REPORT

OF THE

Comptroller and Auditor General of India

for the year 1978-79

(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

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APPENDICES

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. The cases mentioned in the Report are those which came to the notice of Audit during the year 1978-79 as well as those which had come to the notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1978-79 have also been included wherever considered necessary.

4. In the case of Government Companies, audit is conducted by Chartered Accountants 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 Chartered Accountants. 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.

5. In respect of Uttar Pradesh State Road Transport Corporation and Uttar Pradesh State Electricity Board, which are Statutory Corporations, the Comptroller and Auditor General is the sole auditor, while in respect of other two Statutory Corporations, *viz.*

Uttar Pradesh Financial Corporation and Uttar Pradesh State Warehousing Corporation, he has the right to conduct audit (in accordance with the provisions of the relevant acts) independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.01. *Introduction*

There were 80 Companies (including 30 subsidiaries) of the State Government as on 31st March 1979. Out of 80 Companies, 65 (including 25 subsidiaries) close their accounts on 31st March, 8 Companies (including one subsidiary) on 30th June, 2 subsidiary Companies on 31st July, 3 Companies (including one subsidiary) on 30th September and 2 Companies (including one subsidiary) on 31st December each year.

1.02. A synoptic statement showing the summarised financial results of 37 Companies, (including 12 subsidiaries) in respect of the year 1978-79 and of 26 Companies (including 7 subsidiaries) in respect of earlier years, whose accounts were received up to June 1980 is given in Appendix I.

1.03. The accounts of 39 Companies were in arrears (June 1980). The Companies (23) whose accounts are in arrears for two years or more are given below:

Name of the Company	Extent of arrears
Uttar Pradesh Plant Protection Appliances Private Limited	1972-73 to 1978-79
Uttar Pradesh Buildwares Private Limited	1972-73 to 1978-79
Krishna Fasteners Limited	1973-74 to 1978-79
Uttar Pradesh Roofings Private Limited	1973-74 to 1978-79
Faizabad Roofings Limited	1973-74 to 1978-79
Northern Electrical Equipment Industries Limited	1974-75 to 1978-79
Uttar Pradesh Potteries Private Limited	1975-76 to 1978-79
Uttar Pradesh Abscott Private Limited	1975-76 to 1978-79
Bundelkhand Concrete Structurals Limited	1975-76 to 1978-79
Uttar Pradesh Panchayati Raj Vitta Nigam Limited	1976 to 1978
Uttar Pradesh Pashudhan Udyog Nigam Limited	1976-77 to 1978-79
Uttar Pradesh Bundelkhand Vikas Nigam Limited	1976-77 to 1978-79
Uttar Pradesh Prestressed Products Limited	1977-78 and 1978-79
Uttar Pradesh State Bridge Corporation Limited	1977-78 and 1978-79
Mohammadabad Peoples Tannery (Private) Limited	1977-78 and 1978-79
Uttar Pradesh State Tourism Development Corporation Limited	1977-78 and 1978-79
Uttar Pradesh Small Industries Corporation Potteries Limited	1977-78 and 1978-79

Name of the Company	Extent of arrears
Handloom Intensive Development Corporation (Gorakhpur and Basti) Limited	1977-78 and 1978-79
Uttar Pradesh Poorvanchal Vikas Nigam Limited	1977-78 and 1978-79
Uttar Pradesh Paschimi Kshettriya Vikas Nigm Limited	1977-78 and 1978-79
Upai Limited	1977-78 and 1978-79
Uptron Sampack Limited	1977-78 and 1978-79
Tarai Anusuchit Janjati Vikas Nigam Limited	1977-78 and 1978-79

The matter was brought to the notice of Government in February 1980.

Four Companies, *viz.* Indian Bobbin Company Limited, Gandak Samadesh Kshettra Vikas Nigam Limited, Ramganga Samadesh Kshettra Vikas Nigam Limited and Sharda Sahayak Samadesh Kshettra Vikas Nigam Limited are under liquidation.

1.04. *Paid-up capital*

The aggregate paid-up capital of 37 Companies (the accounts of which were up-to-date) at the end of 1978-79 was Rs. 14,115.68 lakhs, as detailed below :

Category of Companies	Number	State Govern-ment	Central Govern-ment	Central Govern-ment Compa-nies	Holding Compa-nies	Private parties	Total
		(Rupees in lakhs)					
1. Companies fully owned by the State Govern-ment	18	11,489.75	..	..	..	..	11,489.75
2. Companies join-tly owned by the State Gov-ernment and Central Gov-ernment	1	44.00	6.00	..	..	..	50.00
3. Wholly owned subsidiary Companies	9	..	..	..	2,127.09	..	2,127.09
4. Companies join-tly owned by the State Gov-ernment and private parties	7	214.57	..	..	110.00	56.73	381.30
5. Companies join-tly owned by the Holding Company and Central Gov-ernment Com-pany	2	..	..	29.93	37.61	..	67.54
Total :	37	11,748.32	6.00	29.93	2,274.70	56.73	14,115.68

1.05. *Profit and dividend*

The working results of 37 Companies for 1978-79 revealed an aggregate net loss of Rs. 1,107.98 lakhs comprising an aggregate profit of Rs. 265.22 lakhs (19 Companies) and an aggregate loss of Rs. 1,373.20 lakhs (16 Companies). Two Companies which were in the construction stage had capitalised the entire expenditure during the year.

The following are the particulars of 9 Companies, which substantially improved their working results during 1978-79 as compared to the previous year :

Name	Profit (+)/Loss (—) 1977-78	1978-79
	(Rupees in lakhs)	
The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	(+)42.29	(+)63.85
Uttar Pradesh Electronics Corporation Limited	(—) 1.07	(+)5.29
Uttar Pradesh Nalkoop Nigam Limited	(+)2.80	(+)8.34
Uttar Pradesh Small Industries Corporation Limited	(+)5.65	(+)9.90
Uttar Pradesh State Leather Development and Marketing Corporation Limited	(+)0.51	(+)1.07
The Indian Turpentine and Rosin Company Limited	(+)11.61	(+)15.40
Uttar Pradesh Spinning Mills Company (No. I) Limited	(—)195.56	(—)4.82
Uttar Pradesh State Textile Corporation Limited	(—)239.37	(+)70.66
Transcables Limited	(—)3.55	(+)0.18

Five Companies declared an aggregate dividend during 1978-79 of Rs.43.65 lakhs or 2.68 *per cent* of the capital investment by the State Government of Rs. 1,630.46 lakhs.

Name	Paid-up capital	State Government investment	Rate of dividend declared (*per cent*)	Amount of dividend on Government capital (Rupees in lakhs)
	(Rupees in lakhs)			
Uttar Pradesh State Industrial Development Corporation Limited	1,430.73*	1,430.73	2	28.45
Uttar Pradesh Rajkiya Nirman Nigam Limited	100.00	100.00	8.5	8.50£
The Indian Turpentine and Rosin Company Limited	21.83	12.73	1.4	1.78
Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	14.52**	10.00	3.0	0.30
Uttar Pradesh Small Industries Corporation Limited	77.00	77.00	6.1	4.62

*Includes Rs. 8 lakhs being share money received pending allotment.
**Includes Rs 1.91 lakhs being share application money received pending allotment
£Dividend is for the year 1977-78.

The particulars of 5 Companies whose working results substantially deteriorated during 1978-79 as compared to the previous year are given below :

Name	Profit (+)/Loss (—) 1977-78	1978-79
	(Rupees in lakhs)	
Uttar Pradesh State Cement Corporation Limited	(—)70.19	(—)190.60
Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited	(+)5.05	(—)5.02
Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Limited	(—)0.57	(—)3.09
Harijan Evam Nirbal Varg Avas Nigam Limited	(+)4.77	(—)1.12
Uttar Pradesh State Sugar Corporation Limited	(—)558.08	(—)620.63

Of the Companies whose accounts became available for audit in 1978-79, 23 Companies with a paid-up capital of Rs. 8,924.12 lakhs had incurred losses and the total cumulative loss sustained by them amounted to Rs.5,785.21 lakhs. Out of this amount, Rs. 5,763.35 lakhs pertained to the cumulative losses of the following 13 Companies :

Name	Year	Paid-up capital	Cumulative loss	Percentage of cumulative loss to paid-up capital
		(Repees in lakhs)		
Nandganj- Sihori Sugar Company Limited	1978-79	503.00	454.24	90
Uttar Pradesh State Spinning Mills Company (No. I) Limited	1978-79	1,070.00	601.35	56
Uttar Pradesh State Cement Corporation Limited	1978-79	3,707.00*	571.91	15
Chandpur Sugar Company Limited	1978-79	258.00	332.42	129
Chhata Sugar Company Limited	1978-79	253.00	286.36	113
Uttar Pradesh Instruments Limited	1978-79	7.01	76.53	1,092
Uttar Pradesh State Sugar Corporation Limited	1978-79	1,910.00	2,380.11	125
Kichha Sugar Company Limited	1978-79	187.89	596.43	318
Teletronix Limited	1978-79	5.79	8.22	142
Transcables Limited	1978-79	8.09	7.54	93
Uttar Pradesh State Agro Industrial Corporation Limited	1977-78	708.83	409.86	58
Gorakhpur Mandal Vikas Nigam Limited	1977-78	45.00	17.10	38
Uttar Pradesh Poorvanchal Vikas Nigam Limited	1976-77	85.80	21.28	25

*Includes share application money: Rs. 155.00 lakhs.

1.06. *Loans guaranteed by Government*

Government have guaranteed repayment of loans aggregating Rs.9,433.97 lakhs obtained by 17 Companies, against which Rs. 5,095.05 lakhs were outstanding as on 31st March 1979.

The table below indicates the maximum amount guaranteed and the amount outstanding against each Company:

Name	Maximum amount guaranteed*	Amount guaranteed and outstanding as on 31st March 1979*
	(Rupees in lakhs)	
The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited, Lucknow	640.00	447.00
Uttar Pradesh State Agro Industrial Corporation Limited, Lucknow	542.93	21.82
Uttar Pradesh State Bridge Corporation Limited, Lucknow	434.20	266.84
Uttar Pradesh State Sugar Corporation Limited, Lucknow	1,201.30	905.00
Uttar Pradesh State Industrial Development Corporation Limited, Kanpur	70.47	70.47
Uttar Pradesh State Cement Corporation Limited, Churk (Mirzapur)	2,300.00	..
Uttar Pradesh State Food and Essential Commodities Corporation Limited, Lucknow	300.00	..
Uttar Pradesh State Textile Corporation Limited, Kanpur	985.00	879.00
Uttar Pradesh State Spinning Mills Company (No. I) Limited, Kanpur	1,046.50	919.89
Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited, Muzaffarnagar	55.65	..
Uttar Pradesh (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Limited, Bareilly	58.92	..
Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited, Deoria	60.00	43.03

*Figures as per the Finance Accounts of Uttar Pradesh Government for the year 1978-79.

Name	Maximum amouut guaranteed*	Amount guaranteed and outstanding as on 31st March 1979*
	(Rupees in lakhs)	
Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited, Lucknow	90.00	90.00
Kichha Sugar Company Limited, Kichha (Nainital)	135.00	104.00
Chandpur Sugar Company Limited, Chandpur (Bijnor)	387.00	343.00
Chhata Sugar Company Limited, Chatta (Mathura)	377.00	360.00
Nandganj-Sihori Sugar Company Limited, Nandganj (Ghazipur)	750.00	645.00
Total	9,433.97	5,095.0[illegible]

1.07. Further, there were three Companies in the State covered under Section 619-B of the Companies Act, *viz.*, Steel and Fasteners Limited, Almora Magnesite Limited and Electronics and Computors (India) Limited.

The paid-up capital of Steel and Fasteners Limited as on 31st December 1978 was Rs. 90 lakhs (Rs. 70 lakhs in equity shares and Rs.20 lakhs in preference shares) out of which Rs.54.92 lakhs (Rs.37.95 lakhs in equity shares and Rs.16.97 lakhs in preference shares) were held by Companies and Corporations owned or controlled by the Central and State Governments. However, the accounts of the Company for the year ended 31st December 1978 have not yet been finalised (April 1980).

The paid-up capital of Almora Magnesite Limited as on 31st October 1978 was Rs. 140 lakhs, out of which Rs. 85.40 lakhs were held by Companies and Corporations owned or controlled by the Central and State Governments. The working results of the Company for 1977-78 showed a net profit of Rs.59.04 lakhs.

The accounts of Electronics and Computors (India) Limited for the four years ended 31st December 1978 were in arrears (June 1980).

* Figures as per the Finance Accounts of Uttar Pradesh Government for the year 1978-79.

SECTION II

UTTAR PRADESH EXPORT CORPORATION LIMITED

2.01. *Introduction*

The Uttar Pradesh Export Corporation Limited was incorporated in January 1966 with an authorised share capital of Rs.50 lakhs, increased to Rs.150 lakhs in 1977-78.

The main objects of the Company are :

(*a*) to serve as a channel for the goods from the medium and small-scale industries of the State to export markets ;

(*b*) to conduct surveys of markets abroad and co-ordinate the activities of exporters with the Export Promotion Councils and Commodity Boards ;

(*c*) to open export trade centres and to arrange participation in fairs and exhibitions in India and abroad ;

(*d*) to re-orient industries of the State in relation to export markets, to establish institutions for promotion of scientific research and to start common facility centres in respect of such industries ; and

(*e*) to finance and participate in export based industries in the State.

2.02. *Activities*

The Company's activities are confined mainly to the following :

— promotional activities and consultative services to export-based industries ;

— export of traditional and non-traditional industrial products of the State ; and

— production and internal sales of handicrafts and handloom products of the State.

Traditional items of export comprise woollen carpets, woodwares, sports goods, metal art wares, pottery, silk brocade and *chikan* embroidery, leather goods, etc., while non-traditional items include alcohol, molasses, crude rum, etc.

The Company runs 9 handicrafts emporia under the name "Gangotri" in different parts of the country. The Company also participates in fairs and exhibitions in India and business meets abroad. The entire expenditure for participation in such fairs, business meets and exhibitions is reimbursed by the State Government. The Company has also added (1975) imports to its activities to provide to actual users the scarce raw materials and other inputs for export-based industries.

As regards promotional activities, the Company has set up carpet weaving training centres to produce skilled artisans for the carpet weaving industry. The Company has also undertaken development of *chikan* embroidery for export and internal sales and set up export-oriented complexes for ready-made garments (Loni) and sports goods (Meerut).

2.03. *Organisational set-up*

The management of the Company is vested in a Board of Directors consisting of a part-time Chairman, a whole-time Managing Director and 9 other directors appointed by the State Government. The Managing Director is assisted in the day-to-day administration by a Deputy General Manager, Chief Manager (Commercial) and Financial Adviser-*cum*-Chief Manager (Finance) at the headquarters and by divisional heads at Bhadohi (Varanasi), Saharanpur, Meerut and Lucknow. The showroom-*cum*-sales centres are managed by Branch Managers under the overall control of the Administrative Officer, Handicrafts Division.

2.04. *Capital structure*

As on 31st March 1979, the Company had a paid-up capital of Rs. 134 lakhs (including Rs. 20 lakhs as share application money) subscribed by the State Government.

2.05. *Financial position*

The table below summarises the financial position of the Company at the close of the three years up to 1978-79 :

	1976-77	1977-78	1978-79
		(Rupees in lakhs)	
Liabilities			
Paid-up capital (including share application money)	99.00	114.00	134.00
Reserves and surplus	8.35	9.87	11.53
Borrowings (including cash credit)	112.21	162.98	209.63
Trade dues and other current liabilities (including provisions)	55.86	139.50	208.77
Total	275.42	426.35	563.93
Assets			
Gross block	13.54	14.56	19.40
Less : Depreciation	3.63	4.84	6.47
Net fixed assets	9.91	9.72	12.93
Capital works-in-progress	..	..	0.36
Investments	..	9.75	10.65
Current assets, loans and advances	265.51	406.88	538.75
Miscellaneous expenses	..	..	1.24
Total	275.42	426 35	563.93
Capital employed	219.56	277.10	342.91
Net worth	107.35	123.87	144.29

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

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

2.06. *Working results*

During the three years up to 1978-79 the Company had earned a net profit (after tax) of Rs. 5.61 lakhs, Rs. 1.52 lakhs and Rs. 0.40 lakh respectively. The decline in the profits was attributed by the Management (December 1979) to a sluggish market for carpets which is the Company's main item of export.

2.07. *Credit control*

The following table indicates the volume of book debts and sales for the three years up to 1978-79 :

Year	Sales during the year	Book debts at the close of the year	Percentage of debts to sales
	(Rupees in lakhs)		
1976-77	132.32	109.13	82.47
1977-78	208.96	102.58	49.09
1978-79	264.70	116.41	43.98

The book debts of Rs.116.41 lakhs as on 31st March 1979 comprised Rs.4.10 lakhs outstanding against Government departments and Rs.112.31 lakhs against private parties. The age-wise breakup of Rs.116.41 lakhs as on 31st March 1979 was as follows :

Debts outstanding for	Amount (Rupees in lakhs)
Less than six months	89.93
Six months or more	26.29
Doubtful debts	0.19
	116.41

2.08. *Carpet division*

The Company established a Carpet division (October 1974) at Bhadohi (Varanasi) to enter the export market in hand-knotted woollen carpets of Mirzapur-Bhadohi belt, much in demand in the foreign markets. The operational strategy adopted was to encourage private exporters and manufacturers to execute export contracts through the Company ; provide them financial accommodation ; execute export orders by procurement of carpets from the open market and by setting up its own production centres. The activities of the division included the setting up of a showroom for carpets, exploring the foreign markets through exclusive business meets abroad and by participation in international fairs/exhibitions, engagement of agents in India and abroad for export orders, and establishing carpet weaving training centres.

According to the Census Report of the All India Carpet Manufacturers' Association, 95 *per cent* of the total Indian exports of carpets are from the Mirzapur-Bhadohi belt. The following table indicates the Company's share of such exports :

Year	Total exports of Bhadohi carpets	Company's exports of carpets	Percentage of Company's exports to total exports
	(Rupees in lakhs)		
1976-77	5,057.85	175.44	3.5
1977-78	6,923.37	61.72	2.5
1978-79	7,758.58	110.42	1.4

It will be seen that while the country's exports of Bhadohi carpets registered an increase of 53 *per cent*, the Company's exports declined by 37 *per cent* during this period. This was attributed by the Management (April 1979) to a slump in the West German markets where the Company had concentrated its activities, inadequacy of market research and survey, and lack of proper storage and showroom facilities in the foreign markets. The Board of Directors considered (October 1979) the need for market exploration by personal visits of officers to Europe and U. S. A. to finalise agency arrangements in U. K. and Germany, and to study the consumption pattern of carpets in different foreign markets. A study team consisting of 2 directors of the Company visited Europe and U. S. A. in October 1979 on which an expenditure of Rs. 0.77 lakh was incurred. The team's final report was awaited (March 1980).

(a) Procurement of carpets and exports

The Company has not so far developed any infra-structure or captive capacity for production of carpets for export sales, and has been resorting to open market purchases from local weavers/suppliers. Apart from seasonal fluctuations, carpet prices depend on several factors like the quality of yarn and dyes, knotting of threads, warp-weft ratio, design, finish and workmanship. The Company has not established an adequate system or set up committees for purchasing carpets which work is handled exclusively by the Regional Manager (Carpet division) who inspects, negotiates and finalises the rates with the weavers/suppliers. The purchases made during the 5 years up to 1978-79 amounted to Rs.444.29 lakhs. The Management stated (April 1979) that steps were being taken to streamline the purchase policy/procedures.

(b) Export of carpets

The following table indicates the cost of sales and the sales realisations from the export of carpets during the five years up to 1978-79 :

Year	Sales realisation (f.o.b *plus* incentives etc.)	Cost of sales (including agent's commission)	Profit (+)/ Loss (—)
	(Rupees in lakhs)		
1974-75	1.22	1.48	(—)0.26
1975-76	10.21	12.61	(—)2.40
1976-77	88.37	88.92	(—)0.55
1977-78	168.84	159.36	(+)9.48
1978-79	126.22	24.45	(+)1.77
Total	394.86	386.82	(+)8.04

The decline in the profit margin from 5.6 *per cent* in 1977-78 to 1.4 *per cent* in 1978-79 was partly due to clearance of old stocks and partly due to fall in international prices.

(c) Cash incentives on foreign supplies

The Company, after setting up the Carpet division at Bhadohi (October 1974) started executing export orders for woollen carpets by (i) direct procurement of carpets from the local market ('foreign sales') and (ii) by arranging with private exporters for exports through the Company ('foreign supplies'). To promote the exports of woollen carpets, the Government of India allows a cash incentive of 5—20 *per cent* on the f. o. b. value.

The Company effected the following exports of carpets under 'foreign sales' and 'foreign supplies' during the five years up to 1978-79 :

Year	Foreign sales (f.o.b. price)	Foreign supplies (f.o.b. price)	Total
	(Rupees in lakhs)		
1974-75	1.21	34.88	36.09
1975-76	8.75	84.78	93.53
1976-77	73.32	102.12	175.44
1977-78	140.77	20.95	161.72
1978-79	105.63	4.79	110.42
Total	329.68	247.52	577.20

While in the case of 'foreign sales', the entire cash incentive accrues to the Company, in respect of 'foreign supplies', the benefit of cash incentive accrues to the private exporters and the Company recovers a service charge of 2—5 *per cent* as agreed upon between the Company and the private parties.

(*d*) *Loss of cash assistance*

The Company lodged 3 claims (1977-78) aggregating Rs.0.53 lakh for cash incentives which were rejected by the Chief Controller of Imports and Exports on the ground that the documents in support of exports were not got authenticated by the customs authorities at the time of export. The Company stated (January 1980) that the matter was still being pursued.

(*e*) *Over-payment of commission to selling agents*

The Company appoints selling agents to introduce foreign buyers to the Company and render other professional services. The Company engaged 3 foreign firms (two in West Germany and one in United Kingdom) and one Indian firm as its selling agents on a commission of 5 *per cent* of the f.o.b. value of export sales negotiated through them. As per the agreements with the foreign buyers, the agents' commission is payable by the foreign buyers and is included in the f.o.b. value (sale price *plus* agents' commission).

Thus instead of regulating the agents' commission on the f. o. b. sale price, the commission was paid on the basis of the f. o. b. value inclusive of the agents' commission resulting in an additional payment of Rs.0.58 lakh on exports through agents (f. o. b. value : Rs.243.22 lakhs) up to March 1979.

(*f*) *Loss of service charges*

During November 1974 to December 1975, woollen carpets worth Rs.36.07 lakhs (f. o. b. value) were exported to a buyer in West Germany. These exports were executed by private parties and as per the agreement the Company was entitled to a service charge of 2 *per cent* of the f. o. b. value (for pre-shipment inspections) which was recoverable from the foreign buyer and was to be added to the invoice prices. The foreign exchange regulations did not allow any change in the invoice price after the issue of the invoice. The Company having failed to add the service charge to the invoice price, lost an amount of Rs. 0.72 lakh. The Company's efforts to recover these charges separately did not bear any results (May 1980).

(*g*) *Extra liability of interest*

In computing the f.o.b. value of exports, the Company took into account interest charges (payable on advances from bank against shipping documents) for the period of credit (60—120 days) allowed to foreign buyers. During August 1977 to March 1978 remittances against 26 export orders were received after the permitted period of credit. The period of delay ranged from 71 to 486 days. In the absence of any stipulation in the agreement, the Company could not claim interest for delayed payments from the foreign buyers resulting in an additional interest liability of Rs. 1.90 lakhs on bank advances of Rs. 20.06 lakhs taken against these 26 orders. No action has been taken by the Company so far (January 1980) to revise the terms of sale and payment of commission to agents.

(*h*) *Rejection of consignment by foreign buyer*

A consignment of 30 carpets (value: Rs. 1.42 lakhs) was shipped to a firm of U. K. in May 1977. After its arrival at the destination (July 1977) the consignment was rejected by the foreign buyer on the ground that the order had not been executed within the stipulated period, though according to the Company the orders were alive at the time of shipment. The consignment was, therefore, received back in India in July 1978 and was lying uncleared at Calcutta port (March 1980). The loss involved could not be assessed in the absence of details of expenditure on freight, wharfage, handling and other charges not furnished by the shipping agents.

The Management stated (October 1979) that the matter was being pursued with the shipping agents (May 1980).

(*i*) *Cancellation/non-execution of export orders*

(i) The following are the details of export orders received and executed during the five years up to 1978-79:

Year	Value of orders received	Value of orders executed	Value of orders yet to be executed
	(Rupees in lakhs)		
1974-75	37.12	36.09	1.03
1975-76	94.88	93.53	1.35
1976-77	264.27	175.44	88.83
1977-78	162.91	161.72	1.19
1978-79	119.77	110.42	9.35

Orders for Rs.61.70 lakhs (out of Rs.70.83 lakhs) received from the representative of a selling agent of Switzerland, were cancelled during 1976-77 by the selling agent on the ground that the representative was no longer in their employment. Meanwhile, on the basis of the orders received, the Company had, during 1976-77, got 1,216 pieces of carpets manufactured (Rs.4.99 lakhs) as per the designs specified in the orders.

Of these, 953 pieces (value : Rs.4.07 lakhs) were disposed of by export at a loss of Rs.0.34 lakh leaving a balance of 263 pieces (value : Rs.0.92 lakh) still awaiting disposal (May 1980).

(ii) Two consignments of carpets valued at Rs.2.64 lakhs were shipped to a firm of West Germany in March 1976. After arrival of the consignments at the destination, these were rejected by the consignees on the ground that the goods were sent without despatch instructions from them. These consignments were diverted to another firm 'N' of West Germany for disposal through auction.

Besides the cost of the carpets, an expenditure of Rs.0.57 lakh was incurred on freight, clearing and storage charges. The consignments were eventually disposed of (December 1977) for Rs.1.54 lakhs involving a loss of Rs.1.67 lakhs.

(iii) In another case, carpets valued at Rs.2.30 lakhs were shipped to firm 'N' of West Germany in April 1978. The consignment on arrival at destination was rejected by the foreign buyer (March 1979) on the ground that orders for the same were not placed by them. The Company decided (March 1979) to make a distress sale of the consignment. Further details were awaited (March 1980).

(iv) Firm 'N' of West Germany, to whom 14 consignments of carpets (total value : Rs.23.35 lakhs) were exported during the period September 1977 to April 1978 did not accept consignments worth Rs.8.72 lakhs on the grounds that (i) schedule of shipments had been changed unilaterally by the Company and (ii) the shipping documents were not in accordance with the orders.

In September 1979 the Company approached firm 'N' for the clearance of these consignments after pre-inspection. These consignments were still lying with the customs authorities of West Germany (March 1980). Besides freight, wharfage, bonded-warehouse charges and other expenses, the Company had incurred an interest liability of Rs.2.67 lakhs (up to December 1979) on the advances from banks against shipping documents. Further developments were awaited. The case had not been reported to the Board so far (March 1980).

(j) Purchase/sale of woollen carpet yarn

The Company purchased woollen carpet yarn worth Rs. 23.53 lakhs (July 1978—February 1979) from a joint-sector undertaking in which the Company has 26 *per cent* equity participation. The entire quantity of woollen carpet yarn was sold by the Company to the weavers on credit (30 days) for the manufacture of carpets. The weavers were required to pay interest (at 12 *per cent* per annum) on payments delayed beyond 30 days. Up to March 1979 the Company had received carpets worth Rs. 10.78 lakhs leaving a balance of Rs. 12.75 lakhs yet to be recovered (March 1980). The amount of interest for delay in payment of the cost of yarn has neither been assessed nor recovered (March 1980).

2.09. *Leather division, Agra*

Export of shoes

In April 1974, the Company established a Leather division at Agra for export of shoes. During 1974 to 1977 a total quantity of 88,680 pairs of shoes valued at Rs.38.95 lakhs were exported to a firm of USSR through the State Trading Corporation of India (STC). The Company procured the shoes, as per the buyer's requirements, from 31 small-scale manufacturers/fabricators of Agra and Kanpur on the following terms :

(*a*) The goods were subject to quality inspection by four different agencies, *viz.* the Company's own leather goods experts, STC, foreign buyers' representatives in India, and pre-shipment inspection by Government of India.

(*b*) Eighty-seven *per cent* of the f. o. b. value was payable (in advance) in full settlement to the fabricators in case packing, forwarding and shipment charges, etc. were borne by the fabricators, and 75 *per cent* of the f. o. b. value, in case these charges were borne by the Company.

Against the export order of December 1975 (executed in 1976), the foreign buyer accepted shoes of the value of Rs.13.71 lakhs at a discount of Rs.1.57 lakhs (11.5 *per cent*) on the ground of poor quality even though the consignments had been inspected before shipment by four independent agencies including the foreign buyers' representative. The recovery was effected by adjustment against other supplies (Rs.0.86 lakh) and the balance (Rs.0.71 lakh) out of the security deposit of Rs.1.17 lakhs held by the foreign buyer. The deduction of Rs.1.57 lakhs was shared by the Company (Rs.0.71 lakh) and the fabricators (Rs. 0.86 lakh). The balance security deposit (Rs.0.46 lakh) had not yet been refunded (March 1980).

The manufacturers were to be paid 75 *per cent* or 87 *per cent* (as the case may be) of the f. o. b. value which was to be arrived at after deducting 1 *per cent* trade discount to the foreign buyers (i.e. at 99 *per cent* of the invoice value). The Company, however, made the payments ignoring the trade discount resulting in an overpayment of Rs.0.30 lakh, on the total exports of Rs.38.95 lakhs.

The Leather division was not able to secure any export orders after 1977 and was closed down in July 1979. An expenditure of Rs.0.70 lakh was incurred on establishment and other expenses during January 1978–June 1979.

2.10. *Carpet Weaving Training Scheme*

The Government of India and the All India Handicrafts Board (AIHB) started a Carpet Weaving Training Scheme in May 1976 with a view to organising carpet weaving units in the State so as to widen the production base and to provide opportunities to unskilled workers (age group : 12–18 years) to adopt carpet weaving as a source of livelihood and to ensure availability of more skilled weavers. It was intended to train 30,000 weavers in the country, including 18,000 in Uttar Pradesh, over a period of 3 years up to 1978-79. The State Government entrusted the administration of the scheme in the State to the Company. The scheme envisaged training centres with 50 trainees with a standard annual budget of Rs. 1.16 lakhs per centre to cover the rent of building, stipend to the trainees, wages of craftsmen and other expenses. The cost of training was estimated at Rs. 2,324 per trainee. The scheme was to be fully financed by the Government of India/All India Handicrafts Board through grants. Separate grants and loans were given by the State Government for opening of additional training centres.

The following are the details of training centres opened and the grants/loans received and utilised during the three years up to 1978-79 :

Year	Central Government				State Government			
	Centres		Amount of grant		Centres		Amount of grant	
	Sanctioned	Opened	Received	Utilised	Sanctioned	Opened	Received	Utilised
	(Number)		(Rupees in lakhs)		(Number)		(Rupees in lakhs)	
1976-77	20	20	16.16	10.74	..	..	..	..
1977-78	105	105	39.43	16.42	10	..	5.83	..
1978-79	20	..	83.39	70.38	50	..	43.23*	..

*Includes Rs. 7. 50 lahhs as loan carrying interest at 11 per cent per annum with a rebate of 3.5 per cent for timely repayment.

The unutilised grants/loans amounting to Rs.90.50 lakhs (Central Government : Rs.41.44 lakhs ; State Government : Rs. 49.06 lakhs) were either deposited into the Company's bank accounts or utilised otherwise though these should have been refunded to the Central/State Government. It would be seen that not a single centre was opened with the grants/loans received from the State Government.

Under the training scheme, the associate carpet manufacturers were to impart training at the training centres. After completion of the training these centres were to be converted into manufacturing units to be run by the associate carpet manufacturers. 50 *per cent* of the cost of raw material (woollen carpet yarn) and 50 *per cent* of the cost of looms (10 looms per cenre) was to be reimbursed to the associate carpet manufacturers. The Company incurred the following expenditure on raw material supplies, reimbursement of cost of looms and other expenses during the three years up to 1978-79 :

Year	Raw material	Reimbursement of 50 *per cent* cost of looms	Othere expenses
		(Rupees in lakhs)	
1976-77	2.50	0.98	2.62
1977-78	2.46	2.89	..
1978-79	5.00	2.60	..

It was noticed that contrary to the conditions of the grants (and without the prior approval of AIHB) the Company utilised Rs.2.62 lakhs (1976-77) on purchase of a jeep (Rs.0.59 lakh), a photostat machine (Rs.0.18 lakh) and towards the import duty on carpet samples (Rs.1.85 lakhs). It also made an unauthorised reimbursement of cost of raw materials (Rs.2.75 lakhs) and cost of looms (Rs.0.98 lakh). These amounts ((Rs.5.35 lakhs) were accordingly disallowed and deducted from the grants for the subsequent year (1978-79).

2.11. (*a*) *Non-recovery of sale proceeds*

The training scheme envisaged that the associate carpet manufacturers would pay the Company 10 *per cent* of the sale proceeds of the carpets made by the trainees. No procedure was, however, devised to ensure these recoveries. According to the tentative estimates of the Company, the outstandings from the associate carpet manufacturers on this account would amount to Rs.1.20 lakhs. The Management stated (May 1980) that the recoveries were being processed.

(b) Performance appraisal of the scheme

In June 1978, the Company appointed a firm of consultants (fee : Rs.12,000) to evaluate the working of the scheme since its inception. The consultants in their report (April 1979) observed as follows :

(i) During the three years up to 1978-79, the Company had trained 6,500 trainees against a target of 18,000.

(ii) The poor response to the training centres located in the carpet-weaving belts, was due to the fact that the children preferred to learn weaving from their kin craftsmen instead of going to the training centres.

(iii) The Company had not formulated any scheme for loans from financial institutions/banks to the trainees passing out of the centres to enable them to set up self-employment units.

(iv) The training imparted was not of standard quality as the associate carpet manufacturers did not devise any definite programme of training with adequate coverage.

(v) The training programme did not provide any general education to the trainees, most of whom were illiterate.

(vi) In the absence of a separate Administrative Officer (though provided for under the scheme) the manufacturers' administrative problems and demands were not properly attended to.

The Company has yet to take a decision on these recommendations (May 1980).

2.12. *Handicrafts Division*

In accordance with a decision taken by Government (October 1969), the Uttar Pradesh Government Handicrafts Organisation along with its attached offices and 9 showrooms were transferred to the Company in December 1971 on the following terms and conditions :

(i) Saleable stocks to be transferred to the Company at cost (Rs.13.46 lakhs), to be treated as an interest-free loan to be repaid in 10 equal annual instalments.

(ii) Dead-stock serviceable items to be taken over at depreciated cost (*ad hoc* value : Rs.0.24 lakh) to be treated as interest-free loan repayable in 10 equal annual instalments.

(iii) Unserviceable goods would not be transferred to the Company. Later (January 1974), old and obsolete stocks (cost : Rs.1.17 lakhs) were also taken over by the Company and disposed of for Rs.0.89 lakh.

(iv) The Company would be paid an interest-free loan of Rs.5 lakhs (for working capital), repayable in 5 equal annual instalments.

