.07 lakhs for their own use during the period from June 1975 to March 1976 from the selling dealers but did not furnish the prescribed declarations to avail themselves of the benefit of concessional rate of sales tax. This resulted in extra payment of sales tax of Rs.3.19 lakhs on these purchases.

The matter was brought to the notice of the Corporation in September 1976 ; reply is awaited (May 1977).

Loss of cash

9.02. As a result of physical verification (23rd September 1975) by an officer of the Corporation shortage of cash amounting to Rs.0.70 lakh was detected in Kaiserbagh Bus Station, Lucknow. The matter was reported to the Police on 24th September 1975. The Traffic Superintendent, the Station-in-charge and two Assistant Cashiers were suspended on the same day. The Traffic Superintendent and the Station-in-charge were, however, provisionally reinstated in July and October 1976 respectively. The matter is under Police and departmental investigations (May 1977).

The matter was reported to the Management and Government in December 1976; reply is awaited (May 1977).

ALLAHABAD :
THE

(VED PRAKASH)
Accountant General, Uttar Pradesh–II.

Countersigned

NEW DELHI :
THE

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

APPENDICES

APPENDIX

(Reference : Paragraph

Statement showing summarised financial results

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts
1	2	3	4	5
1	The Indian Turpentine and Rosin Company Limited	Industries	22nd February 1924	1975-76
2	Uttar Pradesh Small Industries Corporation Limited	Industries	13th June 1958	1975-76
3	Uttar Pradesh State Industrial Development Corporation Limited	Industries	29th March 1961	1975-76
4	Mohammadabad People's Tannery Limited	Planning	22nd December 1964	1975-76
5	Uttar Pradesh Export Corporation Limited	Industries	20th January 1966	1975-76
6	Uttar Pradesh State Agro Industrial Corporation Limited	Agriculture	29th March 1967	1975-76
7	Uttar Pradesh State Textile Corporation Limited	Industries	22nd December 1969	1975-76
8	Uttar Pradesh State Sugar Corporation Limited	Industries	26th March 1971	Year ended 30th September 1976
9	Uttar Pradesh Parvatiya Vikas Nigam Limited	Parvatiya Vikas	30th March 1971	1975-76
10	Uttar Pradesh Poorvanchal Vikas Nigam Limited	Agriculture	30th March 1971	1975-76
11	Uttar Pradesh State Cement Corporation Limited	Industries	29th March 1972	1975-76
12	The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	Industries	29th March 1972	1975-76
13	Uttar Pradesh State Brasswares Corporation Limited	Industries	12th February 1974	1975-76
14	Uttar Pradesh State Mineral Development Corporation Limited	Industries	23rd March 1974	1975-76
15	Uttar Pradesh State Tourism Development Corporation Limited	Tourism	5th August 1974	1975-76
16	Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Limited	Animal Husbandry	7th December 1974	1975-76
17	Sharda Sahayak Samadesh Kshettra Vikas Nigam Limited	Agriculture	4th March 1975	1975-76

I

1.02 Page 1)

of working of Government Companies

Total capital invested	Profit (+) Loss (—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
6	7	8	9	10	11	12	13	14
							(In lakhs of Rupees)	
303.76	(+)5.00	17.46	17.46	22.46	7.39	296.49	22.46	7.58
459.15	(+)19.46	51.86	51.86	71.32	15.53	660.36	71.32	10.80
..	(+)57.04	18.32	18.32	..	..	1389.18	75.36	5.43
5.61	(+)0.15	..	..	0.15	2.67	1.35	0.15	11.11
119.96	(+)2.83	2.33	0.95	3.78	3.15	124.79	5.16	4.13
712.17	(—)138.01	66.95	3.78	(—)134.23	..	868.63	(—)71.06	..
1567.93	(+)5.99	0.10	0.10	6.09	0.39	586.58	6.09	1.04
2204.66	(—)268.96	117.21	54.20	(—)214.76	..	800.02	(—)151.75	..
132.59	(+)1.60	0.23	0.17	1.77	1.33	109.57	1.83	1.67
64.77	(—)11.03	1.19	..	(—)11.03	..	63.63	(—)9.84	..
3518.10	(—)60.78	23.27	1.50	(—)59.28	..	2122.24	(—)37.51	..
..	(+)11.16	30.42	30.42	41.58	..	903.88	41.58	4.60
39.43	(+)0.66	0.03	0.03	0.69	1.75	39.23	0.69	1.76
40.09	(+)0.08	..	..	0.08	0.20	37.61	0.08	0.21
67.86	(+)0.68	0.11	0.11	0.79	1.16	67.69	0.79	1.17
50.00	(—)0.21	..	..	(—)0.21	..	49.79	(—)0.21	..
23.99	(+)0.95	..	..	0.95	3.96	23.68	0.95	4.01

APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts
1	2	3	4	5
18	Gandak Samadesh Kshettra Vikas Nigam Limited	Agriculture	15th March 1975	1975-76
19	Ramganga Samadesh Kshettra Vikas Nigam Limited	Agriculture	15th March 1975	1975-76
20	Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited	Harijan Welfare	25th March 1975	1975-76
21	Kumaon Anusuchit Janjati Vikas Nigam Limited	Parvatiya Vikas	30th June 1975	1975-76
22	Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1976
23	Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1976
24	Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1976
25	Uttar Pradesh (Rohilkhand—Tarai) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1976
26	Uttar Pradesh Chalchitra Nigam Limited	Information	10th September 1975	1975-76
27	Uttar Pradesh State Food and Essential Commodities Corporation Limited	Food and Civil Supplies	22nd October 1974	1974-75
28	Uttar Pradesh Panchayati Raj Vitta Nigam Limited	Panchayati Raj	24th April 1973	Year ended 31st December 1974
29	The Uttar Pradesh State Leather Development and Marketing Corporation Limited	Industries	12th February 1974	1974-75

I (Continued)

Total capital invested	Profit (+) Loss (−)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
6	7	8	9	10	11	12	13	14
							(In lakhs of Rupees)	
46.47	(+) 0.89	..	..	0.89	1.92	46.16	0.89	1.93
47.26	(+) 0.52	..	..	0.52	1.10	46.95	0.52	1.11
..	(+) 3.55	..	..	3.55	..	39.08	3.55	9.08
5.11	(+) 0.11	..	..	0.11	2.15	5.11	0.11	2.15
7.75	(+) 0.43	..	..	0.43	5.55	7.63	0.43	5.64
7.43	(+) 0.59	..	..	0.59	7.94	9.32	0.59	6.33
5.07	(+) 0.07	..	..	0.07	1.38	4.94	0.07	1.42
16.46	(—)0.91	..	..	(—)0.91	..	15.46	(—)0.91	..
0.37	(—)0.15	..	..	(—)0.15	..	0.07	(—)0.15	..
50.13	(+)0.25	..	..	0.25	0.50	49.94	0.25	0.50
..	(+)0.80	..	..	0.80	..	43.42	0.80	1.84
25.00	(—)1.45	..	..	(—)1.45	..	23.33	(—)1.45	..

APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts
1	2	3	4	5
30	Uttar Pradesh State Bridge Corporation Limited	Public Works	18th October 1972	Year ended 30th September 1974
	Subsidiary Companies			
31	The Turpentine Subsidiary Industries Limited	Industries	11th July 1939	1975-76
32	Kichha Sugar Company Limited	Industries	17th February 1972	Year ended 30th September 1976
33	Teletronix Limited	Parvatiya Vikas	24th November 1973	1975-76
34	Uttar Pradesh Electronics Corporation Limited	Industries	30th March 1974	1975-76
35	Uttar Pradesh Spinning Mills Company (No. I) Limited	Industries	20th August 1974	1975-76
36	Uttar Pradesh Spinning Mills Company (No. II) Limited	Industries	20th August 1974	1975-76
37	Nandganj—Sihori Sugar Company Limited	Industries	18th April 1975	Year ended 30th June 1976
38	Chhata Sugar Company Limited	Industries	18th April 1975	Year ended 31st July 1976
39	Chandpur Sugar Company Limited	Industries	18th April 1975	Year ended 31st July 1976
40	Transcables Limited	Parvatiya Vikas	29th November 1973	1975-76