(v) The Company would be paid Rs.11.95 lakhs as grants over a period of 5 years for meeting the establishment expenses as under :

	Amount (Rupees in lakhs)
1st year	4.38
2nd year	3.29
3rd year	2.19
4th year	1.09
5th year	1.00
Total	11.95

(a) Loans from State Government

The following are the details of loans aggregating Rs.45.79 lakhs sanctioned by Government from time to time to the Company for running the handicrafts organisation :

Purpose of loan	Date of sanction	Amount (Rupees in lakhs)	Rate of interest (*per cent* per annum)	Period of repayment (in years)	Rebate for timely re-payment (*per cent*)
1. Transfer of stocks	March 1971	13.46	Interest free	10	..
2. For working capital	March 1973	5.00	Interest free	5	..
3. Interior decoration of Delhi showroom	February 1974	7.50	8.5	9	2.5
4. Renovation of Agra, Calcutta and Hyderabad showrooms	June 1975	2.50	12	3	3.5
5. Renovation of handicrafts showroom, Lucknow	March 1977	8.00	12	3	3.5
6. Renovation of handicrafts showroom, Lucknow	September 1977	5.00	12	3	3.5
7. For opening *chikan* centres	March 1978	4.33	14.5	2	3.5

(b) Repayment of loans

(i) Out of the loan for Rs. 13.46 lakhs (March 1971) a sum of Rs.12.11 lakhs had become due for repayment up to March 1980 against which only four instalments of Rs.1.35 lakhs each were paid during 1978-79 and 1979-80, leaving a balance of Rs.6.71 lakhs (April 1980).

(ii) The conditions of the loan for Rs.5 lakhs (March 1973) provided that in case of default in the repayment of loan instalments the loan would be converted into an interest-bearing loan and interest at Government rates would be charged. The Company requested (March 1976) the Government to grant 5 years' moratorium which was sanctioned by the Government in April 1977 with interest at 13.5 *per cent* (subject to a rebate of 3.5 *per cent* for timely repayments of loan and interest). The loan was repayable in 9 years of its drawal, commencing from the fifth anniversary of the loan. The interest (for the moratorium period) was to be paid in three instalments. Due to failure of the Company to repay the loan within the stipulated period of 5 years when it was free of interest, the Company had incurred an additional liability of Rs.3.38 lakhs (including penal interest of Rs.0.88 lakh).

(iii) While the Company paid the instalments of loan in time in respect of the loan for Rs.7.50 lakhs (February 1974) it did not pay the interest for the first year in time resulting in a loss of Rs.0.19 lakh due to forfeiture of rebate.

(c) Inventory control

The following table indicates the particulars of purchases, sales and stocks for the three years up to 1978-79 :

Particulars	1976-77	1977-78	1978-79
		(Rupees in lakhs)	
Opening stock	28.37	34.44	43.09*
Purchases	27.88	23.91	33.35
Total	56.25	58.35	76.44
Cost of sales	21.81	23.91	39.95
Closing stock	34.44	34.44	36.49

* Differs from the closing stock of 1977-78 due to inclusion of stock of the value of Rs. 8.65 lakhs of *chikan* goods taken over on 1st April 1978.

The value of closing stock represented 19 months' cost of sales in 1976-77, 17 months' cost of sales in 1977-78 and 11 months' cost of sales in 1978-79. The heavy closing stock resulted in blocking of capital besides spoilage, deterioration and handling losses due to long storage. In November 1978, the Administrative Officer, Handicrafts Division reported to the Managing Director a collusion between the suppliers and some staff including managers resulting in heavy accumulation of inventories of sub-standard items. He stated further that repeated orders were placed on a few parties, and as a result of defective procedures, sub-standard and underweight materials were being supplied and accepted. However, no action has been taken to investigate the reported irregularities or to assess the value of slow-moving/defective items (May 1980).

(d) Procurement of handicraft goods

The main object of transferring the erstwhile Uttar Pradesh Government Handicrafts Organisation to the Company in 1971-72 was to ensure operations on sound commercial lines. The procurement of handicrafts, etc. is entrusted to a committee of officials which invites selected known manufacturers and traders of handicrafts and textiles for display, selection and settlement of rates after negotiations. No public advertisement is made. The suppliers so selected are required to despatch their goods directly to the Managers of showrooms. The Managers are, however, not supplied with specifications/samples to enable them to check whether the goods received by them correspond to the approved specifications/samples. The Management stated (January 1980) that the whole procedure of making purchases for showrooms was being examined.

(e) Clearance sale

(i) *Slow-moving articles at showrooms*

In August 1975, the Board approved the Managing Director's proposal for the disposal of old stocks (purchased up to March 1975) lying unsold at various showrooms through a clearance sale after adequate publicity and fixing the price on the basis of saleability. The total sale price of such slow-moving items was Rs.9.68 lakhs. A reduction sale was organised in March 1978 at Lucknow and Nagpur centres with discounts ranging from 20 to 30 *per cent*. An expenditure of Rs.0.34 lakh was incurred on the clearance sale and goods worth Rs.1.50 lakhs only could be disposed of. The quantum of discount was, therefore, increased from time to time and entire stocks could be disposed of only when the quantum of discount was increased to 75 *per cent* (March 1979). After disposal of stocks valuing Rs.9.68 lakhs as above, damaged and unsaleable goods of the value of Rs.2.25 lakhs were still held in stock (December 1979). Since the accounts have not been finalised so far (March 1980), the extent of loss could not be ascertained.

(ii) *Disposal of other items*

In addition, the Company incurred a loss of Rs.1.84 lakhs in the disposal (March 1979) of certain damaged handicraft items lying at the showrooms as under :

	Cost	Realisation (Rupees in lakhs)	Loss
Tie and dye goods	1.20	0.30	(—)0.90
Chikan goods	0.80	0.20	(—)0.60
Pottery	0.55	0.21	(—)0.34
Total	2.55	0.71	(—)1.84

(*f*) *Establishment costs*

The establishment expenses of the Handicrafts Division ranged between 33—36 *per cent* of sales during 1975-76 to 1977-78 as against 10—13 *per cent* as estimated, thus affecting the viability of its operations.

While proposing the transfer of Uttar Pradesh Government Handicrafts Organisation to the Company, it was assessed that the organisation would reach the break-even point within 5 years and generate profits thereafter. However, despite the establishment grants of Rs.15.70 lakhs, interest-free loan of Rs.13.46 lakhs, reimbursement of expenditure of Rs.5 lakhs in 1976-77 and 1977-78 for participation in exhibitions and fairs, etc., the Division was not able to achieve any significant results.

The operating results of the Division for the three years up to 1978-79 are given below :

	1976-77	1977-78 (Rupees in lakhs)	1978-79
Expenditure			
Cost of sales	21.81	23.91	39.95
Other expenses	13.40	18.35	29.17
Total	35.21	42.26	69.12

	1976-77	1977-78	1978-79
		(Rupees in lakhs)	
Revenue			
Sales	29.11	31.03	57.72
Other receipts	2.28*	6.54	12.27
Total	31.39	37.57	69.99
Profit (+)/Loss (—)	(—)3.82	(—)4.69	(+)0.87

The Management stated that efforts were being made to improve sales by renovation of showrooms and better publicity, etc.

(g) *Renovation of showrooms*

(i) *Hyderabad*

In response to tenders for renovation of showrooms invited in February 1977 two firms quoted Rs.1.39 lakhs (New Delhi firm) and Rs.1.10 lakhs (Hyderabad firm). The lower offer was rejected as it was incomplete. After negotiations by a committee the firm of New Delhi reduced (March 1977) the rates by 12.5 *per cent* and agreed to complete the work within 60 days. The work order (Rs.1.22 lakhs) was issued on 7th April 1977 and the agreement was executed on 9th May 1977. The contractor did not, however, start the work. A fresh agreement was executed with the firm on 20th December 1977 on the condition that the work would be completed within 5 weeks. In case of delay the security deposit (Rs.2,435) was to be forfeited and the firm was liable to pay liquidated damages at the rate of Rs.1,500 per day. The firm did not complete the work and was served a legal notice by the Company on 17th August 1978. In the meantime a total amount of Rs.85,000 had been paid against the running account bills during December 1977 to June 1978 including Rs.0.20 lakh advanced (December 1977 and January 1978) for materials brought to site for which there was no provision in the agreement. During the period of renovation (December 1977 to June 1978), the goods of the showroom were shifted to another hired premises and the business remained partially suspended. The Management stated (May 1980) that a suit was filed against the contractor who had left the work incomplete.

(ii) *Lucknow (Hazaratganj)*

The work of renovation of a part of the Hazaratganj showroom was awarded (October 1975) by negotiation to firm 'M' of Lucknow

* Excludes establishment grant of Rs. 4.10 lakhs received from the State Government.

for Rs.0.81 lakh and the work was to be completed by 10th December 1975. Another work order for Rs.0.22 lakh for additional work in the same showroom was given to the firm on 18th February 1976. The firm which was again asked to quote for furniture and fixtures in another portion of the showroom, submitted its quotation for Rs.1.76 lakhs on 23rd February 1976. The Secretary of the Company asked the Administrative Officer of showrooms on 12th April 1976 to call for quotations from a few more firms and accordingly quotations were invited on 21st April 1976 from four other firms (two of Lucknow and two of Delhi). The quotations were to be received within a week – by 29th April 1976. Only a revised offer (Rs.1.59 lakhs) was received from firm 'M'. This work too was awarded to the firm on 25th May 1976. While none of the three works were completed by the firm within the stipulated period, no penalty was imposed.

The Company had also awarded the renovation of showrooms for Rs.6.29 lakhs at Allahabad (Rs.1.29 lakhs), Hazaratganj (Lucknow) (Rs.2.34 lakhs), Agra (Rs.1.31 lakhs) and Divisional Office, Lucknow (Rs.1.45 lakhs), to the same firm either by rejecting the lowest offers or by negotiating with the firm on single offer basis.

(*h*) *Embezzlement in showrooms*

(i) In pursuance of an agreement between the Director of State Lotteries and the Company, Uttar Pradesh State lottery tickets of the value of Rs.2.17 lakhs were sent to Hyderabad showroom from the 22nd draw (February 1973) up to 46th draw (February 1975). The Company was to receive a service charge of 2 *per cent* on the sale of such tickets. The supply of tickets was discontinued thereafter on the ground that a sum of Rs.45,360, out of the sale proceeds of tickets, had not been remitted to the Director of State Lotteries. The salesman in-charge of the showroom was reported (September 1975) to have been selling tickets to lottery agents, etc. in an unauthorised manner (on "sale and return basis") and sharing the commission. The Management stated (April 1979) that the Company had learnt about the non-deposit of sale proceeds only in September 1975, when the matter was reported by the State Government.

It was noticed that sales of lottery tickets were not accounted for in the cash book of the showroom nor was any separate cash book or ledger account maintained. Besides, the records of sales were not checked either by the Handicrafts Division or by the Head Office. On the basis of a departmental enquiry commenced in October 1975 the first information report of the fraud was lodged with the Police 3 years later in September 1978 and the matter was reported to be still under investigation. The person concerned was placed under suspension and final action has yet to be taken (May 1980).

(ii) It came to notice (August 1975) that the Superintendent in-charge of Nagpur showroom had misappropriated cash and goods worth Rs.8,286 during the period 1972-73 to 1974-75. During the same period he had also withdrawn Rs.17,125 from the sale proceeds for depositing sales tax. When a demand notice was received from the Sales Tax Department in September 1977, it was discovered that the amount drawn had not been deposited.

The FIR was lodged with the Police in July 1978. Meanwhile the official had retired from service in February 1977. The latest position is awaited (June 1980).

(iii) According to standing instructions sales to private parties are to be on cash basis only. The In-charge of the Delhi showroom, however, accepted (November 1974) a cheque on the Punjab Co-operative Bank, New Delhi from a private individual who had purchased goods worth Rs.0.20 lakh. When the cheque was sent for collection, it transpired that the cheque was of a firm which had already closed its business in 1969. Neither has the money been recovered from the official responsible nor the loss written off (May 1980). The first information report was lodged with the Police (November 1974) and the latest position was awaited (May 1980).

(*i*) *Shortages in stores and stocks*

(i) In the case of showrooms there was a difference in the quantity of goods despatched from the Central Stores and these received in showrooms during April 1977 to March 1978 and the shortages awaiting adjustment as on 31st March 1978 amounted to Rs.0.45 lakh.

(ii) Shortages (Rs.2.18 lakhs) and excesses (Rs.1.26 lakhs) of goods were noticed in 8 showrooms during physical verification of stocks in March 1979. Action taken to regularise the excesses/shortages was awaited (May 1980).

2.13. *Infructuous expenditure on cancelled Trade Meet at Abu Dhabi*

The Company decided (October 1976) to hold an exclusive Buyer-Seller Meet at Abu Dhabi for the display and sale of building materials, textiles, handicrafts and engineering goods. In November 1977, a week before the proposed Meet, the foreign Government informed the Company telegraphically to cancel the Meet without assigning any reason. The Company had already incurred an expenditure of Rs.0.52 lakh (including Rs.0.27 lakh on travelling expenses to Abu Dhabi of two officers of the Company and Rs.0.21 lakh on advertisement in foreign currency).

The Indian Embassy at Abu Dhabi, when contacted (August 1978) about the prospects of holding the Meet at a subsequent date, informed the Company (September 1978) that most of the business houses were located at Dubai, Abu Dhabi had never been a commercial centre and that Abu Dhabi was not the proper venue for the Meet.

Thus, due to inadequate preliminary investigation, the Company incurred an infructuous expenditure of Rs.0.52 lakh.

2.14. *Chikan production scheme*

The Company established (March 1978) a separate division at Lucknow for production of quality *chikan* goods with the socio-economic objective of providing fair wages to the workers and to eliminate exploitation of workers by middlemen in the trade.

Against a target of Rs.40 lakhs actual production during the first year of the working of the scheme (1978-79) amounted to Rs.6.93 lakhs only. The following irregularities were also noticed :

Chikan stocks worth Rs.4.75 lakhs of the erstwhile Uttar Pradesh Government Handicrafts Organisation were taken over by the Company in March 1978. On physical verification in April 1978 goods worth Rs.1.23 lakhs only were found in stock. Details of shortages amounting to Rs.3.52 lakhs were not on record. Detailed investigation report in the matter is awaited (May 1980).

2.15. *Export oriented complexes*

Hand (Garden) Tools complex

In July 1976, the Company decided to set up a hand (garden) tools complex at Aligarh. The Company awarded (February 1977) the consultancy work to a firm of New Delhi (selected by personal contact) at a total negotiated consideration of Rs.1.50 lakhs inclusive of professional fees and travelling expenses, etc., to be paid in 4 instalments. The project consultancy services to be rendered by the firm in four phases for the establishment of 15 units with 1 mother unit comprised :

(i) methodology and identification of a broad list of items ;

(ii) identification of items to be taken up for manufacture in the complex, product-mix of each unit and other feasibility studies ;

(iii) preparation of a detailed project report for each unit ; and

(iv) implementation of the projects including trial runs.

The firm submitted the feasibility report in respect of Phases I and II on the due dates (March/August 1977) and was paid Rs.0.68 lakh in three instalments during February 1977 to April 1978. In addition, the Company incurred an expenditure of Rs.0.42 lakh on the preliminaries of the project. In April 1977, the Company proposed that the firm should participate in the equity of the proposed new Company to act as a mother unit. The firm did not agree as there was no such stipulation when the work was initially awarded to it. The Board decided (March 1979) not to proceed further with the setting up of the complex as it had not been possible to work out the participation arrangement with the firm. Due to the abandonment of the project, an expenditure of Rs.1.10 lakhs proved infructuous.

2.16. *Manual of accounts, internal audit and costing*

Although the Company has been in existence for over 14 years, it had not so far prepared any manual for cost and accounts procedures, or for purchases and establishment matters.

There was no system of internal audit for periodical checking of the accounts of various divisions and showrooms until July 1878, when a firm of Chartered Accountants was appointed (on a part-time basis) for the year 1978-79 on a fee of Rs.7,000 per annum *plus* actual travelling and other incidental expenses. No centre/unit was visited by the internal auditors and the services of the firm were discontinued (March 1979) and the work entrusted to an Executive (Accounts) who had not visited (December 1979) any divisions/units of the Company for internal check.

The matter was reported to the Management/Government in October 1979 ; replies are awaited (June 1980).

2.17. *Summing up*

(i) While the Company's sales increased from Rs. 132.32 lakhs (1976-77) to Rs.264.70 lakhs (1978-79), its profits declined from

Rs.5.61 lakhs to Rs.0.40 lakh. The profit margin on exports declined from 5.6 *per cent* in 1977-78 to 1.4 *per cent* in 1978-79. The outstandings from private parties amounted to Rs.112.31 lakhs (March 1979).

(ii) The Company established a Carpet division at Bhadohi (October 1974) to enter the export market. The Company has neither developed the infra-structure or captive capacity for the production of carpets nor evolved adequate procedures for purchases from local weavers and suppliers.

(iii) While the country's exports increased by 53 *per cent* during 1976-77 to 1978-79, the Company's exports dropped by 37 *per cent*.

(iv) The Company's claims for Rs. 0.53 lakh for cash incentives (1977-78) were rejected for non-compliance with required procedures. The Company had made an overpayment of Rs.0.58 lakh (up to March 1979) by way of commission to its agents. Besides, the Company lost Rs.0.72 lakh by not adding the 2 *per cent* service charge to the invoice prices.

(v) Due to defective terms of sale, the Company incurred a loss of interest of Rs.1.90 lakhs (26 cases) due to payments (Rs.20.06 lakhs) delayed (by 71—486 days) by foreign buyers.

(vi) Carpets of the value of Rs. 1.42 lakhs shipped to UK in May 1977 were rejected and were lying uncleared at Calcutta port since July 1978.

(vii) The Company had incurred a loss of Rs.2.01 lakhs in 2 export cases and was holding a stock of Rs.0.92 lakh since 1976-77. In another case, a rejected consignment of the value of Rs.2.30 lakhs (shipped to West Germany in April 1978) was awaiting distress sale. In yet another case, carpets of the value of Rs.8.72 lakhs rejected by the buyer were lying with the customs authorities in West Germany and the Company had meanwhile incurred an interest liability of Rs.2.67 lakhs on advances from banks.

(viii) Against woollen carpet yarn worth Rs.23.53 lakhs sold to weavers on 30 days' credit (with interest at 12 *per cent* per annum thereafter), a sum of Rs.12.75 lakhs was still outstanding (December 1979); interest charges had neither been assessed nor recovered.

(ix) The Leather division set up at Agra (1974) was not able to secure any export orders after 1977 and was closed down in July 1979 after incurring an expenditure of Rs.0.70 lakh on establishment etc.

(x) Central/State Government grants/loans for carpet weaving training centres were neither fully utilised nor refunded. Not a single centre was set up against Rs.49.06 lakhs received from the State Government, and an amount of Rs.90.50 lakhs was diverted to other purposes or deposited into the Company's bank accounts.

(xi) The Company had not received from the associate carpet manufacturers 10 *per cent* of the sale proceeds of carpets made by the trainees and the amount recoverable was estimated at Rs.1.20 lakhs.

(xii) The Company is yet to take any decision on the recommendations in the report (April 1979) of the consultants appointed by the Company to evaluate the working of the carpet weaving training scheme.

(xiii) Due to the failure of the Company to repay the interest-free loan of Rs.5 lakhs (Handicrafts division) the same was converted into an interest-bearing loan involving an additional interest liability of Rs.3.38 lakhs (including penal interest of Rs.0.88 lakh).

(xiv) Slow-moving items worth Rs.9.68 lakhs had to be disposed of at heavy discounts ranging up to 75 *per cent*. In addition, damaged handicrafts of the value of Rs.2.55 lakhs were sold at a loss of Rs.1.84 lakhs (March 1979) and damaged and unsaleable goods worth Rs.2.25 lakhs were still held in stock (December 1979).

(xv) The Handicrafts division had incurred losses aggregating Rs. 7.64 lakhs during 3 years up to 1978-79. The establishment expenses ranged between 33–36 *per cent* of sales as against 10–13 *per cent* as estimated. The closing stocks ranged between Rs.34.44 lakhs – Rs.36.49 lakhs and represented 11–19 months' sales during the 3 years up to 1978-79.

(xvi) Apart from cases of embezzlement/defalcation of money and stores etc., shortages of Rs.2.18 lakhs revealed during stock verification (March 1979) were yet to be regularised.

(xvii) *Chikan* stocks worth Rs.4.75 lakhs taken over by the Company (March 1978) revealed a shortage, on physical verification, of Rs.3.52 lakhs which was under investigation (May 1980).

(xviii) The project for an export-oriented complex for the manufacture of hand (garden) tools at Aligarh had to be abandoned after incurring an expenditure of Rs.1.10 lakhs.

SECTION III

UTTAR PRADESH RAJKIYA NIRMAN NIGAM LIMITED

3.01. *Introduction*

With a view to absorbing the staff rendered idle (1974-75) due to heavy curtailment/stoppage of civil works in the Public Works Department, on account of financial constraints, the State Government decided to establish a Company to undertake the construction works of Government undertakings, autonomous bodies, etc. The Uttar Pradesh Rajkiya Nirman Nigam Limited was accordingly incorporated on 1st May 1975 as a wholly-owned Government Company, with the two-fold basic objectives of (i) establishing an agency for speedy execution of works at reasonable rates and replacing private contractors, and (ii) augmenting the financial resources through loans from commercial banks, financial institutions, etc.

The main objects of the Company are to :

(i) carry out construction, maintenance and improvement of roads and buildings, barrages, dams, aqueducts, bridges, culverts, etc.,

(ii) manufacture, buy, sell, install, work, alter, improve, manipulate or otherwise deal in all kinds of bricks, tiles, earthenware, cement, stone, sand, hardware and other building materials, equipment, tools and machinery connected with the construction of roads and buildings of all kinds, and

(iii) purchase, take on lease or otherwise take over any roads and buildings owned by the State Government for the purpose of construction, maintenance or management thereof.

3.02. *Organisational set-up*

The management of the Company is vested in a Board of Directors consisting of a part-time Chairman, a whole-time Managing Director, and five other part-time directors appointed by the State Government. The Managing Director is assisted at the headquarters by a Secretary-*cum*-Personnel Manager, a Financial Adviser, and other functionaries.

3.03. *Delegation of powers*

The Company not having framed its own rules (March 1980), the Managing Director exercises powers similar to those exercised by the Managing Director of the Uttar Pradesh State Bridge Corporation Limited—as approved by the Board (May 1975)—while the other officers exercise powers similar to their counterparts in the Public Works Department without any authorisation by the Board.

3.04. *Transfer of assets by Government*

(*a*) Government decided (November 1975) to transfer some plant and machinery and stores materials, etc. (from the Public Works Department and Uttar Pradesh State Bridge Corporation Limited) to the Company at depreciated book value which was to be treated as capital subscribed by Government. The Company took over these assets (depreciated value: Rs. 25.71 lakhs) including stores materials during 1975-76, without any verification of their condition.

(*b*) The assets taken over by the Company from the Public Works Department included stores materials (book value: Rs. 3.71 lakhs) for which no details were available.

(*c*) The Chief Engineer, Public Works Department intimated (September 1977) the value of assets transferred (excluding the stores materials) at Rs. 26.23 lakhs whereas the Company had taken in its books assets of the value of Rs. 22.00 lakhs. The difference of Rs. 4.23 lakhs had not been reconciled so far (March 1980).

3.05. *Capital structure*

The Company was initially registered with an authorised share capital of Rs. 50 lakhs consisting of 5,000 shares of Rs. 1,000 each, which was later increased to Rs. 500 lakhs (September 1977). The paid-up capital as on 31st March 1979 was Rs. 100 lakhs including Rs. 95 lakhs drawn by Government on 31st March 1976 (Rs. 25 lakhs) and 30th March 1977 (Rs. 70 lakhs) from the Contingency Fund of the State on grounds of 'unavoidable necessity' and 'meeting additional funds urgently required for smoothening of the working of the Company' respectively without any call from the Company. The entire amount received from the State Government continued to be invested by the Company in short-term deposits (March 1979). Had the amount been initially invested in long-term deposits, the Company would have earned an additional interest of Rs. 1.19 lakhs during the period from April 1977 to July 1978.

3.06. *Delay in finalisation of annual accounts*

The delays in the finalisation of accounts of the Company are indicated below:

Year ended on 31st March	Prescribed latest date for finalisation of accounts	Month in which accounts finalised
1976	31st December 1976	March 1977
1977	30th September 1977	September 1978
1978	30th September 1978	October 1979
1979	30th September 1979	Pending

The Management attributed these delays (July 1979) to

(*a*) difficult and remote locations of 120 field units, and

(*b*) delays in the appointment of statutory auditors for 1975-76 and 1976-77. It was noticed, however, that the auditors for 1975-76, 1976-77 and 1977-78 were appointed in April 1976, August 1977 and December 1978 respectively.

3.07. *Financial position*

The table below summarises the financial position of the Company under the broad headings for the four years up to 1978-79 :

	1975-76	1976-77	1977-78	1978-79 (Provisional
		(Rupees in lakhs)		
Liabilities				
Paid-up capital	30.00	100.00	100.00	100.00
Reserves and surplus	0.68	4.81	17.78	17.20
Loans and advances	..	..	0.19	..
Current liabilities (including provisions)	165.74	371.55	647.88	405.89
Total	196.42	476.36	765.85	523.09
Assets				
Gross block	38.80	82.32	122.85	172.80
Less : Depreciation	2.27	11.70	26.93	47.80
Net fixed assets	36.53	70.62	95.92	125.00
Current assets including loans and advances	159.78	405.64	669.84	398.08
Miscellaneous expenses	0.11	0.10	0.09	0.01
Total	196.42	476.36	765.85	523.09
Capital employed	30.57	104.71	117.88	117.19
Net worth	30.57	104.71	117.69	117.19

Note—1. Capital employed represents the net fixed assets *plus* working capital.

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

3.08. *Working results*

Except in the first year (1975-76 : profit — Rs. 2.63 lakhs) the Company's profits in 1976-77 (Rs. 15.80 lakhs) and 1977-78 (Rs. 33.98 lakhs) were earned only from 'cost-plus' works which provide for centage charges at 15—21 *per cent* towards establishment and other overheads besides an element of profit.

The Company paid annual dividend at 8.5 *per cent* during the 3 years up to 1977-78.

3.09. *Technical sanctions*

The Company had taken up 61 deposit works (estimated cost: Rs. 38.55 crores) of the State Government and others up to 31st March 1979 without technical sanctions. Of these, 19 works were completed (June 1977 — February 1979) at a total cost of Rs. 5.83 crores. Construction of 7 works was stopped/held-up/slowed down after an expenditure of Rs. 3.28 crores had been incurred, as further funds were not released (for reasons not on record) by the contracting parties.

3.10. *Construction performance*

A—*General*

The works executed by the Company are broadly divided into (i) deposit works and (ii) contract works. Deposit works are entrusted by the State Government departments/public undertakings and other bodies on 'cost-plus' basis. The centage charges (pursuant to a Government order of 19th February 1976) are fixed at 15 *per cent* on State Government works and 15—21 *per cent* (as agreed upon) on other works. Contract works are secured by the Company by quoting against tenders or through negotiations.

During the four years up to 1978-79, the value of works secured by the Company was as under:

	Deposit works	Contract works
	(Rupees in lakhs)	
1975-76	150.00	1,087.00
1976-77	1,333.23	289.76
1977-78	1,199.49	347.33
1978-79	1,172.20	1,191.89
Total	3,854.92	2,915.98

The accounts of 21 works completed up to 31st March 1979 have not been finalised so far (March 1980). The Company did not execute any formal agreements for the deposit works (March 1980) Formal agreements in respect of 8 contract works (estimated cost Rs. 12.44 crores) had also not been executed (March 1980). Of these, one work (Panki Power House of Uttar Pradesh State Electricity Board — estimated cost : Rs. 15 lakhs) was completed in September 1977 but the accounts have yet to be finally settled (March 1980).

B—*Deposit works*

(*a*) *Excessive construction cost*

(i) One of the basic objectives of the Company was execution of works at reasonable rates but at no stage had the Company verified the reasonableness of the costs. In the case of 4 works, the actual cost *plus* centage charges exceeded by 6 to 56 *per cent* the cost computed on the basis of tendered rates originally received by the client for the same work or at current schedule of rates of the Public Works Department/Irrigation Department as shown below :

Name of work	Period of construction	Cost of construction	Current computed cost		Excess	
			Basis	Amount	Amount	Percentage over current computed cost
				(Rupees in lakhs)		
Warehouse at 13 places in Phase I	January to September 1977	405.35	Actual cost at tendered rates received by client	334.66	70.69	21
Production Hall, Kashipur (Nainital)	November 1975 to September 1977	53.59	Actual cost at tendered rates received by client	50.54	3.05	6
Multi-storeyed Shopping Complex, Lucknow	November 1976 to January 1978	87.40	Current scheduled rate of Public Works Department	78.02	9.38	12

Name of work	Period of construction	Cost of construction	Current computed cost Basis	Amount	Excess Amount	Percentage over current computed cost
			(Rupees in lakhs)			
Minor bridges at Rae Bareli	September 1977 to February 1978	6.26	Current scheduled rates of Irrigation Department	4.01	2.25	56
Total		552.60		467.23	85.37	18

Tender rates or otherwise computed rates in respect of other works were not available with the Company.

(ii) *Sugar factory building, Chandpur and Nandganj*

The actual consumption of steel in the factory buildings constructed (1977-78) at Chandpur (Bijnor) and Nandganj (Ghazipur) was more than the quantity of steel required according to the design prepared by the Architect and also varied *inter se* substantially, (despite identical designs and specifications) as indicated below :

Name of factory	Actual consumption of steel	Required as per design	Excess consumption	Extra expenditure (Rupees in lakhs)
	(In tonnes)			
Chandpur (Bijnor)	480	435	45	1.13
Nandganj (Ghazipur)	554	432	122	3.05
Total	1,034	867	167	4.18

(iii) *Minor bridges, Rae Bareli*

On completion of work entrusted by the Irrigation Department, the Company raised a bill (March 1978) for Rs. 6.26 lakhs (actual cost with 15 *per cent* towards centage charges) which was considered excessive by the Department with reference to the cost of Rs. 4.01 lakhs computed on the basis of the Department's current schedule of rates and the excess of Rs. 2.25 lakhs was disallowed (March 1980).

(*b*) *Excess over estimates*

Actual cost of some completed works exceeded the estimated cost (prepared and intimated by the Company) by 10 to 29 *per cent* as per details given below:

Name of work	Month of estimate	Period of execution	Estimated cost	Actual cost	Excess	Percentage of excess over estimate
			(Rupees in lakhs)			
Warehouses at 16 places in Phase II	August 1978	March 1977 to September 1978	227.87	250.71	22.84	10
Roads and ancillary works for warehouses under Phases I and II	April 1978[1]	July 1977 to September 1978	120.67	149.60	28.93	24
Sugar factory buildings, Nandganj	June 1977	January 1977 to July 1978	91.57	117.67	26.10	29
Bharat Heavy Electricals Limited Hostel, Obra	May 1976	May 1976 June 1977	3.40	3.76	0.36	11
		Total	443.51	521.74	78.23	18

(*c*) *Lack of cost control*

A review in audit revealed (July 1979) wide variations in the various elements of cost for comparable works executed by the Company during 1976-77 and 1977-78 as indicated below:

Name of work	Value of work done (Rupees in lakhs)	Percentage to the value of work done					
		Materials	Wages	Shuttering materials	Works overhead	Administrative overheads* (field)	Net profit
Warehouses at							
Allahabad	28.28	71.8	12.2	1.1	2.0	4.4	8.5
Orai	53.58	64.8	16.6	1.1	4.4	2.1	11.0
Konch	14.02	63.3	18.8	1.1	3.6	2.1	11.1
Thakurdwara	11.97	67.5	13.6	0.9	4.8	4.9	8.3
Gadarpur	28.86	65.5	15.7	1.1	4.8	3.3	9.6
Kosikala	12.80	64.8	17.3	1.4	3.5	5.6	7.4
Auraiya	22.32	67.0	13.8	0.9	5.0	3.3	10.0

*Excludes administrative overheads(head office).

(d) Delay in completion

The schedule of completion of works is settled by the Company by mutual agreement with the client. Of the 19 works completed during June 1977 to February 1979, there were delays of 3–12 months in the completion of 16 works which, *inter alia*, increased the cost of construction. Payments against these works have not been finalised by the clients so far (March 1980).

(e) Disputes

A test check revealed (July 1979) that in respect of 6 works completed by the Company, a payment of Rs. 13.12 lakhs had been withheld by the clients for the reasons indicated below:

Name of work	Period of construction	Amount withheld (Rupees in lakhs)	Reasons
Boundary wall, Phulpur (Allahabad)	April 1976 to March 1978	1.60	Actual consumption of materials was in excess of the norms prescribed.
Diversion drain, Phulpur (Allahabad)	June to December 1976	0.46	Progress of the work being very slow, the work was withdrawn and payment for work done withheld.
Other works at Phulpur (Allahabad)	April 1976 to June 1978	3.36	Details of consumption of materials not furnished.
Bharat Heavy Electricals Limited Hostel, Obra (Mirzapur)	May 1976 to June 1977	0.84	Justification for materials purchased and labour employed not furnished.
Sugar Factory buildings, Chhata (Mathura)	September 1976 to May 1978	5.85	Details of expenditure not furnished.
Uttar Pradesh Financial Corporation buildings, Kanpur	April 1976 to March 1978	1.01	Details of expenditure not furnished.
	Total	13.12	

(f) Defective works

It was noticed that the Company does not undertake investigation of defective works. Details of expenditure incurred on dismantling and rectification of defective works are also not maintained and the expenditure is merged with other expenses of the works and charged as actual cost (with centage charges thereon) leading to disputes.

(g) *Unauthorised execution of works*

(i) In September 1977, Government asked the Company for a detailed estimate for the construction of residential buildings of the Estate Department at Lucknow (estimated cost : Rs. 46.11 lakhs). The Company submitted the estimates and started the construction work on 25th October 1977, without authorisation or transfer of possession of land by Government. The work had to be suspended on 9th November 1977 due to obstruction by local residents. An expenditure of Rs. 0.33 lakh incurred by the Company during this period was rendered infructuous without a claim having been preferred so far (March 1980).

(ii) The Company started construction of residential buildings (June 1978) in Deoria district without the finalisation of drawings, which were finalised in December 1978. The work already executed in foundations and plinth before finalisation of drawings was in excess (Rs. 0.16 lakh) of the quantity required which was disallowed by the client (March 1980).

C—*Contract works*

(a) *Ineffective working of contract and tendering cell*

The Company set up a contract and tendering cell in December 1975. It was noticed that rates were being quoted by the cell without any detailed analysis of costs.

(b) *Business through competitive tenders*

The Company had not maintained any information regarding the tenders in which it participated, its position therein and the value of tenders submitted. It was noticed that the Company was not able to secure many works through participation in open tenders, as shown below :

Year		Number of tenders submitted	Number of works secured
1975-76		22	1
1976-77		11	2
1977-78		19	5
1978-79		18	4
	Total	70	12

(*c*) *Unworkable rates*

The Company had not worked out the profit/loss on the execution of individual contracts. It was noticed that in a number of cases the rates offered (without detailed analysis) were found to be unworkable resulting in losses. To illustrate :

(i) *Panki Thermal Power Station, Kanpur*

The Company accepted (February 1976) the construction of roads, drains and pavements (value : Rs. 13.31 lakhs) at the rates offered by a client without examining them. The work, completed in September 1977, resulted in a loss of Rs. 2.27 lakhs which was attributed by the site-in-charge (May 1977) to unworkable rates and difficult site conditions.

(ii) *Indian Telephone Industries, Naini* (*Allahabad*)

The Company tendered (November 1977) for the work of residential and administrative buildings (estimated cost : Rs. 22.72 lakhs) at 32.52 *per cent* above the CPWD rate schedule, 1974. During negotiations the Company reduced the rates by Rs. 1.14 lakhs, and had suffered a loss of Rs. 1.17 lakhs on 51 *per cent* of the work executed up to 31st March 1979. The work was still in progress (March 1980).

Actual cost of execution was found to be 13—23 *per cent* higher in different items than the accepted rates.

(iii) *Bharat Pumps and Compressors Limited* (*Allahabad*)

The Company undertook construction of an administrative building (October 1976) at 50 *per cent* above the client's own rate schedule for Phase I works (estimated cost : Rs. 15 lakhs). Further work of residential buildings offered by the client (June 1977) at 19 *per cent* above the CPWD rate schedule, 1974 (estimated cost : Rs. 30.25 lakhs) was also accepted by the Company. The Company had suffered a loss of Rs. 3.11 lakhs (10.76 *per cent*) against 70 *per cent* of the work completed up to March 1978.

A detailed scrutiny (March 1979) of 5 major items disclosed that the cost of actual execution was 10—44 *per cent* higher than the rates accepted by the Company (figures for 1978-79 were not yet available).

(*d*) *Defective agreements*

The Company suffered losses due to commencement of work before settling the rates and/or due to non-provision for recovery of extra expenditure :

(i) *Civil works at Dalla (Kajarhat Cement Factory, Mirzapur)*

The Company on its own offered (March 1977) to execute civil works of the crushing plant at Kajarhat (7 km from Dalla factory) at the rates offered by another contractor 'B' for the civil works of clinker-plant in Dalla factory and whose rates were still under negotiation with the client. The Company did not scrutinise the terms and conditions applicable to contractor 'B' whose site of work was not comparable to the site of work in question. The Company started the work in April 1977 without executing any formal agreement or settling the detailed terms and conditions. Contractor 'B' had quoted various rates for earthwork up to 15 metres depth. As earthwork beyond 9 metres depth was not required in the case of work of contractor 'B', the rates for earthwork beyond 9 metres and up to 15 metres depth were deleted by the client from their scope of work. The Company preferred a bill for excavation from 9—15 metres depth at the tendered rate of contractor 'B' (later deleted in the contract of 'B') but the client treated these as extra items and paid (December 1977) for them at rates lower than the tendered rates of contractor 'B' — resulting in non-recovery of Rs. 0.58 lakh.

Further, during negotiations contractor 'B' had agreed that excavation beyond 15 metres depth, if any, would be paid at the rate derived on the basis of analysis with reference to the nearest comparable item of the tender. The Company billed the client for 8,361.91 cu m (beyond 15 metres depth) at Rs.88.50 to Rs.228.50 per cubic metre with reference to the rates as originally offered by contractor 'B'. The client instead paid the bills at Rs. 49.50 to Rs. 84.50 per cubic metre on the ground that work in the depth between 9 to 15 metres had been deleted from the scope of work of contractor 'B'. This resulted in non-recovery of Rs.6.46 lakhs.

After the work was started (April 1977), the General Manager informed the head office (May 1977) that the terms and conditions applicable to contractor 'B' provided for payment for the quantities as per the drawing, and did not envisage payment for extra excavation of earth required for the execution of the work. The Managing Director approached the client (June 1977) for payment for actual quantities instead of quantities as per the drawing. This was not agreed to by the client (November 1977) resulting in a non-recovery of Rs. 0.34 lakh.

(ii) *Civil works at Jhansi*

(1) The company undertook the construction of a residential building at Jhansi (August 1975) after negotiations with the client

without finalising the detailed terms and conditions or executing a formal agreement. The client had during negotiations offered to supply boulders (departmentally) at a concessional rate. The Company approached the client for issue of stone boulders (June 1976) which were supplied from January 1977 at Rs. 15.75 per cu m (including cartage). The Company had purchased earlier (during August 1975 to December 1976) 3,150 cu m of boulders in the open market at Rs. 28 per cu m (including cartage) involving an extra expenditure of Rs. 0.39 lakh which could not be recovered from the client.

(2) The agreement with the client provided for supply of cement by the client. During June-July 1977 the client could not supply cement for 23 days at all and supplied only 50 *per cent* of the requirement for 17 days resulting in an avoidable expenditure of Rs. 0.22 lakh on idle establishment for which no claim was lodged in the absence of any provision in the agreement.

(iii) *Civil works at Hardwar*

The Company started construction of various works (August 1975) without finalising the specifications and scope of work or execution of an agreement. The Company executed 51,078 sq m cement sand plaster in 12 mm thickness over RCC slabs. The client, however, regulated the payments at the rate applicable for 6 mm thickness on the basis of CPWD specifications for RCC work resulting in a non-recovery of Rs. 0.53 lakh on account of excess consumption of cement (cost of 3,825 bags: Rs. 0.49 lakh) and sand (Rs. 0.04 lakh). The issue is still under negotiation with the client and the final bill for the work is yet to be settled (March 1980).

(e) *Works withdrawn from the Company due to delays*
Obra Thermal Power Project

The Company had initially agreed (December 1975) to complete the work of laying and testing of pressure conduit (estimated cost: Rs.153.49 lakhs) of the Project by August 1976 but the target date of completion was revised thrice during March—June 1976 as under:

Month of revision	Revised target date of completion
March 1976	November 1976
April 1976	December 1976
June 1976	June 1977

Up to August 1976, the Company had completed only 15 *per cent* of the work. Due to frequent revisions of target dates for completion, the client withdrew (August 1976)a part of the work (value : Rs.59.16 lakhs) and awarded it to another agency. The Company had meanwhile got 169.75 tonnes (as against 40.37 tonnes required for the reduced quantum) of steel fabricated for shuttering works at a cost of Rs.5.75 lakhs, resulting in an extra expenditure of Rs.2.83 lakhs.

A technical consultant appointed by the Company (June 1976) reviewed the work under execution and attributed the delays (August 1976) to inadequate labour force at site ; non-mechanisation of huge volume of earthwork and non-adherence to the monthly targets.

The consultant had recommended the completion of the residual work by mid-February 1977 which was actually completed in March 1978.

3.11. *Uneconomic execution of works*

A—Obra Thermal Power Station

(*a*) *Extra expenditure*

The construction of earthen banks of the in-take and off-take channels and forebay in the cooling water system of the project entrusted (December 1975) to the Company (estimated cost : Rs.210.62 lakhs) involved earth-filling with excavated materials brought from burrow pits. The work was started by the Company in June 1976 and completed in October 1977. The earth-filling carried out by the Company between June and September 1976 was found to be not in proper alignment and had to be excavated and re-laid (24,138 cu m) resulting in an extra expenditure of Rs.1.03 lakhs.

(ii) The construction of the bunds (of channels) was entrusted by the Company to three piece-rate workers, who were paid for 1,56,427 cu m of earth-filling work (August 1976 to October 1977) at an average rate of Rs.10.28 per cu m. While making payments 24,138 cu m of earth re-laid earlier (by other piece-rate workers) was by mistake not deducted resulting in an excess payment of Rs.2.48 lakhs. No action had been taken to effect recovery of amount paid in excess (March 1980).

(*b*) *Extra expenditure in finishing of re-inforced cement concrete* (*RCC*)

During April—July 1977 the Company carried out finishing of 12,620 sq m RCC surface (including chipping of bulged portion) in the cooling water system at a cost of Rs.1.12 lakhs. The item was neither provided for in the bill of quantities nor approved by the client. The Project Manager stated that this was a necessary item of work. A scrutiny of the records, however, revealed that (i) the finishing item was executed only in a limited portion of the work and (ii) no claim had been preferred for the expenditure incurred.

Similarly, another work of cement slurry over RCC (8,431 sq m) was executed in respect of this work during the same period which was not covered in the bill of quantities. It consumed materials valuing Rs. 0.19 lakh (the labour cost was not determinable).

The finishing and slurry works involved an avoidable expenditure of Rs.1.31 lakhs.

(c) Dismantling of work

Due to development of cracks in the RCC panels of the discharge channel, the panels had to be dismantled and re-laid at an extra cost of Rs.0.39 lakh.

B—Civil work of crushing plant at Dalla

(a) Loss due to fall of slips

The terms and conditions of the work relating to excavation of earth up to 31 metres depth provided that any damage caused through settlement, fall of slips and overheads or any other natural causes due to the negligence, omission and commission of the contractor would be borne by the contractor. The Company agreed to provide working slopes for safety against side slips (December 1977). The client warned the Company (January 1978) to complete the safety arrangements at 31 metres depth before the monsoon, which was, however, not done by the Company.

The client permitted the concreting work (June 1978) on the express condition that any accident arising from unsafe working conditions would be the Company's responsibility. Two slips occurred (September 1978 and February 1979) causing damage to the reinforcement of a portion of the wall, columns of crusher-house under construction and shuttering, etc. fixed for laying concrete slabs, involving an extra expenditure of Rs.7.66 lakhs, claims for which (September 1978 — February 1979) were rejected by the client (March 1979).

(b) Rectification of defective works

In Dalla unit, the Company carried out (November—December 1978) rectification of reinforcement raft of the Gyratory Crusher Pit at a cost of Rs.0.30 lakh as the work executed earlier was not according to the approved drawing. The Company's claim (February 1979) for the amount was rejected by the client (March 1979).

C—Civil works at Bharat Pumps and Compressors Limited

(a) Non-execution of work according to specifications

The Company executed (September 1977) sand-faced plaster over brick wall in the administrative building of the client instead of plain plaster as provided in the agreement. At the instance of the client (December 1977), the plaster had to be dismantled and re-done as required. An expenditure of Rs.0.30 lakh on this account was disallowed by the client.

(b) Loss in execution of finishing work

The Company incurred an expenditure of Rs.0.38 lakh (April 1977—March 1978) on 5,962 sq m of cement plaster over reinforced concrete work in the administrative building which was not envisaged in the agreement. No claim was preferred for the amount (March 1980).

D—Construction of roads, pads and tanks in Mathura Refinery

Stripping work

The Company executed stripping work in an area of 16.99 lakh sq m and preferred claims of Rs.8.12 lakhs (August 1978). The client disallowed Rs.0.63 lakh for the work done in 2.41 lakh sq m (January 1979) on the ground that no stripping was required in that area.

E—Construction of residential buildings at Bina (Mirzapur)
Extra expenditure

In terms of an agreement executed with the client in February 1976, the Company had the option to execute either stone masonry or brick work in the residential buildings at Bina (Mirzapur) on the condition that stone masonry in 13.5 inch thickness would be paid for 9 inch thickness only. The Company chose stone masonry work without analysing the comparative costs, involving an extra expenditure of Rs.0.52 lakh (1,848 cu m at Rs.27.90 per cu m).

F—Wooden shuttering

A test check of the cost of wooden shuttering in 4 units disclosed that the actual expenditure on materials ranged between Rs.10.50 to Rs.46 per sq m and labour rate (for making, fixing and removing the shuttering) was Rs.20 per sq m as against the rates of Rs. 4 (ordinary wood) and Rs. 5 (plywood) per sq m for materials and Rs. 9 per sq m for labour computed in accordance with the

CPWD rate schedule which envisaged repetitive use of wooden shutterings 16 times. On that basis the extra expenditure on shuttering amounted to Rs.17.22 lakhs as indicated in the table below :

Unit	Area of shuttering (In square metres)	Cost of shuttering As per CPWD rate schedule	Actual	Excess
		(Rupees in lakhs)		
Kashipur (Material)	10,278	0.41	1.88	1.47
Kashipur (Labour)	1,718	0.15	0.43	0.28
Rae Bareli (Material)	460	0.02	0.21	0.19
Obra (Material : Ordinary wood)	64,412	2.58	21.28	14.83
(Material : Plywood)	77,404	3.87		
Bina (Material)	7,000	0.28	0.73	0.45

3.12. *Engagement of labour*

With a view to effect economies in costs the Company decided (October 1975) to eliminate middlemen and execute works through piece-rate workers.

No consolidated records were, however, maintained indicating the particulars of works so executed. A test check in audit disclosed the following :

(*a*) *Engagement of big contractors*

It was seen that works were got done through big contractors by rejecting the lower offers already received from the piece-rate workers thereby defeating the objective of the Company of eliminating private contractors as would be evident from the following three cases :

(i) The Obra unit rejected the lowest offer (October 1977) of Rs. 8.88 per cu m of earth-work from a piece-rate worker of Palamu in Bihar (alongwith eight other higher offers from other piece-rate workers), for 1,50,311 cu m of earth-work for the construction of an ash bund. The offer was rejected on the ground that the piece-rate worker did not have the capacity to complete the work in time and his financial position was unsound. It was noticed, however, that the same piece-rate worker had already completed earth-work allotted by the unit during December 1975 to March 1976. The work was awarded (October 1977) at a negotiated rate of Rs.12.30 per cum to two contractors of Obra, who completed the work after a delay of 3 months (June 1978). The award of work at higher rates resulted in an extra expenditure of Rs.5.14 lakhs to the Company.

(ii) Out of 1,60,000 cu m of earth-filling work for the construction of channels at Obra, 35,000 cu m of work was executed (August 1976 to October 1977) through two piece-rate workers at Rs. 9 per cu m. Quotations were invited (August 1976) for the hiring of 50 trucks for executing the remaining work through departmental labour. In response to the enquiry, a firm of Delhi offered to supply the requisite number of trucks but did not quote the hire charges. The Project Manager eventually entrusted 1,50,000 cu m of earth-filling work to this firm at the negotiated rate of Rs.11.57 per cu m (October 1976) involving an extra expenditure of Rs. 3.21 lakhs (1,25,030 cu m) .

(iii) The lowest offer of Rs.500 per tonne received (July 1976) from a piece-rate worker of Delhi and the second lowest rate of Rs.550 per tonne received from a piece-rate worker of Chandpur (Bijnor) for fabrication of steel structures were rejected (October 1976) by the Project Manager of Chandpur Unit on the ground that experience certificates (which were not called for in the tender notice) had not been furnished. The work (625 tonnes) was awarded during October 1976 to March 1978 to a single firm of Maharashtra (which had not quoted earlier in response to the tender and was asked by the Project Manager to quote rates) and its two associates at Rs.640 per tonne involving an extra expenditure of Rs.0.88 lakh.

(*b*) *Allowing profit to piece-rate workers like contractors*

(*i*) The Managing Director in his circular, dated 3rd July 1977 directed, *inter alia*, that in the case of piece-rate workers there was no question of profit and loss as in the case of contractors/sub-contractors. According to an earlier circular (1st October 1975) from the Managing Director, the rates to be allowed to piece-rate workers were to be based on the rates allowed by other organisations/contractors in the area and/or analysis as per the CPWD schedule of rates. A test check in audit revealed that in 5 units a profit of Rs.6.11 lakhs (varying from 7—10 *per cent*) was passed on to the piece-rate workers on works of the aggregate value of Rs.61.25 lakhs (May 1975—March 1978). A test check (May 1979) in 5 units disclosed that the rates allowed to piece-rate workers (November 1975—March 1978) were higher than the rates worked out on the basis of CPWD analysis of rates due to which the Company was put to an extra expenditure of Rs.0.75 lakh, in respect of 4 items of work valued at Rs.17 lakhs approximately.

(ii) *Excess payment*

The Mathura Refinery unit of the Company awarded the work of earth-filling to a piece-rate worker through three work orders (November-December 1976) for different leads without indicating the total quantities involved. Earth was to be excavated, carried, spread and compacted and payment was to be released on measurements of the compacted earth. Measurements of compacted earth were, however, not recorded and payments were released after deducting 20 *per cent* (for wastage and making way for work) from the measurements of the total earth excavated from the burrow pits. This was stated to be in accordance with a decision reached by the Project Manager in a meeting with the piece-rate workers for which no minutes were on record. The basis of payment was, however, not acceptable to one piece-rate worker who lodged a claim (March 1977) through a legal notice for full payment without deductions for compaction, etc. Finally the Managing Director ordered the payment of Rs.0.29 lakh (January 1978) representing the deduction at 20 *per cent* for compaction etc. stating, *inter alia,* that the work order had not been correctly drafted by the Resident Engineer.

(c) *Advances to piece-rate workers and labour suppliers*

The Company has neither delegated any financial powers to field officers nor have any guidelines been issued for regulating advance payments to the piece-rate workers (July 1979). The Project Managers and Resident Engineers were, however, allowing advances to the piece-rate workers (without security) for material brought to site or works done but not measured etc. A sum of Rs.5.21 lakhs advanced during 1975-76 to 1977-78 was outstanding (March 1980) from 68 piece-rate workers in four units *viz.* Obra, Bareilly, Kashipur and Hardwar Unit I. Recovery/adjustment appeared doubtful as these piece-rate workers were not presently working in the units. No action was taken by the field officers to measure the works done by piece-rate workers and to recover the balance amount, if any, from them (March 1980). Records did not indicate that any disciplinary action was taken against the defaulting officers.

(d) Departmental labour

Labour for execution of works was being engaged either directly on muster rolls or through labour suppliers. The labour employed on muster rolls was also obtained through labour suppliers from Orissa. Ministerial and operating staff like typists, clerks, assistants, store-keepers, peons, chowkidars, vehicle drivers and machine operators were also engaged through labour suppliers. Commission was paid at Re.0.25–0.50 per labourer per day or 5–10 *per cent* of the wages. A test check disclosed that in 4 units Rs.12.37 lakhs (including commission) had been paid to labour suppliers (January 1976–December 1978) without verification of attendance and measurement of work. In the absence of a record of measurement, the extent of overpayment, if any, could not be assessed.

To meet the railway fares (from Orissa to the work sites) and wages/commission, the Obra Unit advanced Rs.2.81 lakhs to 'A' and Rs.1.15 lakhs to 'C' (August-October 1977) both labour suppliers. Out of this, Rs.1.93 lakhs were recoverable from 'A' (Rs.1.72 lakhs) and 'C' (Rs.0.21 lakh) who were no longer working with the Company. No action had been taken for its recovery so far (March 1980).

(e) Payment for idle labour

The Project Manager of Unit I at Obra transferred 45 surplus workers to Unit II (May 1978). The Project Manager of Unit II at Obra, however, refused to accept them as he too had surplus workers. The workers (both units) who were idle since February 1977–March 1977 were eventually retrenched in July 1978. The wages paid to them during this period amounted to Rs.1.60 lakhs.

3.13. *Purchase procedures*

(a) In May 1975, the Board approved in principle (subject to detailed scrutiny) the procurement of materials through Purchase Committees. The Managing Director directed (October 1975) that all purchases of over Rs.5,000 would be made through the Purchase Committee consisting of the Project Manager, the Accountant and the Resident Engineer. For purchases between Rs.500 to 5,000 the Purchase Committee would consist of a Resident Engineer, a representative of the Accounts Department and a sub-engineer while purchases below Rs.500 would be decided by the Resident Engineer in consultation with the Project Manager. The Purchase Committees were to obtain quotations from as many parties as possible or secure rates and terms from suppliers by personal visits. The Managing Director dispensed with tenders/

quotations (October 1977) ; purchases being finalised on the basis of market surveys. The rates so collected were to be chronologically recorded in the form of minutes by the Purchase Committee. Orders were to be placed for 1—3 months' requirements at a time. Materials like steel, cement and heavy equipment were to be procured centrally by the Managing Director and supplied to field units as per their requirements. Pending detailed delegation of powers, the Project Managers were to exercise the powers of Superintending Engineers of the State PWD. These procedures had not yet been approved by the Board (March 1980).

A scrutiny of records revealed that by restricting the purchases to 1—3 months' demand in respect of materials with recurring requirements like bricks, grits, etc. the Company was put to an extra expenditure of Rs.1.37 lakhs in 3 units as compared to their earlier rates as shown below :

Units	Name of material	Period of earlier purchases	Period of subsequent purchases	Amount of extra expenditure (Rupees in lakhs)
Multi-storeyed shopping complex, Lucknow	Stone grit	November 1976	January to April 1977	0.36
Warehousing Unit, Varanasi	Overburnt bricks, lime, stone grit, and sand	February to June 1978	April to October 1978	0.71
Sugar Factory, Nandganj	1st class bricks	March 1977	May to October 1977	0.30
			Total	1.37

Had these purchases been effected on the basis of running rate contracts the extra expenditure could have been avoided.

(b) Irregular purchases

A test check of purchases in five units disclosed that in 40 cases building materials valuing Rs.41.42 lakhs were purchased (April 1975 to June 1977) without the approval of the Purchase Committees and decisions were either taken by the Project Manager/Resident Engineer alone or by the two sub-engineers and the Accountant.

The minutes of the Purchase Committees in many units did not contain (i) the dates of the meetings and details of market surveys (ii) details of rates, taxes, conditions and the basis for decision and (iii) dated signatures of the members.

(c) Purchase at higher rates

(i) In accordance with the decision of the Purchase Committee on the basis of quotations, the Mathura Refinery Unit purchased 53,535 cu m of Chambal coarse sand during November 1976 to March 1979 at Rs.53 per cu m. Another contractor (executing civil works of the same client at the same site) had during the same period purchased Chambal coarse sand at Rs.49.05 per cu m. The purchase at a higher rate thus resulted in an extra expenditure of Rs.2.11 lakhs.

(ii) The Nandganj unit purchased 4,994 cu m (20 mm) of Dalla stone grit by negotiation at Rs.119.50 per cu m (3,012 cu m) during January—June 1977 and on the basis of quotations at Rs.115.50 per cu m (1,982 cu m) during June—December 1977. During the same period the Public Works Department had purchased at Ghazipur the Dalla stone grit at Rs.102 and Rs.109 per cu m. Nandganj being 18 km nearer Dalla than Ghazipur, the rate of Dalla grit should have been lower at Nandganj. Thus, the purchases resulted in an extra expenditure of at least Rs.0.66 lakh.

(iii) The Okhla unit purchased 8,600 cu m stone grit at Rs.45.72 per cu m (5,000 cu m : 20 mm) and at Rs.47.79 per cu m (3,600 cu m : 12 mm) *ex*-quarry site (excluding Rs.13.35 per cu m for transportation to work site) on the basis of rates obtained personally by the Purchase Committee members during January-March 1979. During the same period, the Uttar Pradesh State Bridge Corporation Limited at Ghaziabad had purchased stone grit of 10 mm, 20 mm and 25 mm sizes in bulk at Rs.39.65, Rs.39.65 and Rs.34.85 per cu m *ex*-quarry site respectively. Thus, the purchases at Okhla involved an extra expenditure of Rs.0.60 lakh.

(iv) As against the controlled rate of Rs.90 per 1,000 bricks fixed by the respective district authorities under Uttar Pradesh Bricks Control Order, 1971, 24.67 lakh first class bricks were purchased by the Sultanpur Warehousing Unit (8.82 lakhs) during January—November 1978 and Chandpur Sugar Factory Unit (15.85 lakhs) during May—August 1976 at Rs.106—113 and Rs.110 per 1,000 bricks respectively involving an extra expenditure of Rs.0.47 lakh.

(v) The BHEL Unit at Hardwar purchased 5,433 cft deodar sleepers for Rs.1.96 lakhs (November 1975—April 1976) at Rs.36 per cft on the basis of quotations collected locally in Hardwar instead of from the markets-in which 'timber in bulk comes from forest for sale'—as directed by the Managing Director (October 1975). On subsequent occasions, the unit, however, purchased (April 1976) 435 cft deodar sleepers from Jalali (about 125 km from Hardwar) — the appropriate source — at the rate of Rs.22 per cft (including Re.1 per cft for transportation to work site). The earlier purchase of 5,433 cft from Hardwar resulted in an extra expenditure of Rs.0.76 lakh. There was also nothing on record to show that the Company had made any attempt to obtain bulk supplies from the U. P. Forest Corporation.

(vi) 11,500 bags of cement were procured (August 1977/February 1978) from the open market and other sources by the Maghar Unit, Basti (7,500 bags) at Rs. 25 per bag and by the Indian Telephone Industries Unit, Rae Bareli (4,000 bags) at Rs.26 per bag on the ground of urgent requirements. Had the cement bags been procured and transmitted to the units (work site) by the head office of the Company in accordance with the directive of the Managing Director, the cost would have been Rs. 20 per bag (inclusive of transport charges). The purchase of cement by the units thus resulted in an extra expenditure of Rs. 0.60 lakh.

(vii) On the basis of a market survey, the Nandganj Unit purchased (April/June 1977) 3,050 metres of wirerope at Rs.15 to Rs. 28.50 per metre and 1,084 kgs of manila rope (different sizes) at Rs. 19—22.75 per kg. The prices as per DGS & D rate contracts for wire-rope ranged from Rs. 6.89 to Rs. 12.83 per metre and Rs. 15.20 per kg for manila rope (all sizes). Purchase of ropes otherwise than through the rate contract resulted in an extra expenditure of Rs. 0.33 lakh.

(d) Purchase of defective material

The Indian Telephone Industries Unit, Rae Bareli, purchased 159 prestressed cement concrete poles (March 1978) for Rs. 0.60 lakh from a Government of India Undertaking, New Delhi, for use in overhead lines in the workers' colony. Of these 51 poles (value: Rs.0.19 lakh) were found to be defective and unfit for use. The supplier had been paid for in full (in advance). The Unit lodged a claim with the Undertaking (September 1978) which was rejected on the ground that the poles had bent/cracked due to mishandling and defective stacking by the Unit.

3.14. *Material management and inventory control*

(*a*) Pending finalisation of the system and procedures for stores accounting the Managing Director by his circular of 1st October 1975, had left these to the discretion of the Project Managers with the result that there was no uniformity in the systems followed by the different field units. For example, some units had only maintained quantity accounts in a Daily Transaction Register while others had maintained materials-at-site accounts without values. In August 1976, the Company prescribed the maintenance of bin cards and stores ledgers and in February 1978 the maintenance of Goods Received Note and Price Register (Stores). These instructions were not implemented by as many as 12 units test checked (January 1978 to May 1979) in audit. Materials valuing Rs. 20.81 lakhs purchased during November 1975 to September 1977 by 6 units had not been accounted for in the stores ledger till the date of audit (January 1978—April 1979). Materials valuing Rs. 9.57 lakhs were, however, accounted for at the instance of audit while the remaining materials of the value of Rs. 11.24 lakhs were stated (January 1978—May 1979) to have been directly consumed on the works. No record in support of the materials having been consumed on works was produced. The following further deficiencies were noticed:

(i) Stores ledgers were not maintained at all in two units and were incomplete in others. Materials valuing Rs. 141.36 lakhs purchased during October 1975 to July 1978 at Obra Unit were not routed through the stores ledger which had not been maintained (March 1980).

(ii) Materials were issued without indents or acknowledgements and without indicating the name of the work.

(iii) Value of materials purchased was indicated in the ledger accounts only and not in stores records (like material-at-site accounts, stores ledgers). No reconciliation was, therefore, possible.

(iv) Measurements of materials received and postings of such receipts in the stores ledgers were not being verified by any responsible officials nor had the Company prescribed any procedure for the purpose. Bricks, sand and other materials were being accounted for on the basis of the capacity of the trucks and the trips made instead of actual measurements (4 units).

(v) Cement and steel of the value of Rs. 0.36 lakh issued in BHEL Unit, Jhansi to two sub-engineers during October

1975—February 1977 had not been accounted for in the material-at-site account (October 1978).

In the same unit, grit and steel of the value of Rs. 0.23 lakh had been shown (September/December 1975) as transferred to the Central Stores of the Unit. The records of the Central Stores did not, however, indicate any corresponding receipt (December 1979).

(vi) Building materials of the value of Rs. 3.69 lakhs were transferred during October 1976—January 1978 by the client (Chhata Sugar Factory), but the records of the Chhata Unit had accounted for materials worth Rs. 3.35 lakhs only, leaving a balance of Rs. 0.34 lakh (March 1980).

(*b*) *Shortages of building materials*

(i) Test check of accounts of materials purchased, consumed and the balances at site during local audit of 4 units (October 1978—January 1979) disclosed shortages of building material amounting to Rs. 2.11 lakhs.

In addition, shortage of building materials valuing Rs. 0.91 lakh had been accounted for as 'other wastages'. After allowing for the permissible wastage (Rs. 0.06 lakh), the net shortage amounted to Rs. 0.85 lakh.

(ii) In Rae Bareli Unit of the Company, one Sub-Engineer was relieved on relinquishing service (December 1978) without his having handed over proper charge of materials, tools and plants, etc. in respect of 3 work-sites of which he was in-charge since inception (April 1977). A detailed check by the Resident Engineer one month later revealed a shortage of materials, tools and plants of the value of Rs. 1.04 lakhs. The Company had not initiated any action to recover the amount nor prescribed any system to regulate the issue of materials in accordance with the requirements, schedule of works etc. (March 1980).

(iii) Two Sub-Engineers were relieved (on their transfer) from the BHEL Unit, Jhansi (July 1976) and Unit I of Kota (July 1977) without their having handed over charge of the materials (like steel, cement, timber, sand and grit, etc.) of the value of Rs. 1.34 lakhs shown as closing balances in their material-at-site accounts. In the case of Unit I of Kota the records were stated to be under scrutiny (March 1980) while the actual position in respect of BHEL Unit, Jhansi was not available (March 1980).

(*c*) *Excess consumption of materials*

The consumption of building materials in the execution of works was being worked out by the field units by deducting the closing stock from the aggregate of opening stocks and purchases which thus included wastage, excess consumption, loss due to pilferage, theft, etc. Actual consumption worked out in audit in respect of 23 works (16 on 'cost-plus' basis and 7 on contract basis) revealed consumption of building materials in excess of the limits stipulated in the works agreement/norms prescribed by the Company to the tune of Rs. 18.79 lakhs.

(*d*) *Physical verification*

While the monitoring Accountants had carried out physical verification of stores, the results of such verifications were not being recorded. Reconciliation of physical balances with the book balances was also not being carried out (March 1980).

A physical verification by the Monitoring Accountant (31st March 1978) in Dalla Unit revealed a shortage of cement, sand and grit of the value of Rs. 0.87 lakh for which no action was taken by the Company (March 1980).

(*e*) *Thefts*

Five cases of thefts of building materials and equipment valuing Rs. 0.86 lakh were reported during November 1977 to February 1979. No action was taken to fix responsibility in these cases (March 1980).

(*f*) *Plant and machinery*

(i) Cases came to notice where plant and machinery were purchased by the Units in the field instead of by the headquarters of the Company as per prescribed procedure (October 1975). The records indicating the projections of requirements of plant and machinery were not available. It was also noticed (June 1979) that during 1975-76 to 1978-79, 4 units had, on the basis of local quotations, purchased plant and machinery valuing Rs. 14.27 lakhs without the approval of the headquarters.

(ii) *Extra expenditure on purchase of concrete mixers*

During July 1976 to June 1978, headquarters office and Obra unit purchased 97 concrete mixers (65 diesel and 32 electrically operated) at prices ranging between Rs. 13,230 to Rs. 18,550 per mixer as against the rates of Rs. 11,650—15,200 per mixer as per the rate contracts (entered into by Director General of Supply and

Disposals and the Director of Industries, Uttar Pradesh, Kanpur) which were not operated. As a result the Company incurred an avoidable extra expenditure of about Rs. 3.25 lakhs.

(iii) *Loss due to delay in purchase of mixal plant*

The work of site grading, tank pads, roads, etc. at Mathura Refinery was awarded to the Company by the Indian Oil Corporation (August 1976). The work included an item of providing and laying anti-corrosive layer under steel storage tanks at Rs. 265 per cu m (assuming a labour cost of Rs.15.80 per cu m). According to the Project Manager (February 1977), the actual total unit cost of the item amounted to Rs.240 per cu m (including Rs.18 per cu m towards labour) if done mechanically, and Rs.320 per cu m (including Rs.55 per cu m towards labour) when done manually due to wastage of maxphalt. The Company executed 923 cu m manually (January 1977 to May 1978) and purchased the mixal plant in December 1978 for Rs. 0.90 lakh. The delay in the purchase of the plant resulted in an extra expenditure of Rs. 0.74 lakh.

(g) *Utilisation of equipment*

The Company has not laid down any norms for the utilisation of construction equipment *viz.* road rollers, cranes, compressors, mixers, vibrators, tractors, trucks, etc. The expenditure on repairs, maintenance and operations, etc. with reference to the volume of work was also not being analysed or reviewed.

It was noticed that the mixers and vibrators had been utilised for 4,384 and 2,723 hours as against 29,000 and 32,500 available hours respectively as indicated in the table below:

Unit	Number	Period reviewed	Hours available	Hours utilised	Percentage
Mixers					
Jaipur	2	August to December 1978	2,000	696	35
Jhansi	3	September 1975 to December 1978	7,200	600	8
Kashipur	2	December 1976 to December 1978	11,000	1,887	17
Nagina	2	October 1977 to December 1978	3,000	682	23
Nainital	3	May 1978 to March 1979	5,800	519	9

Unit	Number	Period reviewed	Hours available	Hours utilised	Percentage
Vibrators					
Jaipur	5	August to December 1978	2,000	538	25
Jhansi	2	September 1977 to December 1978	5,600	511	9
Kashipur	2	February 1976 to December 1978	11,800	496	4
Nagina	3	October 1977 to December 1978	6,700	529	8
Nainital	4	May 1978 to March 1979	6,400	649	10

(*h*) *Equipment not in use*

The Company does not compile any overall information regarding damaged, unserviceable and/or obsolete construction equipment. It was noticed (June 1979) that a winch purchased by the Company for Rs. 0.40 lakh (November 1975) from Uttar Pradesh State Bridge Corporation Limited, Lucknow was found to be defective on receipt. The Company had taken up the matter in November 1975 but the seller refused a refund (December 1975) on the ground that the machine was new and had been handed over in perfect working condition. Neither was the machine repaired and put to use nor did the Company fix any responsibility for defective purchase (March 1980).

3.15. *Financial Management and internal control*

(*a*) *Budgetary control and accounting system*

In August 1976, instructions were issued regarding the preparation of annual capital and revenue budgets and the Managing Director had prescribed that no capital expenditure was to be incurred at the Project level unless provided for in the sanctioned esitmates. These instructions were, however, not implemented. In reply to an audit query, the Management stated (July 1979) that the Company did not carry out activities involving investment of its funds and as such there was 'no question of preparing financial budget to have a control over the finances'.

The Company has not yet compiled any accounting manual laying down detailed accounting procedures. There is no system in the Company for separate accounts for each work under execution in the absence of which it is not possible to monitor or evaluate the actual performance of works/units.

(b) Internal audit

No manual outlining the scope and functions of internal audit has been prepared so far (March 1980). An Internal Audit Cell was established under the control of the Financial Adviser in April 1978 and 16 monitoring accountants (already working in the field) were given the additional responsibility of internal audit of 1–6 units each under their charge and were required to submit monthly reports to the Financial Adviser on such audit and also to report on compliance with accounting instructions issued by the head office from time to time.

The internal audit reports were not being submitted to the Managing Director or the Board ; all the reports for the period from April 1978 to September 1978 were also not available at the headquarters.

(c) Monitoring system

A monitoring system was introduced in July 1977 for financial analysis and control over the transactions of the units and assessment of their profitability. Accordingly, 16 directly recruited accountants were put in charge of 1–6 units each. They were required to send monthly reports on (i) consumption of materials on works indicating variations from prescribed norms, (ii) separate Profit and Loss Accounts for the contract works and the 'cost-plus' works and (iii) work-wise physical and financial targets and actual progress. Such reports were not received from 21 (including four major contracts units) out of 40 units test checked in audit (July 1979). In the remaining 19 units these reports were not received regularly. The following deficiencies were noticed :

(i) Out of 510 reports due from 40 units up to 31st March 1979, only 253 reports had been received but information on consumption of materials was available only in 93 out of 253 reports received. Actual consumption was compared with the norms in 58 reports, while 35 reports indicated consumptions only on the basis of the norms.

(ii) In 34 (out of 58) reports, consumption was not computed on the basis of the Company's norm but was worked out on an *ad hoc* basis to cover the actual consumption for items where the actual consumption was in excess of the norms by Rs.1.16 lakhs. The remaining 24 cases indicated an excess consumption of materials of the value of Rs.5.51 lakhs. No action was, however, taken on these reports (March 1980).

The reports on profit and loss and actual progress with reference to targets (not received regularly for all the units) were found to be incomplete and did not serve the intended purpose.

The Managing Director had commented (October 1977) that "the Monitoring Accountants had not yet been able to show any tangible results and as such the very purpose of keeping them has been defeated". Similar views were reiterated by the Managing Director in February 1979.