I (*Continued*)

Total capital invested	Profit (+) Loss (—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
6	7	8	9	10	11	12	13	14
						(In lakhs of Rupees)		
90.00	(—)2.01	0.51	0.51	(—)1.50	..	85.43	(—)1.50	..
15.27	(—)0.18	0.02	..	(—)0.18	..	13.45	(—)0.16	..
509.26	(—)38.23	63.29	28.18	(—)10.05	..	325.26	25.06	7.70
7.57	(—)0.70	0.05	0.05	(—)0.65	..	9.16	(—)0.65	..
61.83	(—)4.61	0.66	0.66	(—)3·95	..	52.67	(—)3.95	..
722.50	(—)48.31	0.98	..	(—)48.31	..	468.79	(—)47.33	..
0.01	..	..	..	..	..	..	..	..
129.12	..	..	..	..	..	..	..	..
146.25	..	..	..	..	..	..	..	..
220.00	..	..	..	..	..	..	..	..
8.99	..	..	..	..	..	..	..	..

APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts
1	2	3	4	5
41	Almora Magnesite Limited	Industries	27th August 1971	Year ended 31st October 1975
42	Uttar Pradesh prestressed Products Limited	Industries	30th September 1972	Year ended 31st March 1975
43	The Faizabad Roofings Limited	Industries	16th February 1974	Year ended 31st March 1975

NOTES—(i) Capital invested represents paid-up capital *plus* long-term loans *plus* free
(ii) Capital employed (except in case of companies at serial numbers 3, 12, 20 and 28)
(iii) In case of Companies at serial numbers 3, 12, 20 and 28 capital employed represents
capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance
(iv) Companies at serial numbers 36 to 40, 42 and 43 have not gone into production.

I (*Concluded*)

Total capital invested	Profit (+) Loss (—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
6	7	8	9	10	11	12	13	14
							(In lakhs of Rupees)	
242.00	(—)24.06	20.77	20.77	(—)3.29	..	201.03	(—)3.29	..
2.53		..	..	..	..	..	..	..
7.31	..	..	..	..	..	..	..	..

reserves.
represents *net* fixed assets (excluding capital works-in-progress) *plus* working capital.
mean capital employed, *i. e.* mean of the aggregate of opening and closing balances of (i) paid-up and (v) deposits.

APPENDIX

[Reference : Paragraphs 5,01(iii)

Statement showing summarised financial results

Serial number	Name of the Corporation	Name of the administrative department	Date of incorporation	Period of account
1	2	3	4	5
			(a) Uttar Pradesh State	
1	Uttar Pradesh State Electricity Board ..	Power	1st April 1959	1975-76
			(b) Other Statutory	
1	Uttar Pradesh Financial Corporation ..	Industries	1st November 1954	1975-76
2	Uttar Pradesh State Warehousing Corporation	Co-operative	19th March 1958	1974-75

NOTES—(1) Capital invested represents paid-up capital *plus* long-term loans *plus* free

(2) Capital employed (other than U. P. Financial Corporation) represents net fixed assets

(3) In the case of U. P. Financial Corporation capital employed represents mean of the (iii) reserves, (iv) borrowings including refinance, (v) deposits and (vi) funds for special

II

and 5.02 of section V, pages 90 and 91]

of working of Statutory Corporations

Total capital invested	Profit (+) loss (—)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
6	7	8	9	10	11	12	13	14
								(In lakhs of Rupees)
Electricity Board								
129472.43	(—) 1202.70	3667.25	3667.25	2464.55	1.90	123032.23	2464.55	2.00
Corporations								
..	(+)100.83	126.54	113.57	..	..	2563.36	227.37	8.87
215.12	(+)6.75	..	..	6.75	3.14	214.86	6.75	3.14

reserves.

plus working capital.

aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, schemes advanced by the State Government.