3.16. *Other points of interest*

(a) Avoidable extra expenditure in inter-connection of channels

In December 1975, the Uttar Pradesh State Electricity Board awarded the work of construction of cooling water system for Obra Thermal Power Station, Extension Stage I and II which included the inter-connection of the existing and new cooling water channels. Since the inter-connection involved under-water work, the Project Manager, Obra requested a reputed firm of Goa to undertake the job (September 1976). After inspection, the firm quoted (December 1976) a lump sum of Rs.2 lakhs in addition to railway fare to and fro, free accommodation and transport at the work site. In the meanwhile, another firm of Calcutta offered (December 1976) to execute the work. The Unit invited (December 1976) the representatives of both the firms for negotiations/discussions but without waiting for the Goa firm, the work was awarded (January 1977) to the Calcutta firm at its quoted rates for a single team *i.e.* Rs. 1,000 per day for the first 30 days and Rs.750 per day thereafter (without stipulating the working hours and the period for completion) *plus* railway fare to and fro and free accommodation and transport.

The firm started the work from 8th February 1977 but the progress was slow and the Project Manager asked for one more team (August 1977) at an additional rate of Rs.1,000 per day for the first 30 days and Rs.750 per day thereafter. The team commenced work on 10th September 1977, and the work was completed on 30th November 1977 at a cost of Rs.2.83 lakhs as against the Goa firm's lump sum offer of Rs.2 lakhs involving an extra cost of Rs.0.83 lakh.

(b) Free gift

In March 1978, the Managing Director (without the approval of the Board) offered to construct a squash court (estimated cost: Rs.0.50 lakh) free of charge as a gesture of goodwill for a client (public sector undertaking) at Hardwar. The work was commenced on 18th March 1978 and completed/handed over in August 1978 at a total cost of Rs.0.39 lakh.

3.17. *Summing up*

(i) The Company, set up in May 1975, has yet to frame its rules of business, delegation of powers etc.

(ii) A difference of Rs.4.23 lakhs in the value of assets taken over by the Company has yet to be reconciled.

(iii) The Company had a paid-up capital of Rs.100 lakhs (March 1979) including Rs.95 lakhs drawn by the State Government from the Contingency Fund (March 1976/March 1977), and the entire amount had been invested by the Company in short-term deposits involving a loss of interest of Rs.1.19 lakhs (April 1977—July 1978).

(iv) The Company had taken up 61 deposit works (estimated cost : Rs.38.55 crores) without technical sanctions.

(v) Execution of 7 works in which an expenditure of Rs.3.28 crores had been incurred was stopped/slowed down because of non-release of funds by the parties.

(vi) The accounts of 21 works completed up to March 1979 had not been finalised (March 1980).

(vii) The Company did not execute formal agreements for any of the deposit works and in respect of 8 contract works (estimated cost : Rs.12.44 crores).

(viii) In respect of 4 deposit works the actual costs plus centage charges (Rs.552.60 lakhs) exceeded the cost computed on the basis of tendered rates/current schedule of rates (Rs.467.23 lakhs) by Rs.85.37 lakhs (18 *per cent).* The variations ranged from 6 to 56 *per cent.*

(ix) The actual consumption of steel on the construction of 2 factory buildings exceeded the norms to the extent of Rs.4.18 lakhs.

(x) In the case of 4 deposit works the actual cost (Rs.521.74 lakhs) exceeded the estimated cost (Rs.443.51 lakhs) by Rs.78.23 lakhs (18 *per cent*). The percentage of excess varied from 10 to 29.

(xi) 16 out of 19 deposit works completed during June 1977 to February 1979 were delayed by 3—12 months, and payments against these works had not been finalised by the clients.

(xii) A sum of Rs.13.12 lakhs had been withheld by the clients in respect of 6 works completed during December 1976—June 1978 because of various disputes.

(xiii) The Company could secure orders against only 12 out of 70 tenders in which it participated during the 4 years up to 1978-79.

(xiv) The Company had not worked out the profit/loss on the execution of individual works. In a number of cases the rates offered (without detailed analysis) were found to be unworkable. By commencing the works before settling the rates etc. and defective agreements, the Company had suffered a loss of Rs.15.07 lakhs in 6 works.

(xv) Due to slow progress of work, a portion of the work was withdrawn from the Company ; this resulted in an extra expenditure of Rs.2.83 lakhs on fabrication of shuttering in excess of requirements.

(xvi) The Company had to incur an extra expenditure of Rs.1.03 lakhs on the rectification of improper alignment of earth-filling work. In the same work the piece-rate workers had been paid in excess to the extent of Rs.2.48 lakhs for the work done by other parties. An extra expenditure of Rs.1.31 lakhs was incurred on items not covered in the bill of quantities.

(xvii) Due to failure (despite the clients' warnings) to provide working slopes for safety against side slips for undertaking the concreting work, two slips occurred causing damage to other items of work involving an additional expenditure of Rs.7.66 lakhs.

(xviii) The Company had incurred an additional expenditure of Rs.1.61 lakhs (3 works) due to non-compliance with specifications, items of work not envisaged in the scope of work and on rectification of defective work.

(xix) A test check of the expenditure incurred on wooden shuttering in 4 units with reference to the CPWD rate schedule revealed an excess expenditure of Rs.17.22 lakhs

(xx) In 3 cases the works were awarded after negotiations to contractors (instead of piece-rate workers) at higher rates involving an additional expenditure of Rs.9.23 lakhs.

(xxi) In 5 units a profit of Rs.6.11 lakhs (varying from 7—10 *per cent*) was passed on to the piece-rate workers in respect of works of the value of Rs.61.25 lakhs.

(xxii) In 4 units Rs. 12.37 lakhs had been paid to labour suppliers without verification of attendance or measurement of work.

(xxiii) A sum of Rs.5.21 lakhs advanced to piece-rate workers during 1975-76 to 1977-78 and Rs.1.93 lakhs to labour suppliers were outstanding and were doubtful of recovery as the piece-rate workers and the labour suppliers were no longer working with the Company.

(xxiv) In 2 units payment of Rs.1.60 lakhs was made to idle workers from February/March 1977 till they were retrenched in July 1978.

(xxv) In 5 units building materials valuing Rs.41.42 lakhs (40 cases) had been purchased (April 1975–June 1977) without the approval of the Purchase Committee. In many units the minutes of the Purchase Committee were not being properly maintained.

(xxvi) There were cases of purchase of material/concrete mixers etc. at higher rates involving an additional expenditure of Rs.8.78 lakhs.

(xxvii) Materials valuing Rs.9.57 lakhs purchased during November 1975 – September 1977 had not been accounted for in the stores ledger and were stated to have been consumed direct on work even though no supporting records could be produced. Stores ledgers were incomplete and materials had been issued without indents or acknowledgements and without indicating the name of the work. Materials valuing Rs.141.36 lakhs had not been routed through the stores ledger which had not been maintained in 2 units.

(xxviii) Short accountal and shortage of materials valuing Rs.5.21 lakhs were noticed in some cases. The excess consumption of building materials (23 works) over the limits stipulated in the works agreements/norms prescribed worked out to Rs.18.79 lakhs.

(xxix) The Company had not prescribed any norms for the utilisation of equipment like road rollers, cranes, compressors, tractors, trucks etc. ; the utilisation of mixers/vibrators was found to be very low.

(xxx) The Company had not introduced any system for separate accounts for each work in the absence of which it was not possible to monitor/evaluate the actual performance of works/units.

(xxxi) For financial analysis and control over the transactions of the units and assessment of their profitability, a monitoring system was introduced in July 1977. Test check disclosed that monthly returns prescribed under the system were either not being received and where received, were found deficient in many respects.

SECTION IV

HILL, BACKWARD AREA AND ANUSUCHIT JANJATI DEVELOPMENT COMPANIES

4.01. *Introduction*

With a view to accelerating the pace of development in the backward regions of Uttar Pradesh, the State Government set up three regional Vikas Nigams (March 1971) for three backward regions, namely, Parvatiya Vikas Nigam Limited, Nainital later renamed as Kumaon Mandal Vikas Nigam Limited, Nainital, Bundelkhand Vikas Nigam Limited, Jhansi and Poorvanchal Vikas Nigam Limited, Faizabad. Further, in 1976, the State Government decided to set up one development company in each of the remaining divisions. There are, at present, 11 such companies in the State.

There is also a Tarai Anusuchit Janjati Vikas Nigam Limited, Lucknow, incorporated on 2nd August 1975, to look after and promote the socio-economic interests of the scheduled tribes – *Tharus* and *Buxas* – mainly residing in the Tarai region.

Of the 12 development companies the working of the following 7 companies has been covered in this review :

Name of the Company		Date of incorporation	Authorised capital (As on 31st March 1979) (Rupees in lakhs)	Paid-up capital
Hills				
Kumaon Mandal Vikas Nigam Limited, Nainital	(KMVN)	March 1971	200.00	168.40
Garhwal Mandal Vikas Nigam Limited, Dehra Dun	(GMVN)	March 1976	200.00	162.00
Backward Areas				
U P Poorvanchal Vikas Nigam Limited, Faizabad	(PVN)	March 1971	200.00	95.80
U P Bundelkhand Vikas Nigam Limited, Jhansi	(BVN)	March 1971	200.00	85.80
U P Pashchimi Kshetriya Vikas Nigam Limited, Bareilly	(PKVN)	January 1976	200.00	100.00
Lucknow Mandaliya Vikas Nigam Limited, Lucknow (erstwhile UP Madhya Kshetriya Vikas Nigam)	(LMVN)	January 1976	200.00	50.00
Tarai Anusuchit Janjati Vikas Nigam Limited, Lucknow	(TAJVN)	August 1975	5.00	5.00

4.02. *Aims and objects*

The aims and objects of these companies, as set out in their memoranda of association, are exhaustive enough to cover all types of developmental activities in every field, e.g. agriculture, industry, horticulture, irrigation, minerals, forests, marketing, tourism, financing, etc.) for the speedy economic development of a division as a whole by aiding, assisting, promoting or establishing, developing or executing projects, enterprises and industries, etc.

No corporate plans, based on socio-economic surveys (keeping in view the local conditions and availability of resources in the areas to be developed) have been prepared by any of these companies. In June 1978 and November 1978 LMVN and PKVN had prepared, at a cost of Rs.0.30 lakh each, an integrated rural development plan for one *Panchayat* each in Sarojininagar and Faridpur blocks of Lucknow and Bareilly districts respectively. A decision on the implementation of the plans has yet to be taken (March 1980) by PKVN. In the case of LMVN a decision was taken (November 1979) to implement six schemes for which feasibility reports were under preparation (February 1980). There are also a large number of other agencies – Government departments, nationalised banks, land development banks, other financial institutions and a number of other State Government companies working towards the same basic objective of rapid economic development of the areas concerned ; to illustrate :

– UP State Agro Industrial Corporation Limited,

– UP Small Industries Corporation Limited,

– UP State Industrial Development Corporation Limited,

– The Indian Turpentine and Rosin Company Limited,

– UP State Tourism Development Corporation Limited, and

– UP State Sugar Corporation Limited.

While these companies cover the entire State in their respective field of activities, no attempt has so far been made to delineate or to ensure adequate co-ordination with the other companies with a view to obviate overlaps or duplication of efforts in the same fields.

4.03. *Organisational set-up*

The divisional companies in the hills are under the administrative control of the Hill Development Department, while those in the backward areas are under the Area Development Department ; TAJVN is under the Harijan and Social Welfare Department.

The overall management of the companies is vested in their respective Boards of Directors consisting either of only official directors or both official and non-official directors nominated by Government from time to time.

The day-to-day affairs of KMVN and GMVN are looked after by full-time Managing Directors while in the case of TAJVN and companies in the backward areas by the Director, Harijan and Social Welfare and the Divisional Deputy Development Commissioner respectively who function as ex-officio (part-time) Managing Directors.

At a meeting convened under the Chairmanship of the Minister of Agriculture for reviewing the working of the companies (January 1978), it was decided that a full-time Managing Director be appointed in each company, as the Deputy Development Commissioners were, due to other preoccupations, unable to devote proper attention to the working of the companies ; the companies, however, continue to be managed by the part-time chief executives (March 1980).

4.04. *Activities*

The activities of the companies during the three years up to 1978-79 have been mainly as under :

Hills

(i) Kumoan Mandal Vikas Nigam Limited, Nainital

(*a*) Marketing (apples, boulders, *bajri*, etc.) ;

(*b*) industry (rosin and turpentine factory, Parvat tumblers, Parvat wires, etc.) ;

(*c*) tourism (package tours and maintenance of tourist rest houses) ;

(*d*) engineering (civil works) ; and

(*e*) construction of ropeways.

(ii) Garhwal Mandal Vikas Nigam Limited, Dehra Dun

(*a*) marketing (fruits and vegetables), truck transport service and gas service ;

(*b*) industry (rosin and turpentine factory, resin tapping unit, wood wool factory and integrated wood works) ;

(*c*) tourism (package tours and maintenance of tourist rest houses and petrol pumps) ;

(*d*) engineering (civil works) ; and

(*e*) construction of ropeways.

Backward areas

(i) Uttar Pradesh Poorvanchal Vikas Nigam Limited, Faizabad

(*a*) two mini-sugar mills at Kadipur (Sultanpur) and Chittoura (Bahraich)—no production in 1978-79 due to slump in the sugar market ; and

(*b*) engineering workshop, Sultanpur.

(ii) Uttar Pradesh Bundelkhand Vikas Nigam Limited, Jhansi

(*a*) two mini-sugar mills at Rath (Hamirpur) and Madhogarh (Jalaun) ;

(*b*) one stone crushing unit at Bijoli (Jhansi) ;

(*c*) five brick kiln units (three opened during 1976-77) ;

(*d*) two *bidi* udyog units at Karvi (Banda) and Lalitpur (opened in August and October 1977 and closed in March 1978) ; and

(*e*) marketing (bricks, stone grit, edible oil, sugar, etc.).

(iii) Uttar Pradesh Pashchimi Kshetriya Vikas Nigam Limited, Bareilly

(*a*) thirteen agro-service centres (two opened in 1976-77, nine in 1977-78 and two in 1978-79) ;

(*b*) tractor repair workshop at Powayan (Shahjahanpur) opened in 1977-78 ; and

(*c*) bikri kendra at Bareilly (opened during 1977-78) dealing in wholesale marketing, on commission basis, of agro-products, baby milk food, desi ghee and asbestos cement sheets.

(iv) Lucknow Mandaliya Vikas Nigam Limited, Lucknow two custom service centres (opened in 1978-79) at Mohammadi (Lakhimpur-Kheri) and Lucknow.

(v) The Tarai Anusuchit Janjati Vikas Nigam, Limited, Lucknow

The proposed activities are as follows :

— establishing or promoting the establishment of cottage and small industries utilising, as far as possible, local raw materials ;

— enthusing the scheduled tribes to increase agricultural and horticultural production through improved techniques ; and

— providing them financial and technical assistance.

Except for free distribution of 200 knapsack sprayers (Rs.0.83 lakh) to 200 farmers belonging to the scheduled tribes during 1978-79 the Company has undertaken no other activity since its inception (August 1975) reportedly due to lack of interest on the part of scheduled tribes in the Company's developmental programmes.

PVN, Faizabad (set up in 1971) had neither undertaken any new activity during the last 3-4 years nor had diversified or enlarged the scope of its existing activities. This was stated (May 1979) to be due to the absence of a full-time Managing Director since May 1976.

4.05. *Non-utilisation of funds*

In the absence of any well-defined projects for implementation, some of the companies had invested a large part of their capital in fixed deposits with the banks, as indicated below:

	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
—UP Poorvanchal Vikas Nigam Limited (PVN)			
Paid-up capital	85.80	95.80	95.80
Term deposits	26.50	17.00	18.00
Percentage of term deposits to share capital	30.9	17.7	18.8
—Up Pashchimi Kshetriya Vikas Nigam Limited (PKVN)			
Paid-up capital	100.00	100.00	100.00
Term deposits	80.41	65.84	65.18
Percentage of term deposits to share capital	80.4	65.8	65.2
—Lucknow Mandaliya Vikas Nigam Limited (LMVN)			
Paid-up capital	50.00	50.00	50.00
Term deposits	20.00	45.00	38.19
Percentage of term deposits to share capital	40.0	90.0	76.4

TAJVN had kept the entire amount of Rs.30 lakhs (paid-up capital of Rs.5 lakhs and interest free loan of Rs.25 lakhs received in March 1976 for minor irrigation works) in a savings bank account up to July 1977 and in term deposits (March 1980). Further, out of a grant-in-aid of Rs.13.46 lakhs received from the State Government during 1976-77 to 1978-79 for the development of industries and agriculture, a sum of Rs.9.48 lakhs had remained unutilised up to 1978-79.

4.06. *Working results*

The following are the summarised working results for the three years up to 1978-79 :

	1976-77		1977-78		1978-79 (Provisional)	
	Turnover	Profit(+)/ Loss(—)	Turnover	Profit(+)/ Loss(—)	Turnover	Profit(+)/ Loss(—)
	(Rupees in lakhs)		(Rupees in lakhs)		(Rupees in lakhs)	
KMVN	44.28 (7.17)	(+)8.29	72.07 (15.36)	(+)2.56	87.98 (16.95)	(+)2.06
GMVN	4.25 (1.02)	(—)1.52	35.83 (3.96)	(—)3.26*	92.14 (5.56)	(+)3.89
PVN	21.53 (3.86)	(—)10.25*	8.00 (1.67)	(—)1.49*	11.29 (1.63)	(—)1.05
BVN	14.47 (1.84)	(—)6.84*	16.26 (1.79)	(—)9.85*	28.38 (0.24)	(—)9.82
PKVN	0.50 (8.07)	(+)7.01	3.36 (4.77)	(+)0.66*	5.24 (2.48)	(—)2.46
LMVN	.. (1.39)	(+)0.82	.. (3.45)	(+)1.97	0.87 (3.74)	(+)1.98

In the case of TAJVN, the Company earned a profit of Rs.1.42 lakhs in 1976-77, the accounts for subsequent years have not been finalised so far (March 1980).

The accumulated loss up to the end of 1978-79 amounted to Rs.0.89 lakh in the case of GMVN, Rs.23.82 lakhs in the case of PVN and Rs.31.72 lakhs in the case of BVN.

The decline in the profit of KMVN in 1977-78 was stated to be due to a loss of Rs.2.99 lakhs suffered by the Tourism Division in that year against a loss of Rs.0.20 lakh in 1976-77.

NOTES *Figures are provisional.

Figures in parenthesis represent other income.

In regard to the losses sustained by GMVN during 1976-77 and 1977-78, the Management stated (July 1979) that at the time of transfer of units by KMVN (November 1976), the peak income-yielding season was already over in the case of tourism units and other units were found to be in a 'sick' condition and as a result of the efforts put in up to 1977-78, the Company had earned a profit of Rs.3.89 lakhs during 1978-79.

The Management of PVN attributed the losses (May 1979) mainly to shortage in the supplies of sugarcane to two mini-sugar mills, heavy fall in the sale price of sugar during 1977-78, closure of brick kilns since 1975-76 and acute shortage of working capital.

In the case of BVN, the losses were attributed by the Management (August 1979) mainly to high cost of production of sugar at two mini-sugar mills (due to actual production being much below the installed capacity), non-availability of technical staff and heavy fall in the sale price of sugar due to decontrol in August 1978 besides the unprofitable working of two new *bidi* units in 1977-78.

The sharp decline in profit in the case of PKVN in 1977-78 and a loss in 1978-79 were attributed by the Management (February 1980) to reduced income from interest on term deposits ; 18 tractors and implements purchased (cost : Rs.18 lakhs) during 1977-78 remaining idle ; poor performance of agro-service centres ; loss on agro products due to slump in the market and lack of effective management.

The profit earned by LMVN was mainly due to income from interest on term deposits.

4.07. *Transfer of assets*

As against the book value of Rs. 34.38 lakhs of the assets of 14 units transferred (as on 31st October 1976) by KMVN to GMVN the latter accepted a value of only Rs. 29.78 lakhs (May 1979). The balance amount of Rs. 4.60 lakhs, in dispute on account of valuation of assets, raw materials and finished goods (Rs. 4.06 lakhs), cost of project reports (Rs.0.11 lakh) and damages and shortages (Rs. 0.43 lakh) was stated (January 1980) to be still under reconciliation between the two companies. The assets transferred included sub-standard wood (Rs. 0.82 lakh) purchased by KMVN which as per orders of the State Government (May 1977) was to be disposed of by auction or otherwise by GMVN and the loss sustained was to be reported to Government by 15th June 1977. A report to the State Government has yet to be furnished (March 1980).

4.08. *Liquidation of a subsidiary company*

Northern Electric Equipment Industries Limited, Kotdwara (Garhwal) was incorporated on 29th April 1974, with an authorised share capital of Rs. 38 lakhs, as a subsidiary of erstwhile Uttar Pradesh Parvatiya Vikas Nigam Limited, Nainital, with the main object of manufacturing and repairing distribution and power transformers. Its paid-up capital as on 31st March 1979, was Rs. 0.06 lakh out of which Rs. 0.05 lakh had been subscribed by KMVN and Rs. 0.01 lakh by its joint promoter and technical entrepreneur (Technical Adviser, Birla Institute of Scientific Research, Allahabad) who continued to be its Managing Director up to October 1976. In June 1977, the State Government decided to have the subsidiary company liquidated by the holding company. The liquidation proceedings have not been started so far (March 1980). The subsidiary company had been advanced a sum of Rs. 1.06 lakhs up to March 1979 by the holding company to enable the subsidiary to meet its expenditure on purchase of land (Rs. 0.48 lakh), construction of stores sheds (Rs.0.11 lakh) and preliminary and other miscellaneous expenses (Rs. 0.47 lakh). The accounts of the Company have not, since its inception, been audited by statutory auditors (March 1980).

4.09. *Performance review*

(*A*) *Industrial activities*

(i) *Rosin and turpentine factories*

(*a*) *Process losses* (*KMVN and GMVN*)

The capital investment in rosin and turpentine factories at Tilwara (GMVN) and Champawat (KMVN) along with the dates of their commissioning are given below:

Factory	Cost (Rupees in lakhs)	Date of commissioning
Tilwara	19.28	April 1978
Champawat	15.39	July 1978

The project report for the factories envisaged 75 *per cent* recovery of rosin (pale, medium and dark grades) and 17 *per cent* recovery of turpentine with 8 *per cent* process loss. The actual process loss was 13.1 *per cent* and 10.9 *per cent* in the case of Champawat and Tilwara factories respectively during 1978-79. Monetary loss on account of high process losses and low yield of superior and medium grades of rosin amounted to Rs. 5.35 lakhs (KMVN-Champawat: Rs. 2.59 lakhs and GMVN-Tilwara: Rs. 2.76 lakhs).

This was attributed by KMVN (June 1979) to supply of impure or inferior quality of resin by the Forest Department who had been asked (December 1978) to make good the loss by way of reduction in the balance amount of the cost of resin to be paid to them, and by GMVN (July 1979) to prolonged storage of resin for more than a year which resulted in changing its characteristics and thereby reducing its yield ratio.

(*b*) *Storage loss*

Out of 453 quintals of resin in stock in February 1976, 225 quintals valuing Rs. 0.56 lakh were found (April 1978) to have been completely spoiled in storage at Tilwara. Responsibility for the loss has not been fixed (March 1980).

(ii) *Mini-sugar mills*

(*a*) *Low yield*

The table below indicates the position of sugarcane crushed at the mini-sugar mills (two each of PVN and BVN), sugar produced, number of crushing days available and average daily crushing during the three years up to 1978-79 :

(i) *Poorvanchal Vikas Nigam*

Particulars	Kadipur 1976-77	Kadipur 1977-78	Chittoura 1976-77	Chittoura 1977-78
Sugarcane crushed (In quintals)	32,853	25,388	13,792	38,072
Sugar produced (In quintals)	1,902	1,550	606	2,211
Percentage of sugar produced to sugarcane crushed	5.8	6.1	4.4	5.8
Total crushing days available	92	91	59	107
Actual crushing days	84	71	33	59
Average daily crushing (In quintals)	391	358	418	645

(ii) *Bundelkhand Vikas Nigam*

	Rath 1976-77	Rath 1977-78	Rath 1978-79	Madhogarh 1976-77	Madhogarh 1977-78	Madhogarh 1978-79
Sugarcane crushed (In quintals)	7,359	30,890	13,996	11,459	35,724	20,945
Sugar produced (In quintals)	358	1,041	761	517	1,390	1,328
Percentage of sugar produced to sugarcane crushed	4.9	3.4	5.4	4.5	3.9	6.3
Total crushing days available	76	121	130	102	118	149
Actual crushing days	46	101	77	42	102	74
Average daily crushing (In quintals)	160	306	182	273	350	283

NOTE: Production was not undertaken during 1978-79 in Kadipur and Chittoura because of slump in the sugar market.

As per the report of the Specialist, Rural Industries Planning Research and Action Institute, Lucknow, the yield of sugar in mini-sugar mills should be 7.5 *per cent* of the sugarcane crushed. Against this, the actual yield ranged between 4.4 and 6.1 *per cent* in the case of PVN and 3.4 and 6.3 in the case of BVN. The actual daily crushing of sugarcane was between 160 quintals and 645 quintals against the installed capacity of 800 quintals for each mill. Low utilisation of capacity was attributed (February 1980) by the PVN to frequent interruptions in power supply and by BVN to inadequate supply of sugarcane and frequent power cuts. Both the companies held that the 7.5 *per cent* yield of sugar was possible only under ideal conditions of utilisation of full available crushing capacity of 800 quintals per day, availability of 120 crushing days in a year and continuous supply of power. The norm of production under the existing local conditions of their mills was stated to be 6.5 *per cent* by PVN and 5.5 *per cent* by BVN. Based even on these norms the loss due to lower yield of sugar amounted to Rs. 2.84 lakhs for the period from 1976-77 to 1977-78 in the case of PVN and Rs. 4.20 lakhs for the period from 1976-77 to 1978-79 in the case of BVN.

The matter regarding the purchase of diesel generating sets with a view to ensuring continuous supply of power has been under the consideration of the PVN since August 1974. The Chairman was authorised (September 1977) by the Board to purchase two generating sets of 34 KVA each for the two mills but no further action in the matter was taken (March 1980).

(*b*) *Production losses*

The cost per quintal of sugar produced, its realisation/realisable value per quintal and the loss are tabulated below ; the figures are provisional :

(i)*Poorvanchal Vikas Nigam*

Particulars	Kadipur		Chittour	
	1976-77	1977-78	1976-7.	1977-78
Production (in quintals)	1,902	1,550	606	2,211
Cost of production per quintal (In Rupees)	396	431	675	347
Average realisation/realisable value per quintal (In Rupees)	314	322	315	329
Loss per quintal (In Rupees)	82	109	360	18
Loss during the years (Rupees in lakhs)	1.56	1.69	2.18	0.40

(ii) *Bundelkhand Vikas Nigam*

Particulars	Rath			Madhogarh		
	1976-77	1977-78	1978-79	1976-77	1977-78	1978-79
Production (In quintals)	358	1,041	761	517	1,390	1,328
Cost of production per quintal (In Rupees)	1,134	694	552	777	588	371
Average realisation/realisable value per quintal (In Rupees)	324	339	166	369	241	241
Loss per quintal (In Rupees)	810	355	386	408	347	130
Loss during the year (Rupees in lakhs)	2.90	3.70	2.94	2.11	4.82	1.73

Wide variations in the cost of production and losses sustained were attributed (May and August 1979) by the Management to short supply and inferior quality of sugarcane, local labour conditions, frequent power cuts, sale prices fixed by the State Government and slump in sugar market as a result of decontrol (August 1978).

These units were closed down by PVN during 1978-79 and 1979-80 and new activities like manufacture of gobar gas plants, power threshers, cultivators, etc. are being taken up instead.

The sugar mills were not run by BVN during 1979-80 due to non-availability of sugarcane and decline in the sale price of sugar. The Management is considering the closure of these units and to undertake the production of subsidiary agricultural implements and to put up some other units like *Dal* mill, etc.

(*c*) *Embezzlement*

A physical verfication of cash by the Marketing Manager at the mini-sugar mill, Rath, revealed a shortage of Rs. 0.22 lakh (July 1979). The first information report was lodged with the Police (November 1979) about embezzlement by the Store Keeper-*cum*-Cashier mainly by recording fictitious payment and short or non-accountal of sale proceeds and other receipts in the cash book. The official was suspended (November 1979) and action was also being taken against the Manager, who had been reverted to his parent department.

(iii) *Bidi udyog*

The *bidi udyog* units were set up by BVN at Karvi (Banda) and Lalitpur in August and October 1977 respectively without the preparation of project reports or a proper market survey. Due to keen competition, the production was stopped abruptly from March 1978. The units had incurred losses aggregating Rs.0.69 lakh up to March 1979. The stocks of *bidis* (value : Rs. 0.33 lakh) were stated to have been verified at the end of 1978-79 but without any assessment of the condition of the *bidis*.

(iv) *Brick kilns*

(*a*) *Losses*

The two brick kiln units of BVN incurred losses during the three years up to 1978-79 as indicated below:

	1976-77	1977-78 (Provisional)	1978-79
		(Rupees in lakhs)	
Sudar (Lalitpur)	0.16	0.79	0.23
Pali (Jhansi)	..	0.26	0.28

The losses were attributed (August 1979) to the selection of wrong sites ; high cost of production ; and poor sales of bricks. The Management stated, however, (August 1979) that better results were expected from the year 1979-80.

(*b*) *Shortages*

At the time of transfer of charge of the birck kiln unit, Naraich (1st October 1976) a shortage of bricks valuing Rs. 0.52 lakh was noticed. Action taken for the recovery of loss from the Assistant Manager concerned is awaited (March 1980).

(v) *Stone crushing unit*

The stone crushing unit of BVN at Bijoli (Jhansi) was established in January 1976. Since its commissioning the unit has been incurring losses continuously and the total loss up to 1978-79 was Rs. 2.42 lakhs as against an investment of Rs. 2.18 lakhs in the unit. The losses were reported (August 1979) to be due to unsuitable location, operation of the plant with diesel instead of electrical energy, non-availability of technical staff and low utilisation (ranging from 9.3 to 28 *per cent*) of capacity.

(*B*) *Tourism*

Purchase of Allwyn huts

In May 1977, six Allwyn huts were purchased by GMVN at a total cost of Rs. 3.60 lakhs (approx.) for providing accommodation to tourists at hill stations. The economic viability of these huts and their suitability for the hills had not been considered before making the purchase. As against an average expenditure of Rs.10,790 per hut per year (in respect of 4 huts), the average income amounted to Rs. 3,556 per hut per year. Since the huts were found to be unsuitable, in August 1978, the Management recommended their disposal at 10 *per cent* reduced rate. While one hut (at Tilwara) was being used (since January 1979) by the workers of Rosin and Turpentine Factory, Tilwara, during odd hours, one hut was lying unassembled since its procurement in May 1977 (March 1980).

(C) Marketing

(i) *Delay in revising the sale rates*

The rates of royalty payable by KVN for extraction of minor minerals like *bajri*, sand, boulders, limestone, etc. from Sharda and Gola rivers (under a five year lease taken from the Forest Department in 1975) were enhanced (by 40 to 100 *per cent*) by the State Government (by notification dated 25th April 1978) with effect from 1st May 1978. The corresponding increase in the sale rates of these minerals was given effect to only from 19th July 1978 resulting in a loss of Rs. 1.17 lakhs on the sales to private parties. The Management stated (June 1979) that the fact of enhancement came to their notice only on receipt of claims of royalty at the enhanced rates from the Forest Department and that sanction for waiver of the claim had been sought from the State Government; the decision was awaited (March 1980).

(ii) *Sales agency*

A firm of Lalitpur, a sales agent of BVN was to lift 2,382 quintals of sugar from Madhogarh and 958 quintals from Rath Sugar Mills by 25th August 1978 at rates stipulated in the agreement (July 1978) between the sales agent and the sugar mills. In the event of failure to lift the stocks, the sales agent was to forfeit the security deposits of Rs.0.60 lakh (Madhogarh: Rs.0.40 lakh and Rath: Rs. 0.20 lakh). A quantity of 510 quintals of sugar (66 quintals at Madhogarh and 444 quintals at Rath) not lifted by the firm was sold at lower rates at a loss of Rs. 0.23 lakh during the period from October 1978 to July 1979. Although as per the terms of the agreement with the sales agent, all supplies were to be effected against full payment in advance, in the case of the last deliveries at Rath on 14th August 1978 (110 quintals) and Madhogarh on 15th August 1978 (1,069 quintals), the security deposits were adjusted against the sale price recoverable from the firm. Thus the security deposits could not be forfeited for the failure on the part of the firm to lift the balance quantity of sugar.

The Management of BVN stated (January 1980) that a civil suit had been filed (October 1979) against the firm for the recovery of Rs. 0.37 lakh (including interest, penalty and other charges: Rs. 0.14 lakh). Responsibility for the lapse has not been fixed (March 1980).

4.10. *Internal audit*

While PKVN have appointed a firm of Chartered Accountants as internal auditors, none of the other Companies have introduced a proper system of internal audit. Two officials entrusted with the task of internal audit in the case of GMVN were mainly engaged in the reconciliation of the accounts and valuation of assets of units transferred by KMVN. In BVN, there is one internal auditor who test checks the journal entries and payments at the headquarters office.

4.11. *Subsidiary companies*

(i) *Introduction*

Teletronix Limited, Bhimtal (Nainital), Transcables Limited, Kathgodam (Nainital), Northern Electric Equipment Industries Limited, Kotdwara (under liquidation) and Kumaon Anusuchit Janjati Vikas Nigam Limited, Nainital are the subsidiary companies of KMVN while Garhwal Anusuchit Janjati Vikas Nigam Limited, Dehra Dun is a subsidiary of GMVN.

The following are the details of the dates of incorporation of these subsidiaries (excluding Northern Electric Equipment Industries Limited, Kotdwara), their paid-up capital as on 31st March 1979, dates of commissioning of factories or opening of manufacturing centres:

Name of the subsidiaries	Date of incor- poration	Paid-up capital as on 31st March 1979 Holding Company	State Govern- ment	Others	Total	Date of commissioning opening
		(Rupees in lakhs)				
A. Factories						
Teletronix Limited	November 1973	5.50	..	0.29	5.79	August 1975
Transcables Limited	November 1973	7.65	..	0.44	8.09	October 1976
B. Manufacturing Centres						
Kumaon Anusuchit Janjati Vikas Nigam Limited (KAJVN)	June 1975	14.00	11.00	..	25.00	January 1976 (Pashmina Shawl Munisiari) January 1978 (Carpets—Didihat)

Name of the subsidiaries	Date of incorporation	Paid-up capital as on 31st March 1979				Date of commissioning opening
		Holding Company	State Government	Others	Total	
		(Rupees in lakhs)				
Garhwal Anusuchit Janjati Vikas Nigam Limited (GAJVN)	June 1975	12.00	8.00	..	20.00	January 1977 (Carpets—Chinka) March 1978 (Carpets—Parsari)

(ii) *Factories*

(*a*) *Working results and financial position*

Teletronix Limited was set up with the main object of manufacturing/assembling television sets and other electronic equipment (battery chargers/eliminators). Transcables Limited was set up for the manufacture of ACSR and AAC conductors. The accumulated losses to the end of 1978-79 amounted to Rs.8.22 lakhs in the case of Teletronix Limited, and Rs. 7.54 lakhs in the case of Transcables Limited.

The table below summarises, under broad headings, the financial position of Teletronix Limited and Transcables Limited, for the three years up to 1978-79 :

	Teletronix Limited			Transcables Limited		
	1976-77	1977-78	1978-79 (Provisional)	1976-77	1977-78	1978-79 (Provisional)
	(Rupees in lakhs)					
Liabilities						
(*a*) Paid-up capital	3.24	5.79	5.79	3.94	8.09	8.09
(*b*) Reserves and surplus	..	..	..	..	1.60*	1.61*
(*c*) Borrowings (including cash credit)	11.28	10.72	15.90	15.40	14.55	52.10
(*d*) Trade dues and other liabilities (including provisions)	0.94	0.06	1.04	0.93	0.19	3.05
Total	15.46	16.57	22.73	20.27	24.43	64.85

*Represents Investment Allowance Reserve under section 32(A) of the Indian Income Tax Act, 1961.

	Teletronix Limited 1976-77	1977-78	1978-79 (Provisional)	Transcables Limited 1976-77	1977-78	1978-79 (Provisional)
	(Rupees in lakhs)					
Assetes						
(*a*) Gross block	4.75	4.76	5.06	13.76	13.79	15.59
Less : Depreciation	0.87	1.28	1.67	1.35	2.61	3.75
(*b*) Net fixed assets	3.88	3.48	3.39	12.41	11.18	11.84
(*c*) Current assets, loans and advances	9.32	8.30	11.08	5.21	5.46	45.35
(*d*) Intangible assets						
(i) Miscellaneous expenditure	0.06	0.05	0.04	0.08	0.07	0.12
(ii) Accumulated losses	2.20	4.74	8.22	2.57	7.72	7.54
Total	15.46	16.57	22.73	20.27	24.43	64.85
Capital employed	12.26	11.72	13.43	16.69	16.45	54.14
Net worth	0.98	1.00	(—)2.47	1.29	1.90	2.04

NOTES : 1. Capital employed represents net fixed assets *plus* working capital.

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

(*b*) *Low capacity utilisation*

In the case of both the Companies, the losses were mainly due to low utilisation of capacity as would be evident from the table below :

Name of the Company	Installed Capacity	Actual Production 1976-77	1977-78	1978-79
Teletronix Limited	7500 battery chargers/ eliminators or 5000 TV sets	565 (7.53)†	689* (9.19)†	345 (4.60)†
Transcables Limited	3000 km of conductor	479 (15.97)†	961 (32.03)†	1,627 (54.23)†

†Figures in brackets indicate percentage of actual production to installed capacity.

*Includes 90 Television sets equivalent to 135 Battery chargers.

(iii) *Manufacturing centres*

The two Anusuchit Janjati Vikas Nigams were set up for the purpose of socio-economic and educational uplift of the scheduled tribes mainly in the regions of Kumaon and Garhwal. Due to the low level of activities the paid-up capital to the extent of Rs. 24 lakhs (96 *per cent*) in case of KAJVN and Rs. 18.50 lakhs (92.50 *per cent*) in the case of GAJVN had been invested in term deposits with the banks at the end of 1978-79.

In case of Teletronix Limited the shortfall in production was stated (June 1979) by the Management to be due to non-availability of raw material and component parts in sufficient quantities and non-availability of funds in time. In case of Transcables Limited the Management attributed (May 1979) the shortfall in production to non-availability of requisite quantity of aluminium raw material.

Out of the grants of Rs. 4.67 lakhs and Rs. 9.67 lakhs received by KAJVN and GAJVN during the period of two years up to 1977-78, only Rs. 1.71 lakhs and Rs. 2.05 lakhs had been utilised by them up to May 1979 and July 1979 respectively.

The slow utilisation of the grants since 1976-77 was attributed by KAJVN (June 1979) to non-receipt or inadequate number of applications received from the Harijan and Social Welfare Officer of the concerned district for disbursement of grant for which the Company acted only as an agent. The Management of GAJVN, however, stated (July 1979) that the applications could not be processed for the disbursement of grants due to delay on the part of Government in reconstituting the Board of Directors of the Company.

(iv) *Other points of interest*

Appointment of sales agent

A firm of Patna was appointed by Transcables Limited as its Sales and Liaison agent on 10th December 1977 at two *per cent* commission for procuring sale orders from the Bihar State Electricity Board (BSEB). On the advice of the above agent, the Company submitted a tender for the supply of conductor at Rs. 1,250 per km in response to global (IDA) tenders floated by the BSEB and an order for the supply of 3,450 km of conductor was received by the subsidiary in August 1978. A commission of Rs. 0.86 lakh was paid to the agent for this order.

No publicity for the appointment of the sales agent was given through newspapers with a view to obtaining competitive rates and terms for the agency. The appointment was rushed through and finalised within a short period before the last date for submission of tenders on 16th January 1978. No further order was procured by the agent for the Company subsequently. The Management stated that publicity for the appointment of the agent was not given in the newspapers, as the above firm was stated to be the biggest distributors and commission agents of Bihar engaged in the business of cable and conductor industries. It was also stated that without their help, it would not have been possible to procure the order.

The above cases were brought to the notice of Government/ Management in October 1979; replies are awaited (July 1980) except from TAJVN and GAJVN.

4.12. *Summing up*

(i) Apart from 3 regional Vikas Nigams, and a company set up to cater to the interests of scheduled tribes (Tarai region) 8 companies were established in different divisions for taking up all kinds of developmental activities without any delineation of fields of activities, or co-ordination with a large number of existing agencies—Government departments, banks and financial institutions and other State Government companies working towards the same basic objective of rapid economic development.

(ii) None of these Companies had prepared any corporate plans (based on socio-economic surveys) and the Companies in the backward areas are being managed by the respective Divisional Deputy Development Commissioners as part-time Managing Directors.

(iii) In the case of 3 Companies, Rs. 121.37 lakhs (49.4 *per cent*) out of the aggregate paid-up capital (Rs. 245.80 lakhs) was invested in term deposits (March 1979). Another Company, TAJVN, set up for promoting the socio-economic interests of the Scheduled Tribes, had kept its entire paid-up capital (Rs. 5 lakhs) and interest-free loan (Rs.25 lakhs) in term deposits.

(iv) PVN and BVN had incurred losses in each of the 3 years up to 1978-79 and had accumulated losses of Rs. 23.82 lakhs and Rs.31.72 lakhs respectively. GMVN had accumulated a loss of Rs.0.89 lakh. The activities of PVN were curtailed in 1978-79 by the closure of the 2 sugar mills.

(v) As against the book value of Rs. 34.38 lakhs of the assets of 14 units transferred by KMVN to GMVN (October 1976) the latter accepted a value of Rs. 29.78 lakhs (May 1979). The balance of Rs. 4.60 lakhs under dispute is yet to be reconciled.

(vi) The process loss and low yield in respect of two rosin and turpentine factories set up at Tilwara (GMVN) and Champawat (KMVN) in April/July 1978 was assessed at Rs. 5.35 lakhs (1978-79). 225 out of 453 quintals of resin stock valued at Rs.0.56 lakh were found to have been completely spoiled in storage at Tilwara.

(vii) The four mini-sugar mills (PVN and BVN) operated below the installed capacity, the percentage of recovery of sugar was lower than the norm and the loss due to low yield was assessed at Rs. 7.04 lakhs; the cost of production in these mills exceeded the realisable value resulting in a loss of Rs. 24.03 lakhs (PVN: Rs. 5.83 lakhs; BVN: Rs. 18.20 lakhs).

(viii) The two brick kilns (BVN) at Sudar (Lalitpur) and Pali (Jhansi) had incurred losses amounting to Rs. 1.72 lakhs (provisional) during the 3 years up to 1978-79.

(ix) The stone crushing unit (BVN) at Bijoli (Jhansi) set up in 1976 at a cost of Rs. 2.18 lakhs had incurred a loss of Rs. 2.42 lakhs (March 1979).

(x) The KMVN suffered a loss of Rs. 1.17 lakhs due to delay in revising the selling rates of *bajri*, sand, boulders, limestone, etc. after the enhancement of rates of royalty by the State Government (1st May 1978).

(xi) In the case of Teletronix Limited and Transcables Limited (subsidiary companies), the accumulated loss as on 31st March 1979 was Rs. 8.22 lakhs and Rs. 7.54 lakhs against the paid-up capital of Rs. 5.79 lakhs and Rs. 8.09 lakhs respectively.

(xii) Due to low levels of activities, the paid-up capital to the extent of Rs. 24 lakhs (96 *per cent*) in the case of KAJVN and Rs. 18.50 lakhs (92.50 *per cent*) in the case of GAJVN had been invested in term deposits with the banks. Out of the grants of Rs. 14.34 lakhs received by these two Companies (1976-77 and 1977-78) only Rs.3.76 lakhs (26 *per cent*) had been utilised by them up to May/July 1979.

SECTION V

UTTAR PRADESH STATE HANDLOOM CORPORATION LIMITED

5.01. *Introduction*

The Uttar Pradesh State Handloom and Powerloom Finance and Development Corporation Limited was incorporated as a Government Company on 9th January 1973 and commenced business from 22nd January 1973. The name of the Company was changed to Uttar Pradesh State Handloom Corporation Limited on 20th December 1977.

The main objects of the Company are:

(i) to promote, aid, assist or finance the setting up of new and existing handlooms or powerlooms;

(ii) to manage, establish, operate undertakings for development of the handloom and powerloom industry;

(iii) to provide financial, technical, marketing or any other assistance to the units of handloom and powerloom industry;

(iv) to buy, sell, manufacture or deal in all kinds of machinery, equipment, raw-material required by the industry; and

(v) to establish design and dyeing centres, processing units for fibres, yarn and fabrics, printing units, etc.

The Company has 3 wholly-owned subsidiaries which were incorporated without obtaining the approval of Government as required under Article 126 of the Company's Articles of Association:

Name	Date of incorporation	Authorised capital	Paid-up capital
		(Rupees in lakhs)	
Uttar Pradesh Textile Printing Corporation Limited, Kanpur	5th December 1975	200.00	16.00
Handloom Intensive Development Corporation (Gorakhpur and Basti) Limited, Gorakhpur	26th May 1976	100.00	3.00
Handloom Intensive Development Project (Bijnor) Limited, Kanpur	14th September 1976	5.00	2.00

In December 1977, with a view to effecting economy in expenditure the Board of Directors decided to amalgamate all the subsidiaries with the Company. The Government was informed accordingly (December 1977) and the matter is still under Government's consideration.

5.02. *Organisational set-up*

The management of the Company is vested in a Board of Directors comprising a part-time Chairman, the Managing Director and 10 other directors, of which 6 are Government officials (December 1979). The Managing Director is the chief executive and is assisted by a General Manager, Secretary and Finance Manager and other heads of divisions. The Managing Director also acts as the Vice-Chairman of the three subsidiaries.

5.03. *Capital structure*

The Company has an authorised share capital of Rs. 500 lakhs. The paid-up capital of the Company as on 31st March 1979 was Rs. 354 lakhs, wholly subscribed by Government. The Company received loans (Rs. 424.97 lakhs) from Government for different specified purposes carrying different rates of interest (varying from 9 to 14.5 *per cent)* with rebate varying from 3.5 to 8 *per cent* for timely payment of instalments of principal :

Year		Amount of loan (Rupees in lakhs)
1976-77		22.87
1977-78		102.00
1978-79		300.10
	Total	424.97

The Company did not pay the instalments of principal on the due dates (amount overdue as on 31st March 1978 : Rs.70 lakhs) involving an avoidable liability of Rs.3.81 lakhs due to forfeiture of rebate up to March 1978.

5.04. *Subsidies and grants*

(*a*) The Company received Rs. 503.01 lakhs as subsidy from the State Government for the production of controlled cloth during the 3 years up to 1978-79. In addition, the Company received

Rs. 284.08 lakhs as grants for different specified purposes against which an amount of Rs.75.54 lakhs (26.6 *per cent*) had been utilised as indicated below:

Year		Amount of grant	Amount utilised
		(Rupees in lakhs)	
1974-75		2.47	0.68*
1976-77		15.94	5.08
1977-78		34.86	11.80
1978-79		230.81	57.98**
	Total	284.08	75.54

(*b*) In January 1979, the State Government placed Rs. 237 lakhs at the disposal of the Company (50 *per cent* loan and 50 *per cent* grant) for distribution to the weavers in flood affected areas under a Central Flood Assistance Programme. The assistance was to be provided (50 *per cent* as loan and 50 *per cent* grant) only to such weavers who had accounts with the Company or banks. The assistance was to be provided in the form of raw material and not disbursed in cash. The loan carried interest at 12.5 *per cent* per annum subject to a rebate (3.5 *per cent*) for timely repayment in 5 equal annual instalments.

An amount of Rs. 70.84 lakhs (grant portion) was remitted to the field officers up to December 1979 for disbursement against sanctions of the Director of Handlooms, Uttar Pradesh. Details of disbursement of Rs. 70.84 lakhs towards grant were awaited from the field officers (March 1980). No amount was disbursed by way of loans as it was stated (March 1979) by the field officers of the Company and Directorate of Handlooms that the amount of loan sanctioned was too meagre and the weavers were not interested in it. A sum of Rs.118.50 lakhs received as loan was refunded by the Company along with interest (Rs.4.87 lakhs) in October 1979.

5.05. *Financial position*

The Company's accounts for the year 1978-79 are in arrears (August 1980). The table below summarises the financial position

*Rs. 1.67 lakhs refunded up to 31st March 1979.

**Provisional.

of the Company for the three years up to 1977-78 :

	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
A. Liabilities			
Paid-up capital	75.10	124.10	254.10
Reserve and surplus	..	0.07	2.50
Borrowings	70.00	110.78	250.90
Trade dues and other current liabilities (including provisions)	29.83	85.81	277.28
Total	174.93	320.76	784.78
B. Assets			
Gross block	1.09	8.38	24.58
Less : Depreciation	0.29	1.20	3.74
Net fixed assets	0.80	7.18	20.84
Capital work-in-progress	..	..	10.12
Investment	0.38	21.01	21.01
Current assets, loans, advances, etc.	170.34	290.48	732.24
Intangible assets			
Miscellaneous expenditure	0.57	0.49	0.57
Accumulated losses	2.84	1.60	..
Total	174.93	320.76	784.78
Capital employed	141.31	211.85	475.80
Net worth	71.69	122.08	256.03

NOTE: 1. Capital employed represents net fixed assets (excluding capital work-in-progress) *plus* working capital.

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

5.06. *Working results*

The following table summarises the working results of the Company for the three years up to 1977-78 :

	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
Income			
Sales	19.67	61.02	591.26
Interest	5.56	10.74	6.23
Profit on sale of raw materials/assets	..	0.10	0.89
Miscellaneous receipts	0.07	0.03	1.21
Grants-in-aid and subsidy	0.12	15.38	180.43
Total	25.42	87.27	780.02
Expenditure			
Expenditure on finished goods and raw materials, etc., consumed	17.24	64.44	652.10
Salaries and wages	3.49	5.78	34.97
Interest on loans	2.79	4.84	12.08
Expenses against grants-in-aid	0.12	5.08	11.80
Miscellaneous expenses	2.41	5.89	57.02
Total	26.05	86.03	767.97
Profit(+)/Loss(—)	(—)0.63	(+)1.24	(+)12.05

5.07. *Purchases*

(a) Purchase procedure

During the three years up to 1976-77 the volume of purchases was as under :

	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
Fabrics (excluding controlled cloth)	12.03	22.23	59.67
Silk yarn	3.60	5.20	3.92
Cotton yarn	1.49	41.32	187.58
Dyes and chemicals	0.10	0.39	0.20
Total	17.22	69.14	251.37

Prior to June 1976, officers were given advances to make on-the-spot purchases without obtaining quotations, etc. The purchase procedure laid down by the Company in June 1976 provides, *inter alia*, for—

(i) the constitution of purchase committees at different levels ;

(ii) purchases to be made after receipt and scrutiny of indents at the headquarters office, Gorakhpur ; and

(iii) purchases to be routed, as far as practicable, through the Central Stores at Kanpur.

These orders were, however, not implemented until July 1978 and the old practice was continued. Reasons for not implementing the procedure for over two years were not available.

(*b*) *Purchase in excess of requirements*

To ensure availability of silk yarn at reasonable rates to the weavers of Varanasi the Board approved (July 1973) the setting up of a sale depot for marketing of silk yarn at Varanasi. The Board authorised the Managing Director to negotiate and finalise the terms and conditions for bulk purchases of silk yarn (50,000 kgs) from the producers. The scheme as approved by the Board envisaged an annual turnover of Rs. 135 lakhs and a working capital requirement of Rs. 35 lakhs (to be financed by borrowings from banks — Rs. 28 lakhs and internal resources — Rs. 7 lakhs). Profit was estimated at Rs. 8.63 lakhs per annum.

The sale depot commenced business with effect from 11th August 1973. In September 1973 the Chairman informed the Board that the Managing Director and Depot Manager had purchased Rs. 60 lakhs worth of silk yarn in the open market which was far in excess of the monthly purchases envisaged by the Board. He stated further that with fall in prices the deal would result in heavy losses.

To clear the heavy stock it was decided (December 1973) to sell the yarn below cost. Based on the prices then prevailing the Managing Director had estimated a loss of Rs. 6.90 lakhs as reported to Government (December 1973). The entire stocks were disposed of from January 1974 to March 1979 but the actual loss has not been assessed so far (March 1980).

(c) Irregularities in purchases of silk yarn

Silk yarn of the value of Rs. 4.97 lakhs was accepted and paid for by a depot Manager (July–September 1973) although no orders had been placed for it. Silk yarn worth Rs. 5.78 lakhs was received (July–September 1973) against a telephonic order of the depot Manager who was not authorised to place the order. In another case the date of the invoice was alleged to have been tampered with (September 1973) by the same depot Manager for acceptance of material (value: Rs.0.37 lakh) from a firm which had been instructed by the Company not to despatch the material to avoid further accumulation of stock. The services of the depot Manager were terminated in November 1973.

(d) Testing of materials purchased

The Company had no facilities for testing the quality of fabrics purchased until December 1977 when a Testing Section was set up at the Company's Central Stores. A test check (April 1979) of the records of the Testing Section revealed that during December 1977 to March 1979, fabrics valuing Rs. 2.85 lakhs were found to be defective. Responsibility for defective purchases was, however, not fixed.

(e) Non-elimination of middlemen

The one-man Commission appointed by Government (April 1972) to review the working of the entire handloom and powerloom industry in the State had in its report (October 1972) stressed the need for the elimination of middlemen in the handloom trade to prevent exploitation of the weavers. This was one of the major objectives of the Company being set up.

It would be seen from the following table, however, that bulk of the purchases of fabrics by the Company were made through the traders:

	From weavers/ co-operative societies	From traders and dealers	Total
	(Rupees in lakhs)		
1974-75	0.22	..	0.22
1975-76	9.80	2.23	12.03
1976-77	13.05	9.18	22.23
1977-78	12.96	46.71	59.67
Total	36.03	58.12	94.15

The Management stated (January 1980) that sharp rise in purchases during 1977-78 was due to rapid expansion programme of opening new showrooms as also due to pushing up the sales through other agencies and holding of exhibitions, etc.

5.08. *Sales*

(*a*) *Pricing policy*

The Company had no definite pricing policy until December 1976 when it decided to add a uniform margin of 10 *per cent* (as overhead charges) on the cost of procurement. The sales depots were required to add a further 20 *per cent* (as profit margin) on the transfer price. These orders were not applicable to controlled cloth.

(*b*) *Arrangements for sales*

The Company's sales are arranged through various retail depots, a wholesale depot at Kanpur and approved agents within and outside the State. The Company also organises exhibitions and participates in exhibitions sponsored by other agencies.

The table below indicates the comparative position of purchases, sales and closing stock during the three years up to 1977-78 :

	1975-76	1976-77	1977-78
		(Rupees in lakhs)	
1. *Handloom cloth*			
Opening stock	0.15	3.65	34.29
Purchases	12.03	62.54*	552.82*
Value of sales	8.53	31.90	473.96
Closing stock	3.65	34.29	113.15
2. *Silk yarn*			
Opening stock	5.47	1.25	3.03
Purchases	3.60	5.20	3.92
Value of sales	7.82	3.42	2.62
Closing stock	1.25	3.03	4.33

*Includes purchases of controlled cloth : 1976-77—Rs. 40.31 lakhs and 1977-78—Rs. 493.15 lakhs.

	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
3. *Dyes and chemicals*			
Opening stock	..	0.03	0.02
Purchases	0.03	..	0.04
Value of sales	..	0.01	0.04
Closing stock	0.03	0.02	0.02
4. *Cotton yarn*			
Opening stock	..	..	..
Purchases	..	22.54*	67.82
Value of sales	..	22.54	67.82
Closing stock	..	..	..

(*c*) *Hiring of showrooms*

By the end of March 1979, the Company had set up 45 showrooms in hired buildings within and outside the State. It was noticed in audit that :

(i) In 19 out of 45 cases the owners of the hired premises were appointed as the Company's agents and were paid advances of Rs. 4.17 lakhs to be adjusted against the commission payable to them.

(ii) In three cases (Bombay, Kanpur and Delhi), the minimum amount of commission payable to the owners had been guaranteed by the Company but the agents had not guaranteed any sales. The commission paid and the sales effected by them during the two years up to 1978-79 was as under :

	Date of setting up	Minimum guaranteed commission per annum (Rupees in lakhs)	Percentage of commission fixed	Amount of sales required to cover up minimum guaranteed commission	Actual sales during 1977-78	Actual sales during 1978-79
				(Rupees in lakhs)		
Bombay	April 1977	1.20	4	30.00	7.08	12.64
P.P.N. Market, Kanpur	June 1977	0.33	2	16.50	2.67	11.25
Karol Bagh, Delhi	November 1976	0.38	4	9.50	2.26	1.58

* Does not include cotton yarn (Rs. 18.79 lakhs) consumed as raw material.

Actual sales during the 2 years amounted to Rs. 37.48 lakhs as against Rs. 108 lakhs based on the guaranteed commission. The commission on the basis of actual sales would have amounted to Rs.1.22 lakhs as against Rs.3.74 lakhs of guaranteed commission.

(iii) In two cases (Bombay and Chandigarh), the Company, instead of realising a security deposit from the owners acting as commission agents, paid advances aggregating Rs.0.81 lakh (Bombay: Rs. 0.60 lakh, Chandigarh: Rs. 0.21 lakh) towards security, refundable on the termination of the agency. In addition the agent at Bombay was advanced Rs. 1.20 lakhs (April 1977) towards commission for one year.

(*d*) *Agency sales of controlled cloth*

The Company undertook agency sales of controlled cloth (Janata Dhoti/Saree) from June 1977. During 1977-78 the Company appointed 190 agents consisting of 182 individuals and 4 multipurpose societies within the State, and 4 individuals outside the State. These were selected without calling for any applications, etc. The agents were to receive a commission of 6.25 *per cent* on Janata Dhoti and 7.5 *per cent* on Janata Saree related to the controlled prices. The agents were also required to pay in advance for the supplies and to render acccunts of the sales. The Company discontinued the scheme in March 1978 on the ground that it did not have an adequate machinery to check and supervise the activities of private traders and agents.

(*e*) *Export sales*

In April 1977, the Company entered into an agreement (valid for one year) with a firm of Singapore for export of printed cotton towels, bed-sheets, etc. on sole selling agency basis. The goods were to be shipped (after prior inspection by the firm's representative) on 60 days' demand/acceptance terms. During June 1977—February 1978 the Company shipped, without prior inspection (reasons for which were not on record), consignments of handloom goods (towels, bed-sheets, etc.) valued at Rs. 6.07 lakhs (f. o. b.). The goods were also covered under comprehensive risk policy from the Export Credit Guarantee Corporation (ECGC). The Company had received only Rs. 2.73 lakhs up to March 1980. The firm had withheld the balance amount on the ground of defective supplies. The unsold stock was stated to be lying with the Singapore firm.

The Management stated (December 1979) that a claim had been lodged (July 1978) with ECGC which was being pursued.

(f) Sales through exhibitions

The table below indicates the number of exhibitions in which the Company participated (1976-77 to 1978-79), the extent of sales, and the expenditure incurred by the Company specifically for this purpose :

	1976-77	1977-78	1978-79
Number of exhibitions			
(a) Organised by the Company	13	21	3
(b) Others	2	9	26
		(Rupees in lakhs)	
Total expenditure incurred	2.16	5.82	5.30
Total sales effected	4.04	16.02	29.95

In this connection following points deserve mention :

(i) Goods of the value of Rs. 13.80 lakhs and Rs. 9.53 lakhs were sent to various exhibitions in 1977-78 and 1978-79 respectively. Reconciliation of the goods sent to the exhibitions and those received back was still in progress (March 1980). A test check of the records of the exhibition held in November/December 1978 in Delhi revealed shortages of Rs.0.62 lakh in the stock.

(ii) No account was prepared showing the working results of each participation.

(g) Incentive scheme

The Board approved an incentive scheme in October 1976. Break-even points were to be worked out for each showroom. On the basis of break-even points worked out for each showroom, the employees were to be given 3 *per cent* of sales as incentive for excess (of sales over the break-even point) up to 20 *per cent* and at 4 *per cent* thereafter.

The details of the scheme were to be finalised by the Managing Director in consultation with another Director of the Company. It was noticed however that :

(i) No break-even points had been worked out in respect of each showroom (March 1980).

(ii) From February 1978 to August 1979 the Company paid incentive at 1 *per cent* on the gross sales of non-controlled cloth and at $\frac{1}{4}$ *per cent* on the gross sales of controlled cloth. No minimum sales had been prescribed.

The Board's ex-post facto approval to this arrangement was obtained in March 1979. Since September 1979 the scheme has been revised and the incentive is payable only if the sales in a month exceed the average sales of the preceding ten months.

(h) Supply of dhoties and grey cloth

In August 1974, the Company accepted an order for the supply of 2,963 pairs of dhoties and 1.31 lakh metres of uncalendered grey cloth (total value: Rs.2.98 lakhs) from a firm of Kanpur. The firm was required to furnish a bank guarantee of Rs.5 lakhs for fulfilment of contractual obligations and to make cash payment against deliveries. Neither of these conditions were, however, fulfilled and the Company delivered goods of the value of Rs.2.98 lakhs to the firm (November 1974 to February 1975) against post-dated cheques. Cheques of the value of Rs.1.48 lakhs bounced back and the Company was able to recover Rs. 0.35 lakh only (March 1975). For the recovery of the balance amount of Rs.1.13 lakhs, the Company filed a civil suit after over 3 years (January 1978) which was pending (March 1980).

5.09. *Stores and inventory control*

(a) The Company has neither prepared any Stores Accounting Manual nor prescribed any procedure for the maintenance of stores accounts (March 1980). The Company does not have a system of obtaining acknowledgement of goods issued/despatched to processing/selling agencies and does not carry out a regular reconciliation of transactions between Central Stores and sale depots/exhibitions. It was noticed that goods despatched to the showrooms had not been acknowledged (March 1980).

(b) Reconciliation (July 1979) of goods transferred from Central Stores to various showrooms and exhibitions and *vice versa* up to 1977-78 revealed the following excesses/shortages:

	Shortage	Excess
	(Rupees in lakhs)	
Controlled cloth	1.60	0.03
Non-controlled cloth	0.46	0.17
Total	2.06	0.20

(c) There were delays in the inspection of goods received from the suppliers. It was noticed that consignments received between December 1978 and March 1979 for which Rs.5.87 lakhs had been paid in advance were opened/inspected in March 1980.

(d) Stores verification

For the years prior to 1976-77 although annual physical verification of stores and stock was carried out, details of excesses/shortages found as a result of such verification were not available. The shortages/excesses noticed from 1976-77 to 1978-79 were as under:

Year	Excess	Shortage
	(Rupees in lakhs)	
1976-77	0·13	0.14
1977-78	0·88	1·50
1978-79	3·09	3·80
Total	4·10	5·44

The above shortages/excesses have not been adjusted so far (March 1980). In this connection the following points deserve mention:

(i) Consignments of controlled cloth of the value of Rs.2.40 lakhs received from the production centres of Etawah and Farrukhabad during January – June 1978 were not accounted for in the Central Stores. The non-accountal was detected in August 1978 and the matter was reported to the police (October 1978); the results of police investigation are awaited (March 1980).

(ii) In Central Store, Kanpur a shortage of Rs.0.16 lakh came to notice in April 1977. The storekeeper who was purely temporary and paid on muster roll had left the Company's services in March 1977. Responsibility for the loss is yet to be fixed (March 1980).

(e) Unserviceable/damaged goods

Unserviceable and damaged goods valuing Rs.6.36 lakhs were lying in 8 showrooms (December 1979). A committee appointed by the Company (March 1979) recommended disposal of these items at a total discount of Rs.1.03 lakhs. Details regarding actual disposal were awaited (March 1980). The information in respect of 37 showrooms/sale depots was not available (March 1980).

5.10. *Internal audit*

The Company has not prepared any Internal Audit Manual so far (March 1980). The Board of Directors decided in April 1977 to entrust the work of internal audit to a firm of Chartered Accountants on a fixed remuneration of Rs.1,000 per month *plus* incidental charges for outside journeys. The firm took up the work in April 1977 and inspected 16 showrooms and 2 production centres but had not submitted any report so far (March 1980). The firm had been paid Rs.0.12 lakh (*ad hoc*) as remuneration for internal audit work (December 1979). This arrangement was discontinued in March 1979. An internal audit cell under the Chief Inspector of Accounts was set up in April 1979 for checking the records of showrooms, central storse, production centres, agencies cell at the head office, etc. but due to inadequate staff, a large number of showrooms and depots had not been inspected up to March 1980.

5.11. *Other topics of interest*

(*a*) *Calendering of controlled cloth*

In the absence of any calendering facility with the Company, this work, in respect of handloom goods produced/procured at the production centres is entrusted to private firms.

In this connection following points deserve mention:

(i) The work was entrusted to private firms (through negotiations) without inviting competitive offers, at rates ranging from 50 to 70 paise per pair of Janata dhoti/saree.

(ii) Neither was any agreement executed nor any security obtained for the cloth delivered to the firms for calendering.

(iii) The stocks lying with the firms were also not reconciled. A test check in audit of the stock records as on 31st March 1978 revealed (May 1979) the following discrepancies:

As against 47,977 pairs of Janata dhoties/sarees due from firm 'A' of Kanpur as on 31st March 1978, only a balance of 21,033 pairs was shown in the Company's books.

As against a balance of 25,338 pairs due from firm 'B' of Maunath Bhanjan, the balance due as per the Company's books was 'nil'.

(b) Deviation from the main objects of the scheme

Since August 1976 the Company has been operating export — oriented projects for production of high quality handloom cloth at Etawah and Farrukhabad. The projects were initiated by the Company on the recommendations of a committee appointed by the Government of India in September 1973 which submitted its report in July 1974.

Up to March 1979, the Company had secured loans and grants amounting to Rs.30 lakhs and Rs.10 lakhs respectively from the State Government (*vide* para 5.03 and 5.04 *ante*).

Since October 1976 the centres were, however, used for the production of controlled cloth like Janata dhoties/sarees. The Development Commissioner, Government of India wrote to the Company in May 1979 saying that since the very purpose of the scheme was the production of high 'value-added' items it was not desirable to produce controlled cloth in this project.

The Management stated (December 1979) that due to a slump in the export market for handloom fabrics and trade restrictions imposed by certain foreign countries a large number of weavers of Etawah had become idle and were unemployed. It was, therefore, considered necessary to produce controlled and conventional fabrics with a view to provide them employment. It was stated further that efforts were again being made to undertake production of high quality exportable items.

(c) Transport arrangements

The Company incurred an expenditure of Rs.0.44 lakh, Rs.1.85 lakhs and Rs.1.47 lakhs on freight and transportation etc. during the three years up to 1978-79. The Company has not, however, finalised any regular arrangements for the transportation of goods from its Central Stores to various showrooms and *vice versa* and the work is entrusted to the transporters from time to time without calling any quotations.

The Company stated (December 1979) that tenders would be invited in future to secure the most favourable rates.

(ii) In February 1978, goods valued at Rs.0.48 lakh were handed over to a private transporter for delivery to Bhabua Vyapar Mandal, Bhabua, District Rohtas, Bihar, against their order of January 1978. The delivery of goods was to be made against payment through bank. The documents which were sent to the bank were returned by the bank (August 1978) as the consignee did not retire them.

According to the transport agency the goods were delivered to the Manager of the Vyapar Mandal as the documents were made in his name by the Company. No payment against the supplies made has been received by the Company (March 1980). The Company had now filed (October 1979 and February 1980) civil as well as criminal suits against the transport agency and the Vyapar Mandal.

5.12. *Summing up*

(i) The Company had set up 3 subsidiaries (December 1975 – September 1976) without the required approval of Government. In December 1977 the Board decided to amalgamate the subsidiaries with the Company and the matter awaits Government approval.

(ii) Due to non-payment of loan instalments on due dates, the Company had forfeited rebates in interest aggregating Rs.3.81 lakhs.

(iii) The Company had received Rs.503.01 lakhs as subsidy from the State Government during 3 years up to 1978-79. Of Rs.284.08 lakhs received as grants (1974-75 to 1978-79) only Rs.75.54 lakhs (26.6 *per cent)* had been utilised.

(iv) Out of Rs. 237 lakhs received from the State Government (January 1979) for distribution (50 *per cent* as loan and 50 *per cent* as grant) to weavers in flood affected areas, Rs.118.50 lakhs (representing the loan portion) was refunded (October 1979) with interest as the weavers were not interested in the loans. Details of Rs.70.84 lakhs remitted to field officers for disbursement were still awaited.

(v) The Managing Director and the Depot Manager had purchased silk yarn worth Rs.60 lakhs in the open market which was far in excess of requirements. Based on prevailing rates, a loss of about Rs.6.90 lakhs was anticipated in the disposal of surplus yarn. Although the entire stocks were disposed of from January 1974 to March 1979, actual loss has not been worked out (March 1980).

(vi) During December 1977 to March 1979 fabrics valuing Rs.2.85 lakhs were found to be defective in the testing section set up in December 1977. No responsibility was fixed for the defective purchases.

(vii) While the Commission (appointed by Government) had in its report (October 1972) stressed the need for the elimination of middlemen in the handloom trade (to prevent exploitation of weavers) bulk of the purchases of fabrics (62 *per cent*) were made from traders and dealers instead of weavers and co-operative societies.

(viii) In 19 cases the owners of the premises were appointed as Company's agents and were paid advances of Rs.4.17 lakhs. In 3 cases the Company guaranteed a minimum commission without a corresponding guarantee for minimum sales by the agents. With reference to the commission guaranteed, the 'shortfall' in sales (1977-78 and 1978-79)amounted to Rs.70.52 lakhs resulting in 'excess' payment of (guarantee) commission amounting to Rs.2.52 lakhs. In 2 cases, the Company, instead of realising a security deposit from the agents, paid advances amounting to Rs.0.81 lakh. One of the agents was also paid Rs.1.20 lakhs towards commission for one year in advance.

(ix) A foreign buyer had withheld Rs.3.34 lakhs on grounds of defective supplies (June 1977 – February 1978).

(x) The Company had incurred an expenditure of Rs.7.98 lakhs on participation in 45 exhibitions (1976-77 and 1977-78) resulting in total sales of Rs.20.06 lakhs. The accounts of goods (value : Rs.23.33 lakhs) sent to the exhibitions (1977-78 and 1978-79) were yet to be reconciled.

(xi) Incentive payments were made to the sales staff (on *ad hoc* basis) without working out the break-even points for the showrooms as enjoined in the scheme approved by the Board (1976).

(xii) In August 1974, the Company supplied handloom cloth to a private firm without the requisite security. The Company is yet to recover Rs.1.13 lakhs for which the Company had filed a belated suit (January 1978).

(xiii) The Company does not have a system of obtaining acknowledgement of goods issued/despatched to selling agencies and does not carry out regular reconciliation of transactions between Central Store and sales depots/exhibitions. Reconciliation of goods transferred to various showrooms and exhibitions and *vice versa*, up to 1977-78, revealed shortages and excesses of Rs.2.06 lakhs and Rs.0.20 lakh respectively.

The physical verification of stores during the three years up to 1978-79 revealed shortages and excesses of Rs.5.44 lakhs and Rs.4.10 lakhs respectively which were awaiting adjustment (March 1980).

(xiv) Consignments of controlled cloth (value : Rs.2.40 lakhs) received from 2 production centres (January–June 1978) were not accounted for in the Central Store.

(xv) Unserviceable and damaged goods valuing Rs.6.36 lakhs were lying in 8 showrooms undisposed of (December 1979). Similar information in respect of 37 showrooms/sales depots was not available.

(xvi) The stocks lying with the firms engaged for calendering of handloom goods produced/procured were not reconciled. Against 73,315 pairs of Janata dhoties/sarees due from two firms, the balance receivable as per the Company's records was 21,033 pairs only.

(xvii) The Company had received loans (Rs.30 lakhs) and grants (Rs.10 lakhs) for operating export-oriented projects for production of high quality handloom cloth. The centres set up for the purpose were, however, being used, since October 1976, for the production of controlled cloth like Janata dhoties/sarees (December 1979).

SECTION VI

OTHER GOVERNMENT COMPANIES

UTTAR PRADESH STATE SUGAR CORPORATION LIMITED

6.01. *Overpayment for supply of machinery*

The Company entered into agreements (September 1976/August 1977) with a manufacturing firm of New Delhi for the supply and erection of plant and machinery (aggregate value: Rs.1,288.16 lakhs) for four factories at Chhata (Mathura), Chandpur (Bijnor), Daryapur (Rae Bareli) and Nandganj (Ghazipur). The agreements provided, *inter alia*, for the supply of a total number of 25 centrifugal machines of 500 kg capacity each. Suitable numbers of different capacity centrifugal machines were to be provided if 500 kg machines were not available.

The firm supplied 25 centrifugal machines of 450 kg capacity each instead of 500 kg (as provided for in the agreement) with an aggregate shortfall of 1,250 kg in capacity, equivalent to 3 (450 kg) machines. The firm was, however, paid at the rates provided in the agreement for 500 kg centrifugal machines resulting in an extra payment of about Rs.12 lakhs.

The Management stated (December 1979) that the matter of undue benefit to the suppliers was being pursued with them. The matter was reported to Government in August 1979; reply is awaited (June 1980).

6.02. *Purchase of gunny bags*

The Company purchases large quantities of gunny bags every year. It is noticed that the rates for jute bags are relatively more favourable during the months of July – August each year: this was the position (Calcutta market) during 1976 to 1979. The Company, however, has been losing the benefit of favourable prices by resorting to purchases of gunny bags during the months of September to April/May. As against the prevailing rates (ex-works, Calcutta) of Rs.428 – 433 per 100 bags in July – August 1978, the Company purchased, during the period September 1978 – March 1979, 11.52 lakh gunny bags (18 orders – total ex-works cost: Rs.60.92 lakhs) at rates ranging from Rs.490 to Rs.585 per 100 bags (average: Rs.528.80 per 100 bags) involving an extra expenditure of Rs.11.07 lakhs (22 *per cent*) on the basis of the maximum rate of Rs.433 per 100 bags (August 1978).

The Management stated (September 1979) that gunny bags were not purchased during July and August 1978 due to:

(i) non-availability of final estimate from the Cane Commissioner for deciding the coverage of procurement. (The Company could, however, have based its requirements on the tentative estimates of July – August 1978 or on earlier years' consumption);

(ii) non-availability of funds in off-season;

(iii) bulk order for the entire season would have violated the regulations of Forward Markets Commission *vide* Government of India notifications of July and October 1978. (It may be mentioned, however, that these did not place any restrictions on cash purchases); and

(iv) that lower rates are available in July and August each year is a matter of conjecture. (This is not correct as market rates during July/August in the years 1976-77 to 1978-79 were lower).

The matter was reported to Government in August 1979; reply is awaited.

6.03. *Purchase of defective parts*

The Company placed an order (November 1973) for the supply of 2 teeth gears (value: Rs.0.64 lakh) for its Barabanki unit on a firm of Gorakhpur. The teeth gears which were inspected before despatch by the Company's representatives (October 1975) were, however, found to be defective on receipt (November 1975) in as much as serious blow holes were noticed in the root of one gear and the outer diameter of the other gear was found to be one inch bigger and the bores four and half inches bigger than required. One gear was returned (June 1976) to the firm for rectification and the rectified gear developed cracks while fitting (September 1976) and as such could not be used. The other gear was not sent for rectification/replacement (December 1979). These gears on which the Company spent Rs.0.64 lakh are lying unused in its premises (March 1980). The Management stated (October 1979) that the matter was under investigation by the Uttar Pradesh Criminal Investigation Department since October 1978. It was further stated that a legal case had been instituted against the party for recovery of the money paid.

The matter was reported to Government in August 1979; reply is awaited (June 1980).

Bhatni Unit

6.04. *Loss due to excess driage not recovered from transport contractors*

In accordance with the provisions of the agreement entered into by Bhatni unit of the Company with 4 transport contractors for the transportation of sugarcane during the years 1974-75, 1975-76 and 1976-77 driage of sugarcane (in transit) beyond 0.5 *per cent* was to be recovered from the bills of the transport contractors. A quantity of 38,400 tonnes of sugarcane was transported by 2 of these 4 contractors during 1974-75 to 1976-77. The driage in excess of the specified limit (192 tonnes at 0.5 *per cent)* worked out to 400 tonnes valuing Rs.0.57 lakh against which Rs.0.16 lakh only were recovered (September 1979) from the bills of the contractors leaving a balance of Rs.0.41 lakh.

The Management stated (September 1979) that the General Manager had not effected the recovery in the interest of maintaining good relations with the contractors. The driage had, however, been recovered by the Company in cases of other contractors.

The matter was reported to Government in August 1979; reply is awaited (June 1980).

UTTAR PRADESH STATE BRIDGE CORPORATION LIMITED

6.05. *Supply of shuttering*

In October 1975, the Company invited tenders for designing, fabrication and supply of steel framework for conduit viaduct and other appurtenant works and placed an order (December 1975) on the lowest tenderer of Bombay for one set of shuttering (comprising four components) at Rs.5.40 lakhs ex-works Bombay (excluding excise duty and sales tax). In April 1976, the Company placed a repeat order on the same firm for the supply of one more set (three components) at Rs.4.89 lakhs on the same terms and conditions. As the Company required more sets, it decided to invite fresh tenders for local fabrication of shuttering to effect economy. On the basis of fresh tenders (5th May 1976), the Company placed orders (May/June 1976) on two firms (Uttar Pradesh) for supply within 3 months of one set each (three components) at Rs.2.44 lakhs per set at the Company's work site. Even after placing the order at lower rates, the Company placed another repeat order on the Bombay firm (June 1976) for one set of shuttering at its original rates which resulted in an extra expenditure of Rs.3.09 lakhs.

4.89 − 2.44 = 2.45

Management stated (December 1979) that the repeat order was placed on the consideration that the local firms would have delayed

Excise S.T. transportation

3.09

..pplie. thereby increasing the overheads of the Company. Actually the local firms as well as the Bombay firm effected the supplies in November 1976.

The matter was reported to Government in September 1979; reply is awaited (June 1980).

6.06. *Excess payment of sales tax*

Under the Uttar Pradesh 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 located in the State and owned or controlled by the Government, could purchase any goods for their own use at a concessional rate of sales tax, *viz.* 3 *per cent* up to 30th June 1975 and 4 *per cent* thereafter. This concession was available against a declaration (in the prescribed form) to be furnished to the dealer.

In the course of audit, it was noticed (November 1978) that three units of the Company (Faizabad, Allahabad and Ghazipur) did not furnish the declaration to avail themselves of the benefit of concessional rate of sales tax resulting in an avoidable payment of Rs. 0.41 lakh (41 cases) by way of sales tax at the higher rates.

The Management stated (December 1979) that the prescribed forms were not issued as the amounts of orders placed were petty.

The matter was reported to Government in July 1979; reply is awaited (June 1980).

UTTAR PRADESH STATE AGRO INDUSTRIAL CORPORATION LIMITED

6.07. *Export of mango juice*

The Company entered into an agreement with a firm of Bombay (13th December 1976) for export of mango juice (816 tonnes) and mango nectar (163.2 tonnes) valuing Rs. 60 lakhs as follows:

Mango juice—	Rs. 45.08 per carton (48×170 gm cans)
	Rs. 109.00 per carton (48×450 gm cans)
	Rs. 82.00 per carton (24×850 gm cans)
Mango nectar—	Rs. 40.22 per carton (48×170 gm cans)

The supplies were to be effected during June–November 1977 against letters of credit to be opened by the firm in favour of the Company in five instalments (15th April to 15th September 1977). Each letter of credit was to be utilised in full before the opening of the next letter of credit. The firm also furnished (December 1976) a bank guarantee for Rs. 0.50 lakh for performing their part of the contract.

The firm opened two letters of credit in April 1977 for 30,000 cartons of mango juice :

Date opened	Quantity	Value (Rupees in lakhs)	Validity up to
23rd April 1977	20,000 cartons (170 gm cans)	9.02	11th July 1977. (extended to 23rd July 1977)
30th April 1977	10,000 cartons (450 gm cans)	10.90	25th June 1977

The Company despatched 10,000 cartons (Rs. 4.50 lakhs) within the validity period of the letter of credit and 11,916 cartons (Rs. 11.80 lakhs) thereafter during July to October 1977. The firm accepted the first consignment but did not accept the second. Out of these 11,916 cartons, 7,500 cartons (value : Rs. 8.17 lakhs) were exported (September 1978) to another buyer at Rs. 6.06 lakhs. The net realisation (after allowing 5 *per cent* commission), was Rs. 5.75 lakhs. The remaining 4,416 cartons (value : Rs. 3.63 lakhs) were lying undisposed of in a hired godown at Bombay (March 1980) for which the Company is paying a monthly rent of Rs. 2,630 since February 1978. The Company had also paid Rs.0.98 lakh (February 1978) to the transporter on account of demurrage charges and godown rent for the consignment lying at Bombay. The firm's bank guarantee of Rs. 50,000 was allowed to lapse on 30th November 1977.

Thus against an order for Rs.60.00 lakhs the Company was able to effect supplies of the value of only Rs. 4.50 lakhs within the validity period, and had incurred a loss of Rs.3.40 lakhs in the disposal of delayed supplies (value : Rs. 8.17 lakhs) and 4,416 cartons (value : Rs.3.63 lakhs) were held in a hired godown at Bombay involving a recurring expenditure of Rs. 2,630 per month since February 1978.

The Management attributed (September 1978) the delay in supplies to late arrival of mangoes in the market and non-availability of cans. It was stated further (November 1979) that a Committee had been constituted to examine the case and action, if any, would be taken on receipt of the report of the committee.

The matter was reported to Government in July 1979; reply is awaited (June 1980).

UTTAR PRADSH STATE FOOD AND ESSENTIAL COMMODITIES CORPORATION LIMITED

6.08. *Shortages of stores and cash*

Shortages in stores and cash noticed during 1975-76 to 1978-79 (September 1978) in the Janata stores of the Company at Lucknow aggregated Rs.6.34 lakhs:

Year	Amount (Rupees in lakhs)
1975-76	0.99
1976-77	1.93
1977-78	3.09
1978-79	0.33

These included Rs. 3.00 lakhs outstanding against officials who were no longer in the service of the Company.

The Management/Government stated (September/December 1979) that a sum of Rs. 1.73 lakhs had been recovered and action for the recovery of the balance was being taken and that first information reports had been/were being lodged with the Police against persons who were not in the service of the Company. It was also stated that in some cases claims had been lodged (January to May 1978) with the insurance company.

UTTAR PRADESH STATE TOURISM DEVELOPMENT CORPORATION LIMITED

6.09. *Employees' provident fund*

In June 1977, the Employees' Provident Fund Scheme was made applicable to the Company with retrospective effect from 1st May 1975 by the Regional Provident Fund Commissioner (RPFC) and the Company was directed to pay the contributions and administrative charges thereon within a period of 15 days failing which penal charges would be leviable under the provisions of Section 14-B of Employees' Provident Fund Act, 1952.

The Management did not pay the employer's and employees' share of contribution and administrative charges and contended (September 1978) that the Company was established in August 1974 and had not completed 5 years by May 1975, and, therefore, retrospective application of the provisions of Employees' Provident Fund Act was not in order. This contention was not accepted by RPFC (January 1979) on the ground that the tourist bungalows were established by the State Government long back and mere change in the Management or ownership did not change the position. The recovery of employees' contribution was commenced from November 1979.

Under the provisions of the Employees' Provident Fund Scheme the employees' share of contribution, if unrecovered, is payable by the Company and arrears of contribution cannot be recovered from the employees. The arrears on account of employees' and employer's share of contribution along with administrative charges, etc. for the period from May 1975 to October 1979 aggregating Rs. 1.32 lakhs including Rs. 0.62 lakh towards employees' share of contribution were paid in October and December 1979.

UTTAR PRADESH STATE CEMENT CORPORATION LIMITED

6.10. *Payment of interest and commitment charges*

The capital cost of Kajarahat–Chunar Cement Project was estimated by the Management and the Industrial Development Bank of India (IDBI) at Rs. 72 crores (June 1975) which was to be financed to the extent of Rs. 47 crores by Rupee term loans from IDBI and other financial institutions. Loan applications were formally sanctioned by the financial institutions during June 1975 – February 1976. It was proposed (January 1978) by the Board of Directors of the Company to draw the Rupee term loans in 5 quarterly instalments between March 1978 and March 1979. The grant of the term loan was, *inter alia,* subject to the mortgage of all the movable and immovable properties (present and future) of the Company.

The Company could not, however, draw the term loans (interest at 11 *per cent* per annum) as planned because of non-execution of the mortgage deed in favour of IDBI. The Company, therefore, had to resort to interim and bridging loans aggregating Rs. 31.04 crores from IDBI and other financial institutions (interest at 12 *per cent* per annum) involving an extra payment of interest amounting Rs. 14.08 lakhs (up to November 1979).

In addition, the Company had to pay commitment charges amounting to Rs. 36.24 lakhs for the period from October 1977 to March 1979 due to the non-drawal of committed loans from the financial institutions.

The Management stated (October 1979) that while the management of the factories was transferred to the Company in 1972, the formal agreement transfering the assets was not executed ; the transfer deed was sent to State Government in February 1978, seeking exemption from the payment of registration charges and stamp duty (Rs.2 crores). Thus, in the absence of the title deed, the Company was not in a position to offer the security in favour of financial institutions and had to draw bridging loans to meet the urgent requirements of the project and could not adhere to the drawal schedule proposed in the agreement resulting in the payment of commitment charges.

Government stated (July 1980) that the financial institutions had stipulated that commitment charges would be levied immediately after expiry of six months from the date of issue of their letters of intent but, at the request of the Company no commitment charges were levied till September 1977. The commitment charges were included in the project estimate and the loans were drawn from May 1978 onwards according to actual requirements to save interest charges. It was further stated that the formal transfer of properties to the Company had not been done till then due to procedural delays.

CHAPTER II

STATUTORY CORPORATIONS

UTTAR PRADESH STATE ELECTRICITY BOARD

SECTION VII

7. *Introduction*

There were 4 Statutory Corporations in the State as on 31st March 1979, *viz.* Uttar Pradesh State Electricity Board, Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Financial Corporation.

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.6.43 crores during the year 1978-79 as against the loss of Rs.23.14 crores in the previous year and the cumulative loss at the end of 1978-79 amounted to Rs.159.46 crores.

(i) *Loan capital*

The aggregate of long-term loans, including loans from Government, bonds, debentures and deposits obtained by the Board was Rs. 1,903.37 crores at the end of 1978-79 and represented an increase of Rs.222.25 crores over the total long-term loans of Rs. 1,681.12 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 bonds and payment of interest thereon, redemption of promissory notes, cash credit facilities to the end of March 1979 amounted to Rs. 308.24* crores against which a sum of Rs. 206.63*crores was outstanding as on 31st March 1979.

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.

(iii) A synoptic statement showing the summarised financial results of working of the Board, as per the accounts for the year 1978-79, is given in Appendix II.

*Figures as per Finance Accounts.

SECTION VIII

UTTAR PRADESH STATE ELECTRICITY BOARD
HYDEL GENERATING STATIONS

8.01. *Introduction*

The installed capacity of the generating stations of the Board at the end of the Fourth Five Year Plan (1973-74) was 1,674 MW (thermal: 1,074 MW; hydel: 600 MW). Additional capacity installed during the years 1974-75 to 1978-79 was as under:

Year	Installed capacity added Thermal	Hydel	Total
1974-75	100	190	290
1975-76	100	146	246
1976-77	280	132	412
1977-78	370	..	370
1978-79	200	..	200
Total	1,050	468	1,518

At the end of 1978-79 the total installed capacity was 3,192 MW (thermal: 2,124 MW; hydel: 1,068 MW).

The following are the details of schemes taken up by the Board in respect of hydro-electric generating stations:

Scheme	Year in which taken up	Installed capacity (MW)	Estimated cost (Rupees in crores)	Expected year of commissioning
Yamuna Stage II (Khodri)	1964	120	72.00	1981-82
Maneri Bhali Stage I	1965	93	67.19	1982-83
Garhwal-Rishikesh-Chilla	1970	144	97.76	1980-81
Tehri Dam	1974	600	305.16	1988-89
Lakhawar-Vyasi	1974	420	230.00	1984-85
Maneri Bhali Stage II	1976	156	82.63	1985-86
Vishnu Prayag	1977	262	104.51	1987-88
Khara	1978	81	60.74	1984-85
Total		1,876	1,019.99	

8.02. *Hydro-electric generating stations*

The following table gives relevant information in respect of hydro-electric generating stations in operation as on 31st March 1979 :

Description	Number of generating sets	Installed capacity (MW)	Commissioned in	Capital Cost (Rupees in crores)
Khatima	3	41.40	February 1956	7.48
Matatila	3	30.60	February—September 1965	10.88
Rihand	6	300.00	February 1962—April 1965	51.52
Dhakrani	3	33.75	November 1965—January 1970	16.83
Dhalipur	3	51.00	December 1965—March 1970	
Obra	3	99.00	May 1970—April 1971	24.24
Kulhal	3	30.00	April—December 1975	14.11
Chibro	4	240.00	April 1975—February 1976	73.82
Ramganga	3	198.00	December 1975—March 1977	47.03
Total	31	1,023.75*		245.91

8.03. *Plant operations*

The details of plant operation are mentioned in the following table :

Description	1976-77			1977-78			1978-79		
	Available hours	Operated hours	Percentage	Available hours	Operated hours	Percentage	Available hours	Operated hours	Percentage
Rihand	52,560	31,178	59	52,560	22,466	43	52,560	24,001	45
Chibro	35,040	18,221	52	35,040	16,260	46	35,040	19,763	56
Ramganga	10,047	4,926	49	18,144	4,474	25	18,144	7,475	41
Obra	26,280	17,693	67	26,280	12,136	46	26,280	13,668	52
Dhalipur	26,280	18,539	71	26,280	16,855	64	26,280	21,072	80
Khatima	26,280	14,909	57	26,280	12,869	49	26,280	13,669	52
Dhakrani	26,280	18,942	72	26,280	17,654	67	26,280	20,106	76
Matatila	26,280	13,155	50	26,280	15,348	58	26,280	13,995	53
Kulhal	26,280	20,201	78	26,280	18,560	71	26,280	10,822	41

*This excludes 44.55 KW capacity consisting of some small (Pathri, Bahadurabad, etc.) and 12 micro-hydel stations.

It would be seen that percentage of running hours to available hours at Rihand, Ramganga, Obra and Kulhal power stations (aggregate capacity: 627 MW) declined considerably in 1977-78 and 1978-79 as compared to the year 1976-77. Reasons for the decline were not analysed by the Board (May 1980).

8.04. *Plant performance*

The table below indicates the performance of the power stations on the basis of hours actually operated during the three years up to 1978-79:

Description		Possible generation	Power actually generated	Shortfall	Percentage
			(Mkwh)		
Rihand	1976-77	1,558	1,215	343	78
	1977-78	1,123	826	297	74
	1978-79	1,200	931	269	78
Chibro	1976-77	1,093	856	237	78
	1977-78	976	814	162	83
	1978-79	1,186	959	227	80
Ramganga	1976-77	325	208	117	64
	1977-78	295	226	69	77
	1978-79	493	437	56	87
Obra	1976-77	584	448	136	77
	1977-78	400	313	87	78
	1978-79	451	339	112	75
Dhalipur	1976-77	315	243	72	77
	1977-78	287	204	83	70
	1978-79	358	292	66	82
Khatima	1976-77	206	176	30	86
	1977-78	178	127	51	71
	1978-79	188	133	55	71
Dhakrani	1976-77	213	167	46	78
	1977-78	199	151	48	75
	1978-79	226	190	36	82
Matatila	1976-77	134	119	15	89
	1977-78	156	144	12	92
	1978-79	142	131	11	92
Kulhal	1976-77	202	157	45	78
	1977-78	186	145	41	78
	1978-79	108	91	17	85
Total (3 years)		**12,772**	**9,045**	**3,727**	**71**

8.05. *Capacity utilisation*

The following are the details of installed capacity, targets and actual generation of power :

Power Station	Installed capacity (Mkwh)	Target (Mkwh)	Per-centage	Actual generation 1976-77		1977-78		1978-79	
				Mkwh	Per-centage	Mkwh	Per-centage	Mkwh	Per centage
Rihand	2,628.00	901.40	34	1,215	135	826	90	931	103
Chibro	2,102.40	1,000.00	47	856	86	814	82	959	96
Ramganga	1,734.48	450.73	26	208	46	226	50	437	97
Obra	867.24	279.00	31	448	160	313	112	339	121
Dhalipur Dhakrani	742.65	525.00	71	410	78	355	68	482	92
Khatima	362.66	309.36	85	176	57	127	41	133	43
Matatila	268.00	123.58	46	119	96	144	117	131	106
Kulhal	262.80	163.70	62	157	96	145	89	91	56
Total	8,968.23	3,752.77	42	3,589	96	2,950	..	3,503	93

There were wide variances between the targets set for different generating stations and these varied from 26 *per cent* (Ramganga) to 85 *per cent* (Khatima) of the installed capacity. The targets set for Rihand (exceeded in 1976-77 and 1978-79), Ramganga and Obra (exceeded in all three years) were particularly low. Even these lower targets were not achieved in any of the three years at Chibro, Ramganga, Dhalipur/Dhakrani, Khatima and Kulhal. Chibro, Dhalipur/Dhakrani, Khatima and Kulhal are fed by independent power channels meant exclusively for these power stations, but the reasons for shortfalls in generation had not been analysed by the Board.

The Board reimburses the Irrigation Department for the expenses incurred on the maintenance of the power channels. The power channel from Dakpathar remained closed from 2nd February 1978 to 19th March 1978 for silt clearance and annual maintenance by the Irrigation Department for which it claimed Rs. 33.90 lakhs.

On reopening (20th March 1978) of the canal heavy leakage was noticed at the intake gates and water discharge dropped from the minimum requirement of 7,000 cusecs (for operating the three machines) to 4,000—6,000 cusecs. This leakage continued till 29th April 1978 resulting in a loss of generation of 10.6 Mkwh approximately (revenue loss: Rs. 19.08 lakhs). The claims for reimbursement of this loss preferred by the Board in April and June 1978 were not accepted by the Irrigation Department (May 1980).

8.06. *Plant outages*

The following table gives details of outages under planned maintenance and forced shut downs during the three years up to 1978-79:

Name of the station	1976-77			1977-78			1978-79		
	Planned maintenance	Shut downs	Total	Planned maintenance	Shut downs	Total	Planned maintenance	Shut downs	Total
				(HOURS)					
Rihand	993	20,389	21,382	736	29,358	30,094	627	27,932	28,559
Chibro	2,546	14,273	16,819	1,190	17,590	18,780	2,472	12,805	15,277
Ramganga	2,160	2,980	5,140	4,650	9,020	13,670	4,512	6,157	10,669
Obra	206	8,381	8,587	3,990	10,154	14,144	1,383	11,229	12,612
Dhalipur	2,689	5,052	7,741	3,885	5,540	9,425	1,593	3,615	5,208
Khatima	11,049	322	11,371	9,917	3,494	13,411	11,707	904	12,611
Dhakrani	2,375	4,963	7,338	4,896	3,730	8,626	4,924	1,250	6,174
Matatila	1,018	12,107	13,125	352	10,580	10,932	1,088	11,197	12,285
Kulhal	2,469	3,610	6,079	3,768	3,952	7,720	..	15,458	15,458
Total	25,505	72,077	97,582	33,384	93,418	1,26,802	28,306	90,547	1,18,853

The following points were noticed:

(*a*) *Rihand*

Machines I to V of the Rihand power station were commissioned in 1962 while machine VI was commissioned in 1965. In September 1963, it was observed (after running of 4,500 hours) that horizontal cracks on generator supporting walls (EL 654 to

681 and 660) had appeared on all the five machines ; in addition, many irregular vertical cracks appeared on the north surface of the wall (downstream). These cracks remained unchanged till June 1972 when they began to widen. The cracks were eventually closed by November 1973.

In addition, the following defects also developed :

(i) Crack in foundation of machine I resulted in cracking of generation cover steel plate.

(ii) Electrically operated travelling crane took a 'bend' shape on upstream and downstream sides.

(iii) Displacement between parapet wall and draft tube structure.

(iv) Intake gate number 6 could not be sealed since 1970 resulting in flow of water. This resulted in settlement of the civil structure of the power house (upstream). The rectification work of machine V was taken up in November 1977 and completed in August 1978 at a cost of Rs. 8 lakhs. However, again some cracks developed and continuing settlement was suspected (August 1978) by the Board. The Board had decided (February 1978) to accelerate the rectification programme of all the machines. Accordingly machine III was stopped from 9th February 1979. The rectification work in respect of other machines is in progress (May 1980) which may take about four years and cost around Rs. 35 lakhs.

The possibility of defects in the civil structure was also taken up with the BHEL and Irrigation Department (April 1978). They opined (May 1978) that (i) the power house was built on solid rock, (ii) concreting below the speedring of the turbine may be weak, and (iii) the precise cause for cracks in the power house had not been located.

(b) Chibro

Machines III and IV went out of operation from 19th and 14th September 1977 respectively due to stator coil faults. The high level Committee (consisting of the representatives of the Board, BHEL and Central Electricity Authority) constituted in October 1977 observed in its report (September 1978) that the stator coils had micro cracks, had creasings in the process of bending out and bending on the coils causing the failure of the coils. BHEL, which had earlier offered to carry out the repairs free of cost if the failures were due to manufacturing defects, claimed Rs.8.28 lakhs (March 1979) towards cost of repairs of the machines carried out by them though the failures according to the Board were attributable to manufacturing defects in the coils. BHEL's claim is still pending with the Board (March 1980). Machines III and IV were put back in operation on 20th March 1978 and 28th February 1978 involving a loss of 4,372 and 4,012 hours respectively.

In March 1979 the Board decided to replace the coils of all the four machines to make them trouble free and an order for Rs.234 lakhs for the supply of epoxy-coated coils was placed with BHEL (June 1979) against the total cost of Rs. 266.50 lakhs of the four generating sets supplied by BHEL during 1971 and 1975. The replacement which was undertaken in June 1979 is still in progress (May 1980).

The forced outages resulted in the loss of power generation to the extent of 503.04 Mkwh (revenue loss : Rs.905.47 lakhs).

(*c*) *Ramganga*

Due to non-release of water by the Irrigation Department at Ramganga, power generation is discontinued from 17th June each year. The release of water is resumed by 8th October or earlier if the level of reservoir exceeds 360 metres. From 17th June 1978 the machines stopped generation and maintenance work was taken up by the power house management. On 9th August 1978, the Irrigation Department intimated that release of water would commence from 14h August 1978. While machine II started generation from 14th August 1978, machine III could not be made ready and started generation on 21st August 1978. Non-generation of power during 14th August 1978 to 20th August 1978 resulted in a loss of generation of 9.6 Mkwh (revenue loss : Rs. 17.28 lakhs).

Machine I was out of operation from 14th December 1976 due to a thrust pad fault. The machine was dismantled (April 1977) and the thrust pad, runner assembly and shaft assembly were sent (May 1977) to BHEL, Bhopal, for repairs which reached there in July 1978. After repairs the machine was received back in December 1978 and commissioned on 28th February 1979. The claim of BHEL for Rs. 2.05 lakhs towards repairs was finally settled for Rs. 1.25 lakhs.

The project authorities, however, observed (December 1978) that the basic reason for breakdown was failure of oil coolers and therefore, decided in January 1979 to replace the existing coolers (24) of all the three machines with external type coolers at an approximate cost of Rs. 8.10 lakhs. Orders for these were placed with BHEL in March 1979. The coolers expected by December 1979 are yet to be received (May 1980).

(*d*) *Kulhal*

The power station is located in the river bed and is open to flood waters (downstream) of river Yamuna. The Project Report for Asan Barrage (which feeds the Kulhal power station) stated that the power station, if constructed at the proposed site, would have no protection against floods. During construction of the power station the site had remained flooded for 29 days in September 1975. On 2nd September 1978, the flood water of river Yamuna and the discharge from Asan Barrage submerged the power station (5 metres deep). The representatives of BHEL inspected the power house (9th September 1978) and suggested the replacement of coils of all the three machines and rehabilitation of other equipment. The work of replacement and rectification (including commissioning) was awarded to BHEL on a turn-key basis (September 1978) without settling the cost. The repair cost was assessed by the Management at Rs. 112.21 lakhs (June 1979). Machine I scheduled to be commissioned (after repairs) by November 1979 had not been commissioned so far (March 1980) and commissioning of the other machines scheduled in March 1980 (Machine II) and July 1980 (Machine III) is likely to be delayed due to delay in the supplies of equipment, coils, etc. by BHEL.

The Board decided (December 1978) to construct a coffer dam downstream to check the side flow of river water. The work (estimated cost : Rs. 2.65 lakhs) taken up departmentally had not been completed so far (May 1980).

(e) Against the norm of 2 weeks (336 hours) for overhaul of hydro-electric generating machines suggested by the Government of India (1974) and accepted by the Board, a review revealed that the actual time taken in repairs exceeded the limit as detailed below :

Power Station	Hours as per norms	Actual hours	Excess hours	Shortfall in generation (Mkwh)
Rihand	3,696	13,992	10,296	514.800
Chibro	672	1,759	1,087	65.220
Ramganga	672	3,000	2,328	153.648
Dhalipur	2,016	4,978	2,962	50.354
Khatima	1,680	6,353	4,673	64.487
Dhakrani	3,324	12,895	9,571	107.674
Kulhal	1,344	4,029	2,685	26.850
Total	13,404	47,006	33,602	983.033

The loss of revenue on account of shortfall in generation (983.033 Mkwh) amounted to Rs. 1,769.46 lakhs (at 18 paise per kwh).

(i) It was noticed that Machine I at Khatima power house was out of operation for 668 hours in October 1978 due to leakage in the governing oil and the power channel had remained closed for repairs and silt clearance from 21st November to 1st December 1978. That period could have been utilised to overhaul the machines which was actually done during 1st December 1978 to 6th January 1979.

(ii) The power channel (Dhakrani, Dhalipur and Kulhal) was closed for silt clearance and normal maintenance from 2nd February to 19th March 1978. The overhauling could have been planned by the power house management during this period which would have avoided the loss of generation hours to the extent of 1,109 hours (12.5 Mkwh) in respect of Machine II of Dhakrani, 1,017 hours (17.3 Mkwh) for Machine I of Dhalipur and 1,560 hours (15.6 Mkwh) for Machine I of Kulhal (total loss of generation : 45.4 Mkwh ; loss of revenue : Rs. 81.72 lakhs).

8.07. *Station auxiliaries — Obra Hydel Power Station*

(a) The project report of the power station provides 2 *per cent* of power generated for auxiliary consumption and transformation loss. The excess over the norm during the three years up to 1978-79 is indicated below:

Year	Power generated	Consumption at 2 *per cent*	Actual consumptions/ transformation losses	Excess
		(Mkwh)		
1976-77	447.54	8.95	13.83	4.88
1977-78	313.13	6.26	16.12	9.86
1978-79	338.79	6.77	6.82	0.05
Total	1,099.46	21.98	36.77	14.79

The Board had not investigated the reasons for excess auxiliary consumption during 1976-77 and 1977-78 which resulted in a loss of revenue (at 18 paise per kwh) of Rs. 26.62 lakhs.

(*b*) At Dhakrani, Dhalipur and Kulhal power stations there were differences between the total power available at the power house bus bar for supply into the grid and the power actually fed into the grid during 1976-77 and 1977-78 as indicated below:

Year		Units* available	Units fed into the grid	Variance
1976-77			(Mkwh)	
Dhakrani		166.422	163.509	(—)2.913
Dhalipur		382.906	292.504	(—)90.402
Kulhal		248.925	254.957	(+)6.032
	Total	798.253	710.970	(—)87.283
1977-78				
Dhakrani		153.223	152.158	(—)1.065
Dhalipur		335.380	266.308	(—)69.072
Kulhal		246.286	225.943	(—)20.343
	Total	734.889	644.409	(—)90.480

The discrepancy involving a loss of revenue of Rs. 319.97 lakhs was not analysed by the Board (March 1980).

8.08. *Inventory control*

(*a*) The Board had not introduced any system of budgeting for procurement of stores nor fixed any maximum and minimum limits of stocks. The following table indicates the holdings of stores, spares, etc. during the three years up to 1978-79:

	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
Opening stock	100.50	149.62	153.94
Purchases during the year	128.69	90.63	101.51
Consumption	79.57	86.31	88.69
Closing stock	149.62	153.94	166.76
Number of months' consumption	23	22	23

*Includes units received from other stations and from another State (Himachal Pradesh), The closing stock held by the power stations at the end of the above three years was excessive and the Board had not taken steps to reduce the holdings (March 1980). The following are the details in respect of individual power stations :

Power station	1976-77		1977-78		1978-79	
	Consumption	Closing stock	Consumption	Closing stock	Consumption	Closing stock
	(Rupees in lakhs)					
Rihand	11.61	27.71	28.21	32.19	18.92	27.80
Chibro	4.56	17.47	13.46	15.80	8.89	19.56
Ramganga	26.26	11.71	13.85	4.93	12.81	7.34
Obra	16.36	31.62	14.58	39.46	20.88	45.38
Dhalipur/ Dhakrani/ Kulhal	17.15	30.01	12.09	31.61	10.41	39.29
Khatima	3.57	16.71	2.51	17.52	10.40	22.87
Matatila	0.06	14.39	1.61	12.43	6.37	9.52
Total	79.57	149.62	86.31	153.94	88.69	166.76

The Board had not fixed any norms for consumption of stores for the individual power stations. The consumption in different power stations varied widely from year to year.

The closing stock held at the end of the three years by the power stations was excessive and ranged between 26 to 84 months' consumption at Khatima, 21 and 45 months' consumption at Dhalipur/Dhakrani/Kulhal, between 23 and 32 months' consumption at Obra and between 14 and 29 months' consumption both at Chibro and Rihand. The Board had not initiated any action to analyse the level of inventory for the power stations nor had it introduced any system for categorisation of stores into fast, slow and non-moving items.

(b) Deficiencies in stores accounting

The following was the extent of arrears in the colsing of stook registers and registers of tools and plant which are required to be closed half-yearly/yearly :

	Extent of arrears	
	Stock registers (since)	Tools and Plant registers (since)
Rihand	October 1976	October 1975
Chibro	April 1976	October 1976
Ramganga	October 1974	October 1973
Obra	October 1975	October 1973
Dhakrani Dhalipur Kulhal	April 1976	October 1976
Khatima	April 1970	October 1969
Matatila	October 1976	October 1978

Due to these arrears it was not possible to reconcile the closing stocks held by the power stations or to assess, analyse and investigate the extent of shortages or discrepancies.

As on 31st March 1979, Dhakrani-Dhalipur-Kulhal and Obra power stations were holding surplus (Rs. 7.63 lakhs) and unserviceable and obsolete stores (Rs. 1.90 lakhs) of the value of Rs. 9.53 lakhs which were awaiting disposal (May 1980).

Shortages of stores for the period July 1973 to April 1976 assessed at Rs. 1.16 lakhs (April 1979) were under reconciliation and the amount classified under "Accounts Receivable", recoverable from a storekeeper of the Uttarkashi Power Construction Division. The storekeeper had, how ever, left service of the Board in May 1976.

In the same division shortages in construction stores valued at Rs. 1.23 lakhs were detected during audit of the unit in June 1979. The division classified the amount under "Accounts Receivable", recoverable from the storekeeper who had already been transferred from that division.

8.09. *Procurement of stores — Extra expenditure*

The generating sets (3 machines) at Dhakrani were supplied by a foreign firm (1961) and the machines were commissioned by January 1970. During overhaul it was noticed in July 1976 that the runner blades had worn out and tip clearances had increased. Repairs were carried out (August 1976) by BHEL. Again, during overhaul (May 1977) it was found that the runner blades had been eroded/worn out and tip clearances had increased. After inspection BHEL advised replacement of the blades. The foreign firm having refused to supply the drawings (May 1977), the Board decided (May 1977) to procure two sets of blades from the foreign firm. The firm's offer (November 1977) of Rs. 43.09 lakhs per set (including insurance, customs duty and freight) was valid up to 31st January 1978. The firm was requested to extend the validity period (25th January 1978) by one year (up to 31st January 1979) to which the firm agreed. The order was, however, not placed even within the extended validity period. At the request of the Management, the firm extended (December 1978) the validity period up to 30th June 1979, with an increase in the price from Rs. 43.09 lakhs to Rs. 50.42 lakhs (including insurance, customs duty and freight) per set. An order was finally placed in June 1979 for the supply of one set at an approximate cost of Rs. 53.10 lakhs (after including difference in exchange rates) resulting in an extra expenditure of Rs. 10.01 lakhs.

8.10. *Manpower analysis*

(*a*) The following is an analysis of the personnel factor i.e. manpower estimated/employed per MW (based on 90 *per cent* plant availability) of installed capacity at different power stations for the three years up to 1978-79:

Power station	As per Project Report	Manpower per MW		
		1976-77	1977-78	1978-79
		(In number)		
Rihand	Not available	1.23	1.23	1.21
Chibro	1.14	0.93	1.11	1.17
Ramganga	1.14	2.20	2.00	2.00
Obra	3.40	3.50	3.70	3.60
Dhalipur	1.14	2.50	1.32	1.74
Dhakrani	1.84	3.80	5.13	2.84
Khatima	Not available	5.00	5.30	5.30
Matatila	1.80	5.00	4.80	4.90
Kulhal	1.80	2.70	4.17	4.17

The manpower employed generally exceeded the norms as provided in the Project Reports and the Board had not examined the reasons for wide variances in the staff employed.

(*b*) The number of persons employed per MW based on actual generation at different power stations for the three years up to 1978-79 was as under :

Power Station	Manpower per MW based on actual generation		
	1976-77	1977-78	1978-79
Rihand	2.7	4.00	3.2
Chibro	2.4	2.9	2.7
Ramganga	18.0	16.0	8.0
Obra	6.9	11.2	8.7
Dhakrani/ Dhalipur	5.4	6.0	3.4
Khatima	10.0	15.0	12.0
Matatila	11.0	9.0	9.8
Kulhal	4.4	7.3	12.3

The Board has not analysed the staffing pattern at these power stations so far (May 1980).

8.11. *Cost of generation*

The cost of generation per unit at the different hydro-generating stations was as under :

Power Station	Cost of generation		
	1976-77	1977-78	1978-79 (Provisional)
		(Paise per kwh)	
Kulhal	8.0	8.7	23.3
Ramganga	14.8	26.4	14.4
Dhakrani	5.3	6.5	13.8
Dhalipur	3.8	5.3	12.2
Obra	4.9	7.3	7.0
Matatila	7.3	6.0	6.9
Chibro	7.3	7.6	6.5
Khatima	3.1	3.8	3.6
Rihand	2.6	4.4	3.5

There is no system in the Board for a periodical analysis of the cost of generation.

8.12. *Salient operational aspects*

(i) *Ramganga hydel project*

The Ramganga project is a multipurpose project designed to meet the irrigation needs of Ramganga Command Area and to serve as a 'peak load' station when water is made available by the Irrigation Department. The power house is located in the downstream of river Ramganga at Kalagarh. The power tunnel draws water from the dam and the tail race water is dischargtd into the irrigation canal. The generating machines are designed for operation at a discharge of 8,310 cusecs on full load. On the basis of discharge data for 30 years and taking into consideration the needs of Irrigation Department and the release of water, it was found that only two machines would be expected to run on full or partial load for 36 weeks (Machine I) and 22 weeks (Machine II) and the Machine III could not be operated due to non-availability of water. Exclusive of the cost of common facilities, the cost of installation of the third machine was Rs. 5.21 crores. While acknowledging the excess capacity the Management had, in the Revised Project Report (1978), described the installation of the third machine as a "spinning reserve" (for use in the event of overhaul of machines during the monsoon period).

(ii) In accordance with a contract executed by the Board with BHEL (September 1974) the supply of machinery for the Ramganga Project was to be completed by April 1975, later extended to December 1976. The last (third) machine was, however, commissioned in March 1977. The supplies were found to be defective and the matter, though taken up with BHEL in June 1978, was not pursued (March 1980). Penalty up to 10 *per cent* (Rs.55.18 lakhs) of the contract value was leviable on the suppliers for late delivery but this was not levied. In accordance with contract with BHEL escalation was payable to them limited to 10 *per cent* ceiling of the contract value. In July 1978 BHEL preferred a claim of Rs. 1.26 crores towards escalation inclusive of the period of delayed supplies. Against this a sum of Rs. 57.61 lakhs was paid (limited to 10 *per cent* ceiling) to BHEL (Rs. 40.68 lakhs in 1977-78 and Rs. 16.93 lakhs in 1978-79). However, BHEL preferred another claim of Rs. 16.39 lakhs towards increase in customs duty on imported equipment (generators: Rs. 8.38 lakhs, turbines : Rs.7.53 lakhs and sales tax : Rs.0.48 lakh) on 8th March 1978. This claim was also paid on 12th March 1979. As payment up to the maximum limit of 10 *per cent* of the order had already been made, the payment of additional Rs. 16.39 lakhs was not as per the terms of the contract.

(iii) *Leakage of oil*

On 22nd September 1977, it was noticed that turbo oil — 17 had been leaking in the Butterfly Valve of machine III leaving about 1,400 litres in the tank. Without taking suitable action to stop the leakage, 6,355 litres of oil valued at Rs. 0.89 lakh was added to the tank. On 12th October 1977 the oil flushed out within 30 minutes and the quantity to the extent added above (6,355 litres) was drained away in the by-pass. On enquiry by the power house management in October 1977, it was found that the gasket was defective which resulted in the flushing out of oil. BHEL engineers also opined (November 1977) that it was possible to detect the leakage even in April 1977 during overhaul of the machine by the power house management. Filling of oil in September 1977 in a routine manner without locating the cause of leakage resulted in an avoidable loss of Rs. 0.89 lakh.

(iv) *Damage to switchyard*

Blasting operations by the Irrigation Department in July 1976 resulted in flying splinters hitting the switchyard of the power house causing heavy damage to it. The repair work was awarded to BHEL in December 1976. The cost of repairs and replacements worked out to Rs.4.95 lakhs. A Committee appointed by Government (December 1976) to ascertain the cause of damage commented on the lack of supervisory control by the Irrigation Department employees and suggested disciplinary action. The reimbursement of the loss by the Irrigation Department was not pressed by the Board.

8.13. *Rehabilitation of machines at Khatima power station*

In April 1974, the under-water parts (runner blades, runner envelope and inner top cover, etc.) of the turbines of all the three machines were found damaged during annual overhaul. A firm order valuing Rs. 4.41 crores for the procurement of parts (excluding cost of spares, erection and commissioning valued at Rs. 120.13 lakhs) was placed on BHEL after over 3 years in July 1977. BHEL had indicated (November 1975) a delivery schedule but due to delay in placing the order they intimated (June 1978) the revised delivery schedule which was further revised as under :

Description	Original schedule (November 1975)	Revised schedule (June 1978)	Present schedule (January 1979)
Machine I	September 1978	January 1979	December 1979 (Not commissioned so far)
Machine II	December 1978	January 1980	December 1980
Machine III	March 1979	January 1981	December 1981

The equipment started arriving at the site in March 1979. The present overhaul schedule may also be affected as the civil works (being done departmentally) were still in progress (May 1980).

The rehabilitation of the power station is estimated to cost Rs. 6.55 crores against which an expenditure of Rs. 61.87 lakhs had been incurred so far (June 1979).

8.14. *Projects under execution*

(*a*) *Khodri power project*

The project for construction of a power station at Khodri (120 MW) envisaging utilisation of tail race waters of Chibro Hydel power station through an underground power tunnel (5.6 kms) at an estimated cost of Rs. 17.96 crores as per estimate of 1964 (revised in 1978 to Rs. 65.16 crores) was sanctioned by the Board in 1964 and approved by the Government of India in June 1966. Orders for equipment and generating sets were placed on BHEL in July 1964 (Rs. 9.92 crores including erection charges). As provided in the Project Report two units were to be commissioned between May 1975 and July 1976.

The contract for civil works envisaged start of work from April 1967 and completion by August 1972. However, due to adverse geological conditions in excavation, changes were made in 1974 in the design of the underground tunnel from the tail race syphon on Chibro power station. Accordingly, against two tunnels (5.6 kms long and 5 metres dia.) proposed initially, one tunnel (5.6 kms long with 7 metres dia.) was proposed for construction which too was not considered feasible later (1978) as it was to pass through a highly crushed, unstable rock strata. It was, therefore, decided (1978) to construct 3 tunnels of 5 metres dia. and the construction work was still in progress (March 1980). Erection work of the generating machines commenced in November 1970 was completed in March 1979. However, the generating machines could not be commissioned as the power tunnel had not been completed (May 1980). The work is now expected to be completed by the end of 1984.

According to revised project report of 1978 the Board envisages an expenditure of Rs. 25 lakhs on the maintenance of idle plant and equipment (Rs.5 lakhs per year for five years up to 1983-84) and Rs. 50 lakhs on the replacement of equipment/parts due to long storage. Non-completion of the tunnel by the Irrigation Department would, thus, result in an avoidable expenditure of over Rs. 75 lakhs up to March 1984; besides the capital in procurement of machines (Rs. 9.92 crores) would remain blocked till 1983-84 and the Board would be loaded with interest charges of Rs.99 lakhs per annum on the investment.

(*b*) *Maneri Bhali project*

(i) This project was initiated in July 1965 and visualised the construction of a dam (127 metres long and 39 metres high) over river Bhagirathi near Bhali village and the construction of a power station (93 MW) near Tiloth (Uttarkashi) at an estimated cost of Rs. 17.78 crores revised to Rs. 61.30 crores in December 1976.

Order for the supply and erection of machines (31 MW×3) was placed on BHEL in 1974 at an estimated cost of Rs. 11.15 crores and its erection, testing and commissioning was to be completed between March—June 1978. The contract for civil works was awarded by the Irrigation Department (May 1970). The equipment had started arriving at site (June 1979) while the civil works, which were started in April 1972 and were expected to be completed by 1978, were still in progress (May 1980).

Due to delay in the completion of civil work (Irrigation Department), the erection of machines at the power station, Tiloth (Uttarkashi), had been delayed as detailed below:

Description	As scheduled	As expected	Extent of delay (in months)
Machine I	March 1978	December 1981	45
Machine II	March 1978	November 1981	44
Machine III	June 1978	October 1981	40

Even the revised schedule of commissioning is expected by the Board (June 1979) to get postponed by one year.

(ii) *Payment to erectors of plant and equipment*

In accordance with the draft agreement executed by the Board with BHEL (1973) for the supply and erection of generating machines, BHEL was required to design, manufacture, supply, erect and commission the generating machines by June 1980. In a meeting held in June 1978 with Member (Generation) of the Board, it was decided that in case of delay in the completion of the civil works, the erection and commissioning of the machines by BHEL would be delayed and would involve price escalation. It was agreed that BHEL would be paid Rs. 0.60 lakh per month beginning from July 1980 till the erection of the first machine. On present indications, the escalation up to October 1982 would amount to Rs. 16.80 lakhs.

(iii) *Reasons for delay in completion of civil works*

The project management attributed the slippage in the completion of civil works (June 1979) to—

(i) delay of 2 months in the desilting operations for power house site and for machine III ;

(ii) delay in the receipt of drawings from the Design Directorate, Roorkee ;

(iii) suspension of work by the civil contractor during rainy season due to disruption of communications from the rail head to the works site.

The Board had not considered the feasibility of claiming reimbursement of the price escalation payable to BHEL from the Irrigation Department.

8.15. *Other points of interest*

(*a*) *Heavy arrears of revenue*

Mention was made in paragraph 15 (i) (4) of the Audit Report (Commercial) for 1973-74 about the supply of power to an aluminimum company in Mirzapur district for a period of 25 years.

The total gross outstandings from the consumer amounted to Rs. 271.29 lakhs as detailed below:

	Period of recovery	Nature of claim	Amount recoverable (Rupees in lakhs)
(i)	1st October to 5th November 1967	Local surcharge	1.79
	1st December 1975 to 31st May 1978	Night regulation	5.33
	1st March to 30th June 1978	Additional charge	10.00
	1st July 1978 to February 1979	Penal demand	4.28
	1st July 1978 to February 1979	Short payment	54.54
			75.94
(ii)	February to April 1962	Construction arrears not paid	1.66
	June 1975 to October 1978	Coal surcharge variation—Obra	193.69
			195.35
		Total (i)+(ii)	271.29

Of this amount, recovery of coal surcharge variation (Obra) amounting to Rs. 193.69 lakhs was waived by the Board in June 1979 for reasons not on record. For the remaining amount (Rs. 77.60 lakhs), the consumer had not accepted the claims (January 1980) and the matter was still pending a decision of the Board (March 1980).

(*b*) *Non-recovery of electricity duty from construction contractors*

(i) The civil works in the projects are being executed by the Irrigation Department through contractors. The Irrigation Department's agreements provide for supply of power by the Board for construction and domestic use at separate rates. As per the agreement entered into by the Irrigation Department with a contractor in June 1973 for Maneri Bhali project, power was to be supplied to the contractor at 20 paise per unit and electricity duty was leviable as applicable from time to time on domestic consumption. The agreement also provided that 95 *per cent* consumption would be treated as for construction and 5 *per cent* for domestic consumption. The Electrical Inspector to the State Government found (August 1977) that the contractor was using 20 *per cent* energy for domestic purposes. He advised the division (September 1977) that in case of non-segregation of energy for domestic and construction purposes, the Electricity Duty (Amendment) Rules, 1970 provided treatment of consumption for construction purposes at 80 *per cent* only and the residual 20 *per cent* for domestic purposes. Electricity duty was leviable on the domestic consumption calculated on this basis. The consumer did not accept the order of the State Government and refused to pay the electricity duty (Rs. 1.37 lakhs) for the period September 1977 to April 1979 on the grounds that the determination of ratio of consumption had to be regulated in accordance with the agreement. The electricity duty accrued since June 1973 up to April 1979 amounted to Rs. 4.93 lakhs. The undercharge on this account has been continuing beyond April 1979 also (May 1980).

(ii) Similarly, the contract executed by the Irrigation Department with the same contractor (1966) and another contractor (1967) executing civil works at Khodri power project provided bifurcation of consumption of energy between construction and domestic use at 90 and 10 *per cent* respectively. After the Electricity Duty Rules were amended in 1970, the consumption was to be assessed on 80 : 20 basis. Due to non-application of the amended ratio of consumption the short levy of electricity duty on the consumers during the period March 1971 to May 1979 amounted to Rs. 2.42 lakhs. The short levy has been continuing after May 1979 also (May 1980).

(*c*) *Purchase of transformers*

Tenders invited by the General Manager of Hydro-Electric Project, Dehra Dun (May 1978) for the procurement of transformers were opened in July 1978. Order for the following items was placed on a Meerut firm in December 1978 :

Details	Quantity	Cost (Rupees in lakhs)
33/11.5 KV-5 MVA transformers complete with C.T.	4	12.34
33/11.5 KV-3.15 MVA transformers	10	21.30
Spare for above		0.14
	Total	33.78

As per tender specifications the firm was required to supply the transformers on the basis of design submitted by them and duly approved by the General Manager. After the order was placed, the firm instead of supplying the transformers accordingly, submitted a revised drawing which was accepted by the General Manager (January 1979). The variations between the original and the revised design were as follows:

Description	5 MVA		3.15 MVA	
	As per original specification	As revised by the firm	As per original specification	As revised by the firm
Length (in mm)	2,070	1,940	1,920	1,870
Breadth (in mm)	810	770	770	750
Height (in mm)	2,180	2,180	1,900	1,860
Weight (in kg)	1,800	1,600	1,500	1,400
Weight of core (in kg)	4,510	3,902	3,000	2,926
Weight of tank (in kg)	3,250	3,085	2,600	2,550
Oil (in kg)	3,000	2,515	2,250	2,100
Total weight of transformer with oil (in kg)	14,000	12,400	9,950	9,500

The General Manager while accepting the revised drawings did not seek any reduction in the price of the transformers due to the reduced input of raw materials *viz.* steel, copper wire and transformer oil. On the basis of weight alone *pro rata* reduction in 5 MVA transformers amounted to Rs. 1.39 lakhs for 4 units and Rs. 0.96 lakh for 10 units of 3.15 MVA transformers. Thus the supplier was allowed a benefit of Rs. 2.35 lakhs which was not in accordance with the tender specification and order placed on him.

(d) Procurement of crane

The Superintending Engineer, Maneri Bhali Circle placed an order (April 1978) for the procurement of a 5-tonne EOT crane on a firm of New Delhi for Rs. 1.02 lakhs. The equipment was to be supplied after furnishing test certificates. Certain parts of the crane were despatched by the supplier in July 1978 and a sum of Rs. 0.23 lakh was paid to the firm by the Tehri Power Construction Division against despatch documents. As the firm did not furnish the test certificate for the equipment, the division did not accept the residual parts received at the railhead (Rishikesh) in August 1978. The amount (Rs. 0.23 lakh) has remained unrecovered from the party (May 1980).

The matter was reported to the Board/Government in October 1979 ; replies are awaited (August 1980).

8.16. *Summing up*

(i) The targets set for different generating stations varied from 26 *per cent* (Ramganga) to 85 *per cent* (Khatima) of the installed capacity. The targets set for Rihand (exceeded in 1976-77 and 1978-79), Ramganga and Obra (exceeded in all 3 years) were particularly low. The reasons for low generation and shortfalls were not analysed by the Board.

(ii) On opening of the power channel on 20th March 1978 (after silt clearance and annual maintenance) from Dakpathar a heavy leakage was noticed which reduced the discharge below the minimum requirement for generation of power. This continued till 29th April 1978 resulting in a loss of generation of 10.6 Mkwh (revenue loss : Rs. 19.08 lakhs).

(iii) While planned maintenance during the 3 years up to 1978-79 accounted for 25,505 to 33,384 hours, forced shutdowns accounted for 97,582 to 1,26,802 hours :

Two machines at Chibro remained out of operation for 4,372 and 4,012 hours during 1977-78 due to stator coil faults (loss of genertaion : 503.04 Mkwh ; loss of revenue : Rs. 905.47 lakhs). BHEL had originally offered to repair the machines free of cost in the event of manufacturing defects, but claimed Rs. 8.23 lakhs towards repairs (March 1979) which was pending. In order to replace the coils in all the machines the Board placed an order on BHEL (July 1979) for epoxy-coated coils at Rs.234 lakhs as compared with the total cost of Rs.266.50 lakhs for the 4 generating sets supplied by BHEL (1971/1975). The replacement of coils was in progress.

(iv) The Kulhal power station, not having any protection against floods, was submerged by flood water on 2nd September 1978. The replacement of coils of three machines and rehabilitation of other equipment entrusted to BHEL on a turn-key basis (September 1978) was still in progress. The repair cost was estimated by the Board at Rs. 112.21 lakhs. The construction of a coffer dam (Rs. 2.65 lakhs) to check side flow of river water undertaken departmentally was still in progress (May 1980).

(v) In the case of Ramganga project the availability of water is sufficient only for the operation of 2 out of 3 machines for a part of the year. Thus the installation of a third machine at a cost of Rs. 5.21 crores was largely redundant.

(vi) Machine I at Ramganga out of operation since December 1977, was dismantled in April 1977, sent to BHEL in May 1977, reached Bhopal in July 1978, was received back in December 1978 and commissioned in February 1979. It was decided to replace all the 24 air coolers of 3 machines at a cost of Rs. 8.10 lakhs due in December 1979 are still awaited from BHEL.

(vii) The shortfall in generation (at 7 power stations) due to excessive time taken for overhaul of machines (over the norm of 2 weeks or 336 hours) during January 1977 to April 1979 works out to 983.033 Mkwh involving a revenue loss of Rs. 17.69 crores. The overhauls at Dhakrani (Machine II), Dhalipur (Machine I) and Kulhal (Machine I) were not synchronised with the closure of the power channel from 2nd February-19th March 1978 resulting in an avoidable loss of generation of 45.4 Mkwh (revenue loss : Rs. 81.72 lakhs).

(viii) The auxiliary consumption and transformation loss at Obra in excess of the norm of 2 *per cent* (of power generated) amounted to 14.79 Mkwh (revenue loss : Rs. 26.62 lakhs) during the 3 years up to 1978-79.

(ix) There was a difference of 177.763 Mkwh between the units available at Dhakrani, Dhalipur, and Kulhal power stations and the units fed into the grid during 1976-77 and 1977-78. The loss of revenue works out to Rs. 319.97 lakhs and the reasons for the discrepancy had not been analysed.

(x) The Board had not introduced any system of budgeting for procurement of stores nor fixed any maximum and minimum limits for stores. The closing stock of stores and spares held by the power stations represented 22-23 months' consumption. Wide variances were noticed in the consumption of stores in different power stations from year to year.

(xi) There were heavy arrears in the closing of stock registers and registers of tools and plant with the result that it was not possible to reconcile the closing stocks or analyse/investigate the extent of shortages or discrepancies.

(xii) As on 31st March 1979, Dhakrani, Dhalipur and Kulhal power stations were holding surplus (Rs.7.63 lakhs) and unserviceable and obsolete stores (Rs.1.90 lakhs) which were awaiting disposal. Shortages of stores valuing Rs. 2.39 lakhs were awaiting adjustment. In respect of shortages, of Rs.1.16 lakhs, the concerned store-keeper had already left the services of the Board.

(xiii) Due to delay (in spite of an extended validity of 14 months) in the placement of order for the import of one set of blades for a machine at Dhakrani the Board had to incur an additional expenditure of Rs. 10.01 lakhs (23 *per cent*) on the originally quoted price (November 1977).

(xiv) The manpower employed generally exceeded the norms as provided in the Project Reports and the Board had not examined the reasons for wide variances in the staff employed.

(xv) The cost of generation varied from station to station from 2.6 paise – 27.4 paise per unit during the 3 years up to 1978-79. There is no system for a periodical analysis and review of the cost of generation.

(xvi) BHEL was paid Rs.16.93 lakhs (March 1979) towards escalation in the cost of machine supplied for Ramganga project over and above the contractual limit of 10 *per cent* of the value of the order. At the same time, penalty leviable for delayed supplies (up to 10 *per cent* of the contract value, or Rs.55.18 lakhs) was not levied.

(xvii) In order to replace the under-water parts of the turbines of all the machines at Khatima found damaged during annual overhaul (April 1974), an order for the parts (value: Rs.4.41 crores) excluding spares, erection and commissioning (value: Rs.120.13 lakhs) was placed on BHEL (after over 3 years) in July 1977. The work which (according to the latest estimates) was expected to be completed during December 1979 to December 1981 was likely to be delayed further as the civil works were still in progress (May 1980).

(xviii) The Khodri power project approved by the Board in 1964 was estimated to cost Rs.17.96 crores, later revised to Rs.65.16 crores in 1978. The erection of the generating machine commenced in November 1970 was completed in March 1979. However, the machine could not be commissioned as, due to adverse geological conditions, the power channel had not been completed (May 1980) and is now expected to be completed by the end of 1984. Delay in the commissioning of the plant will result in an avoidable expenditure of Rs.75 lakhs besides an idle investment on the machines for 5 years, thereby loading the project with interest charges of Rs.99 lakhs per annum on this investment.

(xix) The completion of Maneri Bhali project initiated in July 1965 and originally scheduled for completion in March — June 1978 was (due to delay in the completion of civil works) expected to be completed in October — December 1981. The civil works commenced in April 1972 were still in progress and a further delay of 1 year is likely. As a result of delay in erection and commissioning of the machines, the Board will be liable to pay BHEL an additional amount of Rs.16.80 lakhs towards escalation.

(xx) Out of a sum of Rs.271.29 lakhs recoverable from an aluminium company in Mirzapur towards local surcharge, penal demand, short payment and coal surcharge variation, etc. a sum of Rs.193.69 lakhs towards coal surcharge variation was waived by the Board in June 1979 for reasons which were not on record. The consumer has not accepted the claims in respect of the balance amount of Rs. 77.60 lakhs (January 1980).

(xxi) There was an under-recovery of Rs.7.35 lakhs from two contractors (engaged by the Irrigation Department) towards electricity duty on the power consumed by them for domestic purposes.

(xxii) Due to a change, after placement of the order, in the specifications of transformers (without a price adjustment), the supplier had been allowed an undue benefit to the extent of Rs.2.35 lakhs.

SECTION IX

UTTAR PRADESH STATE ELECTRICITY BOARD

LOSS OF REVENUE

9.01. *Non-levy of additional charge for delayed payment of energy charges*

According to the tariff applicable to licensees and heavy, large and mixed load (above 100 KW) power consumers, 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 in the case of licensees and 12th October 1974 in the case of others) per Rs.100 or part thereof, per day of delay on the unpaid amount of the bill. During test audit (July 1978 to March 1979), it was noticed that in nine electricity distribution divisions the additional charges aggregating Rs.22.33 lakhs (39 consumers) were not claimed for such delayed payments during different periods from February 1973 to March 1979.

The matter was reported to the Board during December 1978 to June 1979 and to Government in August 1979 ; replies are awaited (June 1980).

9.02. *Non-levy of penalty*

Under the Uttar Pradesh Electricity (Regulation of Supply, Distribution, Consumption and Use) Order, 1977, (effective from 7th April 1977 and applicable for 1977-78) Government imposed a 'power cut' during 1977-78 for regulating the supply, distribution, consumption and use of electrical energy. The order envisaged, *inter alia,* a power cut at varying percentages in respect of large, heavy and medium continuous process industries, based on the average of three highest consecutive maximum demands registered during the calendar year 1976. Any excess demand by the continuous process industrial power consumers over and above this limit was subject to a penalty of Rs.50 per KVA in addition to the applicable rate.

In the course of test check (September 1978 to May 1979) it was noticed that during April 1977 to March 1978 penalties aggregating Rs.18.88 lakhs were not levied in respect of excess demand created by twenty-three consumers. A single division accounted for under-recovery of Rs.12.52 lakhs from twelve consumers.

The matter was reported to the Board during October 1978 to March 1979 and to Government in August 1979 ; replies are awaited (June 1980).

9.03. *Non-levy of surcharge*

According to the tariff applicable to supply of 'small power' for private tube wells/pumping sets for irrigation purposes, (effective from 1st November 1974) the consumer is liable to pay a surcharge of 12 *per cent* on the amount of the bill, (excluding arrears, if any) in the event monthly bills are not paid by the due dates specified therein. In case the payment is delayed beyond six months (reckoned from the first day of the month following the due date for payment), the consumer is also liable to pay a further surcharge of two *per cent* of the amount of the bill per month of delay or part thereof. A similar provision (effective from 12th October 1974) exists in the tariff applicable to small and medium power consumers.

In the course of audit (July 1978 to March 1979) it was noticed that in eight electricity distribution divisions, Rs.2.25 lakhs were not recovered from 226 consumers of the above category as surcharge for late payments between November 1974 and November 1978.

The matter was reported to the Board during March 1978 to June 1979 and to Government in August 1979 ; replies are awaited (June 1980).

9.04. *Undercharge (minimum consumption guarantee)*

(*a*) The Board incurred an expenditure of Rs.8.98 lakhs on the construction of a transmission line and sub-station at Unnao for supplying power to a heavy power consumer with an agreed load of 7,000 KVA. The consumer deposited Rs.2.10 lakhs, being half of the security money, before signing the agreement. The balance security (Rs.2.10 lakhs) was recoverable in four annual instalments. As per the agreement (July 1973), a sum of Rs. 3.38 lakhs was recoverable from the consumer (as line rent) in 60 monthly instalments. The load was to be released to the consumer from February 1974 but due to non-completion of installations by the consumer at his end and due to a ban on the release of fresh load by the State Government, the release of supply was postponed first to September 1974 and again to March 1976. In the meantime (January 1976), the consumer surrendered a load of 2,000 KVA which was accepted (February 1976) by the Board. The consumer did not complete his installations even after the lifting of the ban by the State Government (April 1976).

The Board decided (July 1977) that the load of 5,000 KVA be deemed to have been released to the consumer with effect from 1st August 1976. The consumer was required to be billed for the minimum consumption guarantee up to January 1977, demand and energy charges up to July 1978 and demand and energy charges subject to the minimum consumption guarantee thereafter. The amount of electricity charges from August 1976 to January 1979, for which the consumer was not billed, works out to Rs.13.53 lakhs. Bills for line rent (up to January 1979) and security deposit (three instalments) amounting to Rs.2.03 lakhs and Rs.1.58 lakhs respectively were also not raised. On this being pointed out by Audit (August 1978), the division issued bills for security–Rs. 1.58 lakhs (August 1979) and bill for electricity charges and line rent–Rs.9.01 lakhs (October 1979). Against these bills, Rs.5.27 lakhs had been recovered from the consumer so far (March 1980).

(*b*) Similarly, for supply of power to another heavy power consumer with an agreed load of 6,000 KVA (including 750 KVA on mixed load) with effect from 1st July 1974, the Board incurred an expenditure of Rs. 10.33 lakhs on the construction of transmission line and sub-station at Unnao. The consumer deposited half of the security money (Rs. 1.80 lakhs) before signing the agreement ; the balance (Rs. 1.80 lakhs) was recoverable in four yearly instalments. A sum of Rs.4.34 lakhs was recoverable from the consumer as line rent in 60 monthly instalments. The load to the extent of 5,700 KVA was ordered (July 1976) to be released by the Government to the consumer after the lifting of the ban in April 1976. The consumer did not utilise the load.

Later, in January 1977, the Board decided that 5,350 KVA load be treated as having been released from 1st January 1977. The consumer, thus, became liable for payment of demand and energy charges only from 1st January 1977. The amount of electricity charges from January 1977 to October 1978 (the consumer started drawing power from November 1978), for which the consumer was not billed, works out to Rs.7.85 lakhs. Bills for line rent (up to October 1978) and security deposit (two instalments) amounting to Rs.1.74 lakhs and Rs.0.90 lakh respectively were also not issued. On this being pointed out by Audit (August 1978) the division issued bills for security – Rs.0.90 lakh (August 1979) and for electricity charges and line rent – Rs.4.57 lakhs (October 1979). Against these bills Rs. 4.57 lakhs had been recovered from the consumer (March 1980).

The matter was reported to the Board in October 1978 and to Government in August 1979; replies are awaited (June 1980).

9.05. *Incorrect billing*

According to the provisions of tariff applicable to large power consumers, power is to be supplied ordinarily at a single point for the entire premises. Subject to technical feasibility, power may, however, be supplied, at the request of the consumer, at more than one point but in such a case, metering and billing are to be done for each point of supply separately.

Two such power consumers of Modinagar, have been receiving power supply at five and six points respectively with separate meters installed for this purpose. Electricity Distribution Division, Modinagar instead of billing separately for the demand recorded by each meter, has been adding up the maximum demand indicator (MDI) readings of different meters and charging for the consolidated demand at Rs.15 per KVA for the first 1,000 KVA and at Rs.12 per KVA for the demand in excess of 1,000 KVA. A test check in audit (June 1979) of the records of these two consumers from November 1974 onwards revealed that this mode of billing from November 1974 (records for period prior to November 1974 not available) to May 1979 had resulted in an under-recovery of revenue to the extent of Rs.8.82 lakhs. The Divisional Officer referred (July 1979) the case to higher authorities for clarification and the amount has not been claimed from the party so far (March 1980).

The matter was reported to the Board in July 1979 and to Government in August 1979; replies are awaited (June 1980).

9.06. *Non-revision of rates and non-levy of minimum charges in respect of electricity supplied to mini-steel plants*

(*a*) With a view to giving incentive to the mini-steel plants, rolling and re-rolling mills and induction furnaces in the State, the Board decided (February 1977) that such consumers covered under the rate schedule applicable to heavy power consumers and drawing power from 9 p.m. to 9 a.m. would get supply at 16 paise per unit *plus* electricity duty as applicable from time to time. The Board further decided (5th April 1977) that the rate of 16 paise per Kwh would be subject to a daily minimum consumption of 4 Kwh per KVA in cases where 12-hour night supply was given. This rate was to hold good for the period the prices of coal, fuel oil and wages of staff were at the level as prevalent in February 1977, and was subject to increase from time to time with the increase in wages and prices of coal, fuel oil, etc. But the concessional rate was continued to be effective during 1977-78 inspite of increases in cost of fuel oil, coal, wages, etc. The Board ordered increases in rates for the year 1977-78 in April 1979 but the additional amount was not claimed from the consumers. The under-recovery in respect of 10 heavy power consumers receiving supply from Electricity Commercial Division, Ghaziabad works out to Rs.3.91 lakhs.

In the case of the Electricity Distribution Division, Modinagar, bills at the increased rates notified (April 1979) by the Board were not raised on three consumers. On this being pointed out by Audit (June 1979) the division raised the bills (June 1979) aggregating Rs.4.52 lakhs; recoveries were awaited (March 1980).

(b) With a view to giving an incentive to mini-steel plants, rolling mills, re-rolling mills and induction furnaces in the State, the Board decided (February/June 1977) that such units operating from 9 p.m. to 9 a.m. would receive electricity at 16 paise per Kwh. The Board further decided (5th April 1977) that the rate of 16 paise per Kwh would be subject to a daily minimum consumption of 4 Kwh per KVA in cases where 12-hour night supply was given.

The Electricity Distribution Division, Unnao, however, continued to bill the three heavy power consumers for the actual consumption without regard to the stipulated minimum consumption of 4 Kwh per KVA from September 1977 to February 1978 (period during which 12-hour night supply was given). This resulted in an undercharge to the extent of Rs. 2.70 lakhs, including electricity duty.

It was further clarified (April 1979) by the Additional Chief Engineer of the Board that the consumers receiving supply at 16 paise per Kwh would not be allowed a rebate for taking supply at over 400 volts if the condition of the daily minimum consumption of 4 Kwh per KVA was not met. The Division had, however, allowed the rebate in the case of a consumer for the period September 1977 to February 1978, resulting in a loss of revenue of Rs.0.15 lakh.

The cases were reported to the Board in June – August 1979 and to Government in July – September 1979; replies are awaited (June 1980).

9.07. *Incorrect application of tariff*

(a) According to the rate schedules applicable to large and heavy power consumers, if the energy supplied for consumption in a factory is utilised for domestic purposes also, such consumption, at the request of the consumer, should be segregated and metered

separately and charged under the appropriate rate schedule. In case separate metering is not arranged, the entire consumption has to be charged at the higher rate applicable to mixed load.

Test check of the records in audit (March 1979) revealed that one consumer of Electricity Distribution Division II, Bulandshahr, was not billed at higher rates applicable to mixed load for the period July 1978 to May 1979 resulting in an under-recovery of 4.96 lakhs.

The Board stated (March 1980) that there was no residential colony in the premises of the factory. One guest house and three small quarters were being used by the factory for non-residential purposes, as such there was no under-assessment. It was noticed, however, that (as per the report of the Executive Engineer) the circuit was segregated in May 1979 and separate light and fan meters installed for the residential portion.

The matter was reported to Government in July 1979; reply is awaited (June 1980).

(*b*) A power consumer was receiving electricity with effect from April 1974 at a contracted load of 400 KVA for construction of Sai aqueduct. Electricity Test and Commercial Division, Rae Bareli, billed the consumer for the period from April 1974 to November 1976 at the rate schedule HV—2 B (applicable to heavy power consumers) instead of at the rate schedule HV—1 B (mixed load above 100 KW) applicable to power given for construction work. The incorrect application of tariff resulted in an undercharge aggregating Rs.0.88 lakh for the period from April 1974 to November 1976. On this being pointed out by Audit (December 1977), the Board stated (December 1979) that a supplementary bill was raised (January 1978) and recovery effected in March 1978.

9.08. *Reduction of load*

As per the existing orders of the Board, the sanctioned/contracted load can be reduced for all categories of consumers (except private tubewells and pumping sets) after the expiry of the compulsory period of agreement only on the settlement of outstanding dues, submission of a revised basic load (BL) form, execution of a fresh agreement, payment of the charges for such reduction in load and an additional security at the new rate, wherever applicable. The Board, however, sanctioned (9th March 1977) reduction of load in respect of six consumers under the jurisdiction of the Electricity Test and Commercial Division, Rae Bareli from the date of their initial connection (from 28th January 1975 to 21st November

1975) even before the expiry of the period of two years (as per the contractual provisions) and without the settlement of arrears.

The reduction of load with retrospective effect resulted in a loss of revenue of Rs.2.21 lakhs. Reduction charges aggregating Rs.0.16 lakh were also not recovered from the said consumers.

The matter was reported to the Board in March 1978 and to Government in August 1979 ; replies are awaited (June 1980).

9.09. *Waiver of revenue*

(a) On the takeover by the Board of the business of an ex-licensee with effect from 1st January 1976, jammed meters on most of the street lights of Nagarpalika, Meerut, were not replaced nor was any record maintained of unlit lamps by the Electricity Distribution Division III, Meerut. The monthly bills for the period from January 1976 to September 1978 raised by the Division on the basis of assessed units were paid by the consumer in part, under protest.

A committee constituted by the Board (consisting of the Chief Zonal Engineer, the Deputy Chief Accounts Officer and the Superintending Engineer, Meerut) in a meeting (30th March 1979) decided to waive the outstanding claims (after adjusting part payment already received) aggregating Rs.2.20 lakhs (electricity charges : Rs.1.35 lakhs ; rebate : Rs.0.85 lakh) for the period from January 1976 to September 1978.

While according approval for write-off of Rs.2.20 lakhs the committee held the Divisional Officer responsible for the lapses in not keeping the meters of street lights in working order and also for not maintaining a record of unlit lamps (for which an allowance of 30 *per cent* was given) on the street lights. Action taken by the Board against the defaulting officer is awaited (March 1980).

(b) Prior to the takeover of the business from an ex-licensee on 1st January 1976, a heavy power consumer was receiving supply of electricity at four points in the same premises at the contracted loads of 256 HP, 125 HP, 10 HP and 5 HP. As per the rate schedule applicable to such consumers, power is ordinarily supplied at a single point for the entire premises. The consumer, however, continued to be billed separately for each meter until September 1976 under the respective rate schedules. Without making any attempt to get the four loads amalgamated to provide a single point supply, loads of the 10 HP and 5 HP were surrendered (October 1976) by the consumer and the Division billed the consumer for the consolidated load (381 HP) from October 1976 to January 1977 without

the installation of a maximum demand indicator (MDI) and without the execution of a revised agreement for the consolidated load. The Divisional Officer also reduced the total load (February 1977) to 346 HP (without the Board's approval as required) without getting the MDI installed. The consumer protested against the assessment when billed (April 1978) for the earlier short assessment of Rs.26,963 for the period from January to September 1976. The Committee mentioned above, which went into the dispute, waived (31st March 1979) the amount of Rs.26,963 and held the Divisional Officer responsible for not executing a proper agreement for amalgamated load with effect from 1st January 1976 and reduction in load without installation of MDI in contravention of Board's order. Action taken, if any, against the defaulting official is awaited (March 1980).

The matter was reported to the Board/Government in August 1979; replies are awaited (June 1980).

9.10. *Private tubewells*

Non-recovery of instalments

In July 1972, the Board introduced a scheme for supplying electricity for private tubewells and pumping sets on priority basis, subject to recovery of Rs.700 (where expenditure to be incurred by the Board was up to Rs.4,000) and Rs.1,050 (where expenditure to be incurred by the Board was above Rs.4,000 but not exceeding Rs.6,000) as 'priority charges' (non-refundable) in ten annual instalments, recoverable each year in April. The first instalment was recoverable before energising the pumping sets. The Electricity Commercial Division, Farrukhabad, did not, however, raise the bills and recover the second and subsequent instalments falling due between April 1973 and April 1978 from 135 consumers who were given connections during 1972-73 and 1973-74. The unrecovered instalments from these consumers up to April 1978 aggregated Rs.0.63 lakh.

The Board/Government stated (February/May 1980) that the consumers were served (January 1979) notices to pay the balance instalments and amount of Rs.0.09 lakh had been recovered. Further action regarding disconnections and fixing of responsibility for the lapse was reported to be under way.

9.11. *Undercharge of revenue*

According to the rate schedule of the Board applicable to heavy power consumers the monthly demand for billing shall be the actual maximum demand or 75 *per cent* of the contracted demand whichever is higher.

It was noticed in test audit (December 1978 and May 1979) that in respect of 3 consumers (one each in Electricity Distribution Division II, Meerut and Barabanki and Electricity Commercial Division, Ghaziabad) the parties were billed for the actual demands which were less than 75 *per cent* of the contracted load, resulting in undercharge of revenue of Rs.1.33 lakhs.

The matter was reported to the Board during January 1979 to June 1979 and to Government in July 1979 ; replies are awaited (June 1980).

9.12. *Undercharge due to slow running of meter*

The Electricity Distribution Division, Hardwar has been supplying (January 1976) electricity to the Railways at Hardwar at a mixed load of 100 KW. The meter installed at Hardwar railway station was found (April 1978) to be defective and was recording erratic readings. A check meter installed (4th May 1978) by the Test Division, Roorkee disclosed (June 1978) that the original meter was running slow by 34.7 *per cent*. The Division did not, however, re-assess the consumption for the period of six months prior to 4th May 1978 as required under Section 26 (6) of Indian Electricity Act, 1910. This resulted in an under-recovery of Rs.0.59 lakh after adjustment of 3 *per cent*, the limit of error up to which the meter shall be deemed to be correct. On this being pointed out (April 1979) by Audit the Division had recovered the amount (May 1979).

Similarly, the check meters installed (18th September 1978) at the premises of the University of Roorkee disclosed (September 1978) that the two meters were running slow by 3.62 *per cent* and 9.29 *per cent*. The Distribution Division, Roorkee did not, however, raise the bills for the short recovery (1.11 lakh units) amounting to Rs.0.35 lakh for six months from March to September 1978. On this being pointed out by Audit (January 1979) the Board stated (October 1979) that the amount had been recovered.

9.13. *Delay in implementation of revised rate schedule*

The Board introduced a revised rate schedule effective from 1st July 1978 for all categories of consumers. The conditions of supply and other matters specified in the schedules annexed thereto were to replace the existing rates of charge and the corresponding provisions in the existing schedules and agreements.

It was seen (May 1979) during the audit of Electricity Commercial Division, Ghaziabad, that unlike other consumers, agreements with 13 heavy consumers contained an unusual condition of three months' prior notice for any change in the rate of charge. This condition should have been deleted when the standard forms of agreement, which did not have such a condition, were introduced. As a result of this condition the Board had to revise the rates in these cases only from 1st October 1978 and not with effect from 1st July 1978 which resulted in a loss of revenue amounting to Rs. 0.92 lakh.

The matter was reported to the Board in April 1979 and to Government in August 1979 ; replies are awaited (June 1980).

9.14. *Fuel cost variation adjustment*

In accordance with the provisions of the rate schedule applicable to large power consumers, the fuel cost variation adjustment is to be made on the basis of the combined average cost of fuel determined monthly by the Board. If, however, for any reasons the fuel surcharge rate of a particular month is not furnished by the headquarters office, the rate as applicable in the previous month is to be adopted for billing subject to adjustment at a later date when the fuel surcharge rate of the concerned month becomes available.

The Electricity Distribution Division, Chandausi, raised bills against 15 large power consumers during April 1975 to July 1976 at provisional rates but failed to claim the balance amounts in subsequent bills when the final rates were received from the Board. This resulted in an undercharge to the extent of Rs. 0.64 lakh. On this being pointed out (April 1979) by Audit, the Divisional Officer issued the supplementary bills in July 1979 and Rs. 0.63 lakh was stated (January 1980) to have been recovered. Efforts for the realisation of the balance were underway (March 1980).

9.15. *Excess refund*

According to the rate schedule applicable to heavy power consumers, minimum consumption guarantee at Rs. 360 per KVA per annum of the contracted demand (including fuel cost variation adjustment) leviable at the rate of Rs. 30 per KVA per month of the contracted demand is chargeable from the consumers subject to final adjustment in the last bill of the year of account. Thus, where the amount of actual energy consumed during the year as a whole exceeds the minimum consumption guarantee for the year, adjustment is made in the last bill of the year by giving credit for the amount excess charged from the consumer.

While making such adjustments in the case of a consumer of Bijnor, for the amount charged in excess from him, the Electricity Commercial Division, Bijnor allowed credits for Rs. 0.47 lakh, Rs.0.56 lakh and Rs.0.78 lakh on account of the minimum consumption guarantee for the years 1975-76, 1976-77 and 1977-78 respectively instead of the admissible amounts of Rs.0.24 lakh, Rs.0.31 lakh and Rs.0.41 lakh pertaining to these years. This resulted in an excess credit aggregating Rs.0.85 lakh. On this being pointed out in Audit (March 1979), the Division had raised bills (June and September 1979) for the excess credit and recoveries were awaited (March 1980).

The Board stated (January 1980) that the consumer had been served with disconnection notice for non-payment of dues.

9.16. *Non-levy of additional charge to cover excise duty*

To meet the incidence of Central Excise Duty imposed by the Government of India on generation of Electricity with effect from 1st March 1978 the Board levied an additional charge of 2.5 paise per unit on all categories of consumers except private tubewells/ pump sets, State tubewells, lift irrigation, pumped canals and *Janata* service connections. The additional charge remained in force from March to June 1978. This charge was merged with the revised tariff introduced by the Board with effect from 1st July 1978. On being pointed out by Audit, the additional charge for the aforesaid period aggregating Rs.0.57 lakh was levied (June 1979) by the Electricity Distribution Division I, Muzaffarnagar (Rs. 0.41 lakh) and Electricity Commercial Division, Ghaziabad (Rs. 0.16 lakh) ; recoveries are awaited (March 1980).

The matter was reported to the Board in March and June 1979 and to Government in August 1979 ; replies are awaited (June 1980).

9.17. *Irregular withdrawal of claims*

The premises of a large power consumer, having a factory load of 105 KVA from June 1972, were checked (14th September 1977) by a 'raid party' of the Board which reported that the factory load was being used by the consumer for residential purposes also (approximately 10 light and fan points were found connected) and the motor of the tubewell was also being operated through a direct connection with the supply line. The water from the tubewell was being used in the factory and the garden. The check report was also signed by the consumer without any remarks. The Electricity Distribution Division, Unnao, therefore, revised the bills for the period from April to December 1977 under mixed load tariff and issued (August 1978) a supplementary bill for Rs. 0.20 lakh for using the factory load for residential purposes (Rs. 0.19 lakh) and for operating the tubewell by direct connection from the main line (Rs. 0.01 lakh). The supplementary bill was disputed by the consumer on 4th September 1978. A joint inspection of the premises of the consumer was, therefore, done by the Executive Engineer, Sub-divisional Officer (Revenue) and Assistant Engineer (Meters) on 18th September 1978 in which it was reported that (i) the private tubewell was connected to the main factory load, (ii) there was a switch in the watchman's quarter connected to the street light without any provision for fitting bulb, tube light, etc. and (iii) the portion treated (September 1977) by the 'raid party' as residence (two rooms) was equipped with television, refrigerator and sofa-set, a kitchen and a bathroom and was utilised as club and canteen for the factory. On the basis of joint inspection report (one year after the report of the 'raid party') the supplementary bills (Rs.0.20 lakh) and the additional claim (Rs. 0.02 lakh) for non-payment of dues up to February 1979 were withdrawn in March 1979 without obtaining the sanction of the competent authority or consulting the Executive Engineer (Raids), an independent party, on whose report the revenue was assessed.

It was noticed that in February 1979 the consumer had applied for a separate light and fan load for the purpose of residence in the factory.

The matter was reported to the Board in August 1979 and to Government in September 1979 ; replies are awaited (June 1980).

9.18. *Non-credit of revenue realisations*

(*a*) A clerk of the Electricity Distribution Division, Deoria, collected 50 receipt books (50 foils each) against an indent (November 1977). Of these only 45 receipt books were entered in the register of receipt books. It was noticed in audit (November 1978) that the clerk had collected revenue amounting to Rs. 1.10 lakhs during the period December 1977 to April 1978 through two of the unaccounted for receipt books, and the amount was not credited in the cash book though the clerk managed to post the amounts in the revenue ledgers. Details of the money (if any) collected against the remaining three receipt books were not available (December 1979).

(*b*) It was noticed (March 1979) that in Electricity Commercial Division I, Moradabad, a clerk, entrusted with the work of collection of cash from consumers, had realised a sum of Rs. 1.09 lakhs from 3rd January to 21st February 1979 but had deposited only Rs. 0.45 lakh with the divisional cashier, resulting in a short credit of Rs. 0.64 lakh.

(*c*) It was noticed (January 1979) that in Electricity Distribution Division I, Mathura, a sum of Rs. 0.11 lakh realised during August 1978 to January 1979 (from 202 consumers) on account of service connection charges and earnest money had not been accounted for in the cash book up to 30th January 1979.

The Board stated (December 1979) that non-submission of realisation statements regularly facilitated temporary embezzlement. It was, further stated that criminal proceedings were being initiated against the defaulting officials and that the amount had since been deposited on 31st January 1979.

The non-accountal of cash in cases (*a*) and (*b*) above was facilitated due to the non-observance of rules regarding reconciliation of revenue cash book with revenue ledgers, non-submission of realisation statements, non/short deposits of daily realisations and due to non-reconciliation of stock of receipt books as required under the Board's orders.

The cases at (*a*) and (*b*) above were reported to the Board between February and May 1979 and to Government in September 1979 ; replies are awaited (June 1980).

SECTION X

UTTAR PRADESH STATE ELECTRICITY BOARD
OTHER TOPICS OF INTEREST

10.01. *Extra expenditure in awarding work at higher rates*

(*a*) In response to open tenders for excavation, disposal of soils and rocks and site grading (estimated cost : Rs. 70 lakhs) of the Obra Thermal Power Station Extension Project (Stage II and III) (opened on 12th November 1973) the lowest (computed) offer of Rs. 78.21 lakhs was received from a firm of Delhi. The other 2 offers were computed at Rs. 186.74 lakhs and Rs. 213.83 lakhs. The lowest tender was not accepted by the Central Stores Purchase Committee of the Board on the grounds that some of the rates for excavation of earth (up to 4 metres) and hard rocks (2—6 metres) were unworkable, and the tenderer had no experience of work involving large excavation. A part of the work (estimated cost : Rs. 54.53 lakhs based on the offer of the firm) was, therefore, awarded (February 1974) to the second lowest tenderer, (a firm of Lucknow) at the rates offered by the firm (value of work executed : Rs. 74.34 lakhs). For technical reasons the remaining work was awarded (February 1974) to a Government of India undertaking at higher rates, as other civil works connected with this work had earlier been awarded to that concern.

The rejection of the lowest offer resulting in an extra expenditure of Rs. 37.34 lakhs (on the basis of work actually done) has to be viewed in the light of the following:

(i) the offer of the lowest firm compared favourably with the estimated cost and rejection of tender on the basis of unworkability of one/two items of work was not justified. The overall rates offered were comparable to the then prevailing Schedule of Rates of the Public Works Department;

(ii) the excavation of earth up to 2 metres was being done by various contractors (on work order basis) even during 1976-77 and 1977-78 at rates ranging between Rs. 3.50—5.00 per cu m against the rate of Rs.4.00 per cu m quoted by the lowest tenderer (November 1973) when the labour rates were about 33 *per cent* lower as compared to the rates in 1976-77 ;

(iii) the firm had, with its offer, submitted details of experience of construction of various civil works valuing Rs. 5.29 crores including difficult terrains.

(*b*) The Lucknow firm, to which the work was awarded had offered (on the date of the opening of the tenders) a rebate of 2 *per cent* if the completion time was extended from 12 to 18 months (excluding monsoon months). Although only a portion of the work (estimated cost : Rs. 54.53 lakhs out of the total estimated cost of Rs. 186.74 lakhs) to be completed within 12 months was awarded to the firm, the Board did not press for the rebate. The actual time taken by the contractor in execution of the reduced quantum of work was 17 months. The amount of rebate not claimed by the Board works out to Rs. 1.49 lakhs.

(*c*) According to the technical specifications attached to and forming part of the agreement entered into with the Lucknow firm, the areas of excavation and disposal of earth were to be divided into 100×100 metre squares and leads were to be measured in straight lines from the centres of these squares. The Thermal Design Directorate of the Board, however, agreed, without assigning any reason, to make payments to the firm by adopting the shortest practicable route resulting in an overpayment of Rs. 1.35 lakhs for the disposal of 22,405 cu m of surplus earth during March 1974 to July 1975.

(*d*) The following excess payments aggregating Rs. 1.69 lakhs also came to notice :

(i) The areas of two sites were erroneously recorded in the measurement book as 1,482 instead of 1,402 sq m and 3,424 instead of 2,318 sq m resulting in an excess payment of Rs.0.57 lakh for 3,469 cu m of earthwork.

(ii) Earth excavated from the chimney area and electricity stores plant area was to be transported for dump filling in marshalling yards 'A' and 'B' respectively. In the measurement book 81,537 and 91,212 cu m of earth transported from these areas for dumping in yards 'A' and 'B' were erroneously shown as 83,479 and 1,00,933 cu m respectively, resulting in an excess payment of Rs.0.41 lakh.

Similarly, 46,643 cu m of earth shown to have been transported from the power cooling water channel area for dumping to the electrical store yard was only 42,514 cu m as per the records of the latter resulting in an excess payment of Rs.0.12 lakh (4,129 cu m) on transportation.

(iii) As per the measurement book, 32,518 cu m of earth was transported from the electricity stores plant area, to the coal handling area (7,852 cu m) and the marshalling yard (24,666 cu m). While preparing the abstract of measurements the quantity of 7,852 cu m was shown correctly but the quantity of 24,666 cu m was erroneously shown as 32,518 cu m, resulting in an excess payment of Rs. 0.35 lakh.

(iv) The payment for 5,907 cu m of earth work was made twice (6th running bill), once in the disposal of earth involving 3 leads and again in the disposal of earth involving 4 leads. This resulted in an excess payment of Rs. 0.18 lakh.

(v) A calculation error due to recording the sum of two sides as 148.80 metres instead of 128.80 metres in the measurement book for working out the area of the site of excavation resulted in an excess payment of Rs. 0.06 lakh.

Final payment was made to the contractor in June 1976 and his security deposit was refunded in October 1976.

The matter was reported to the Board in November 1978 and January 1979 and to Government in August 1979 ; replies are awaited (June 1980).

10.02. *Excess payment of earthwork*

The Thermal Design Directorate of the Board awarded the contract for civil works for the coal handling system of Obra Project (Stage II and III) to a public sector undertaking in January 1975. It was noticed in Audit (April–May 1978) that payment of transportation for 6,720 cu m of earthwork was made to the firm twice, once in the transportation of earth involving lead up to one kilometre and again under lead involving over one kilometre resulting in an excess payment of Rs. 0.67 lakh. On being pointed out by Audit, the excess payment of Rs. 0.67 lakh was reported to have been adjusted (June 1978) in the running bills of the firm

The matter was reported to Government in August 1979 ; reply is awaited (June 1980).

10.03. *Over payment of wage escalation*

An agreement entered into (May 1973) with a Government of India undertaking by the Thermal Design Directorate for concrete, reinforced cement concrete and allied works in the turbo-generator boiler area of Obra Thermal Power Station Extension Project (Stage II and III) provided that in the event of any increase in the minimum wages of the lowest category of workers (*mazdoor*) due to Government intervention, legislative enactment, tribunal award, and/or arbitration award, the contractor would be entitled to extra payment provided that the increase over the 31st December

1972 rate was more than 10 *per cent*. For the purpose of calculation of the additional payment, for every one *per cent* beyond the first 10 *per cent* increase (to be borne by the contractor) in the minimum wages, the corresponding additional payment was to be 0.3 *per cent* of the value of work done with effect from the date of variation in the minimum wage.

The minimum wages at the Obra region were increased from Rs. 2.25 (female) and Rs. 2.75 (male) per day to Rs. 4.04 per day (Rs. 105 per month) in accordance with the orders of the State Government (September 1973). The Board worked out the wage escalation at 15.45 *per cent* based on average daily wage of Rs. 2.50 instead of 14.05 *per cent* after allowing 10 *per cent* increase over Rs. 2.50 to be borne by the contractor. Payment regulated on the revised basis from 1st September 1973 resulted in an extra payment of Rs. 2.28 lakhs.

On being pointed out by Audit (April/July 1978) the excess payment was adjusted in the running bills of the contractor.

The Board stated (February 1980) that the amount paid in excess had been recovered and further payment was now being made at 14.05 *per cent*.

The matter was reported to the Government in August 1979; reply is awaited (June 1980).

10.04. *Purchase of a scraper*

The Board decided (April 1976) to purchase a 22.7-tonne scraper for Rs. 11.60 lakhs for transportation of coal from one place to another in its coal yard at Obra Thermal Extension Project (Stage II). The order for the scraper was placed (August 1976) on a Government of India undertaking at Bangalore. The scraper received in January 1977 has been lying idle since then (March 1980). The Divisional Officer, Thermal Transport and Workshop Division, Obra stated (May 1978) that as an independent coal handling system was being installed, the scraper would be utilised in an emergency in the event of a breakdown of the coal handling system. The decision on the coal handling system was taken $2\frac{1}{2}$ years before the scraper was ordered. Besides, the requirement of coal for the project being of the order of about 1,000 tonnes per day; it would appear that the scraper can hardly meet the requirement of the power station in the event of a breakdown of the coal handling system. In December 1979 it was decided to transfer it to another project; the scraper was, however, still lying at Obra (March 1980).

The matter was reported to the Board in July 1978 and to Government in August 1979 ; replies are awaited (June 1980).

10.05. *Extra expenditure on transportation of cement*

(*a*) The Executive Engineer, Thermal Civil Stores Procurement Division, Obra entered into an agreement (14th June 1977) with 'A' for transportation of cement bags from Churk cement factory to Obra Civil Stores (distance : 38 km) at Rs.29.50 per tonne (with a rebate of 1 *per cent*). A rate of Rs.26 per tonne for transportation of cement was received (26th May 1977) in Colony Construction Division located in the same project area under the control of the same General Manager at Obra. The former Division had got 33,601 tonnes of cement transported through 'A' (up to 11th September 1977) and Rs.9.81 lakhs were paid at the contract rate involving an extra expenditure of Rs. 1.08 lakhs apparently due to lack of co-ordination between different offices at the Project site.

(*b*) The Sub-divisional Officer IV of the same division placed work orders (April 1977/November 1977) for unloading of cement from wagons (including stacking) and its transportation to the stores at Rs. 3 and Rs. 7.25 per tonne respectively while the Division had already entered (23rd December 1976) into an agreement with a contractor for the unloading and transportation of cement bags at Rs. 2.50 and Rs. 5.50 per tonne respectively. Thus by paying higher rates for unloading and transportation of 10,266 tonnes of cement the Board incurred an extra expenditure of Rs. 0.11 lakh.

The matter was reported to the Board in January 1979 and to Government in August 1979 ; replies are awaited (June 1980).

10.06. *Repair of distribution transformers*

Electricity Store Procurement Circle, Lucknow, entered into a rate contract with a firm of Faizabad (December 1974) for repair of copper-wound distribution transformers of 11/4 KV ratings. The rates of leg coils and transformer oil to be used by the firm in the repairs of transformers were based on Indian Electricals Manufacturers Association (IEMA) prices prevailing on 1st June 1974 and were subject to increase/decrease as per IEMA prices prevailing on the first day of the month preceding the month of delivery of transformers after satisfactory repairs.

The firm repaired 151 transformers during July 1975 to October 1977 and payments were made to it at the rates provided in the order without adjusting the rates due to decrease in IEMA prices of copper bars and strips used in the leg coils, resulting in excess payment of Rs. 0.76 lakh.

The matter was reported to the Board in March 1978 and to Government in August 1979 ; replies are awaited (June 1980).

10.07. *Fabrication of pale fencing*

For fencing of sub-stations and LT capacitor banks the Electricity Distribution Division I, Rae Bareli placed two orders in May and July 1972 on a firm of Lucknow for the fabrication of a total quantity of 2,000 rft pale fencing at a rate of Rs. 4.90 per rft. According to the terms of the contract, 27.38 tonnes of steel (value : Rs. 0.55 lakh) was to be supplied to the contractor, free of cost, by the Board. The agreement did not provide for any security from the firm against the supply of steel. The supplies were to be completed within 60 days from the date of receipt of the order, penalty for default being Rs. 5 per day. However, the Division delivered (May 1975) 19 tonnes of steel (value : Rs. 0.47 lakh) to the contractor after about 3 years of the order. In February 1978, the contractor supplied 88 fabricated stays and 272 supports (containing steel worth Rs. 0.11 lakh only) to the Sub-divisional stores, Rae Bareli. Steel worth Rs. 0.36 lakh was still lying with the firm (March 1980). The unit referred (April 1978) the case for legal advice to the District Government Counsel ; further progress was awaited.

The matter was reported to the Board in January 1978 and to Government in August 1979 ; replies are awaited (June 1980).

10.08. *Insurance claims*

A conveyer system erected towards the end of 1975 by a supplier (for the Obra Thermal Project), but not commissioned, was damaged in a fire on the night of 31st October 1976. The claim for Rs. 4 lakhs on account of loss by fire lodged (November 1976) with the Insurance Company under marine-*cum*-erection policy was rejected by the Insurance Company on the ground that the policy had already lapsed due to non-payment of premium since April 1976.

Similarly, another claim for Rs. 0.29 lakh (July 1976) being the cost of one potential transformer commissioned at 220 KV switch yard and damaged on 26th June 1976 was rejected (November 1976) by the Insurance Company on the same grounds. The premium had not been paid reportedly due to non-settlement of old claims by the Insurance Company.

The matter was reported to the Board in April 1979 and to Government in August 1979 ; replies are awaited (June 1980).

10.09. *Accounts receivable*

(*a*) The value of shortages in stores/stock is debited to the head 'Accounts Receivable' pending recovery or adjustment with the sanction of the competent authority as required under the rules. In the Electricity Civil Construction Division, Kanpur it was noticed (August 1979) that shortages of steel, cement and miscellaneous items (value : Rs. 0.24 lakh) revealed in physical verification (July 1977) had not been accounted for and the amount has neither been recovered nor written off (March 1980).

In other cases, shortages in stores, unauthorised and excess issues of stores on works, inadmissible expenditure, etc. were initially booked under the suspense head 'Accounts Receivable', pending recovery from the persons concerned. However, the Division had not initiated any action for the recovery of outstandings of Rs. 0.25 lakh pending against 7 officers for over 3—10 years.

Similarly, no action had been taken (December 1979) for the recovery of Rs. 0.26 lakh against 15 contractors and suppliers pending for over 5—13 years.

The matter was brought to notice of the Board in August 1979 and to Government in September 1979 ; replies are awaited (June 1980).

(*b*) An Assistant Store Keeper of the Electricity Civil Construction Division, Srinagar (Garhwal) was relieved by the Sub-Divisional Officer on 4th October 1978 (on his posting to another Division) without his having handed over the charge of stores and connected records. When the stores were opend (30th December 1978) by the Executive Engineer for preparing an inventory, shortages of stores materials valuing Rs. 1.46 lakhs came to notice.

It was also noticed that :

(i) The said official had not submitted his stock accounts since October 1976 and tools and plant accounts since October 1975.

(ii) Physical verification of stores and tools and plant (required to be carried out independently at least once a year) had not been carried out since the Division was set up in December 1974.

(iii) The Assistant Store Keeper was allowed 7 (against the permissible limit of 2) temporary advances aggregating

Rs. 0.22 lakh during April—July 1976. He had submitted adjustment bills only for Rs. 0.08 lakh (during July 1976, January 1977 and March 1978) out of which vouchers for Rs. 0.04 lakh were disallowed by the Divisional Officer (July 1976 and January 1977).

(iv) 400 bags of cement (value: Rs. 0.10 lakh) received by the official from the Stores Division, Roorkee on 16th February 1978 had remained unaccounted for in stock records (August 1978).

The matter was reported to the Board in June 1979 and to Government in August 1979 ; replies are awaited (June 1980).

(*c*) The Sub-Divisional Officer of the Electricity Stores Division, Gorakhpur (at the time of giving delivery of copper scrap to a contractor) noticed a shortage (29th July 1978) of 4,306 kg of burnt/retrieved copper wires valued at Rs. 1.11 lakhs. A report was lodged with the Police (30th July 1978) but the results of investigation were still awaited (March 1980). Meanwhile, the Superintending Engineer, Electricity Store Circle, Lucknow held the Store Keeper (September 1978) responsible for the shortages but no recovery had been effected so far (March 1980). The matter has also been referred (September 1978) to the vigilance wing of the Board for enquiry. Further progress in the matter is awaited.

The matter was reported to the Board in April 1979 and to Government in August 1979 ; replies are awaited (June 1980).

(*d*) In Electricity Distribution Division, Kanpur, 242 prestressed cement concrete poles (cost: Rs. 0.49 lakh) were recorded to have been issued by one Junior Engineer to another Junior Engineer on 2nd December 1976 but had not been accounted for by the receiving Junior Engineer. The responsibility for the shortage had not been fixed and the cost of the poles remains unrecovered (March 1980).

The matter was reported to the Board in September 1978 and to Government in August 1979 ; replies are awaited (June 1980).

(*e*) Two 11 KV lines (Swar—Roza Bazar and Lalpur—Tanda) constructed by the now defunct Rural Electrification Division, Badaun in 1972-73 and 1973-74 for electrification of villages and *Harijan basties* were handed over to the Electricity Distribution Division, Rampur in 1973-74 and 1974-75 respectively. During routine inspection of these lines (September 1975) it came to the notice of the Divisional Officer, Rampur that the conductor and several other line materials (stay rods, galvanised iron wire, etc.) were missing.

A committee constituted by the Superintending Engineer, Moradabad Circle II (December 1975) assessed the shortages (February 1976) at Rs. 0.35 lakh and Rs. 0.87 lakh respectively and 2 Junior Engineers were held responsible for the shortages. First information reports were lodged with the Police on 30th March and 2nd April 1976. Line materials valuing Rs. 0.14 lakh were found to have been issued in excess by two other Junior Engineers.

The amounts have neither been recovered from them nor written off (December 1979).

The matter was reported to the Board in July 1978 and to Government in August 1979; replies are awaited (June 1980).

CHAPTER III

OTHER STATUTORY CORPORATIONS

SECTION XI

A. 11.01. UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

(i) *Introduction*

The Uttar Pradesh State Road Transport Corporation was established on 1st June 1972. Accounts for the years 1977-78 and 1978-79 have not yet been finalised (March 1980). The provisional accounts for 1976-77 showed a profit of Rs. 120.26 lakhs against a profit of Rs. 80.75 lakhs in the previous year.

(ii) *Guarantees*

Government have guaranteed the repayment of loans and payment of interest on loans taken by the Corporation up to 31st March 1979 as shown below:

Source	Maximum amount of guarantee given by Government*	Amount guaranteed and outstanding on 31st March 1979*
	(Rupees in lakhs)	
Industrial Development Bank of India and a commercial bank	2,625.00	497.35

B. 11.02. UTTAR PRADESH STATE WAREHOUSING CORPORATION

(i) The Corporation earned a net profit of Rs. 148.47 lakhs during 1978-79 as against a net profit of Rs. 188.43 lakhs during 1977-78. The Corporation paid a dividend of Rs.16.20 lakhs for the year 1978-79 (as against Rs. 13 lakhs during previous year) which works out to 8 *per cent* of its paid-up capital (Rs. 202.50 lakhs).

*Figures as per the Finance Accounts for 1978-79

(ii) *Guarantees*

Government have guaranteed the repayment of loans and payment of interest on loans taken by the Corporation up to 31st March 1979 as shown below :

Source	Maximum amount of gurantees given by Government	Amount guaranteed and outstanding on 31st March 1979
	(Rupees in lakhs)	
State Bank of India	1,025.75*	1,025.75*

C. 11.03. UTTAR PRADESH FINANCIAL CORPORATION

(i) *Capital*

The Corporation had a capital, as on 31st March 1979, of Rs. 645 lakhs, representing an increase of Rs. 150 lakhs over the capital of Rs.495 lakhs at the end of the previous year.

(ii) *Long-term loans*

The balance of long-term loans obtained by the Corporation was Rs. 4,314.11 lakhs as on 31st March 1979. The break-up of the balance, according to the source of finance, was as under :

Source		Amount
		(Rupees in lakhs)
State Government		30.19
Public issue of bonds		2,337.38
Industrial Development Bank of India		1,946.54
	Total	4,314.11

*The figure as per Finance Accounts for 1978-79 was Rs. 350.00 lakhs. The difference (Rs. 675.75 lakhs) is due to inclusion of amounts for which consent of Government to guarantee the loan was obtained but formal guarantee is yet to be issued.

(iii) *Guarantees*

The State Government has guaranteed the repayment of share capital and payment of annual dividend thereon, repayment of bonds and payment of interest thereon, as indicated below :

Brief particulars	Maximum amount guaranteed	Amount guaranteed and outstanding on 31st March 1979
	(Rupees in lakhs)	
Share capital (annual dividend at 3.5 *Per cent* also guaranteed)	469.64	469.64
Bonds (interest thereon also guaranteed)	2,987.38	2,337.38
	3,457.02*	2,807.02**

(iv) *Profit and dividend*

During 1978-79 the Corporation earned a profit of Rs. 127.62 lakhs representing 19.79 *per cent* of the paid-up capital of Rs. 645 lakhs as against the profit of Rs. 105.49 lakhs, representing 21.3 *per cent* of the paid-up capital of Rs. 495 lakhs during the previous year. The Corporation paid dividend of Rs. 17.63 lakhs for the year 1978-79.

A synoptic statement showing the summarised financial results of the working of the three Corporations *viz.* Uttar Pradesh Financial Corporation, Uttar Pradesh State Warehousing Corporation and Uttar

*Differs from figures as per Finance Accounts (Rs. 3,567.02 lakhs). The difference (Rs. 110.00 lakhs) is under reconciliation.

**Differs from figures as per Finance Accounts (Rs. 2,794.52 lakhs). The difference (Rs. 12.50 lakhs) is under reconciliation.

Pradesh State Road Transport Corporation, on the basis of the latest available accounts, is given in Appendix **II**.

SECTION XII

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION
CITY BUS SERVICE

12.01. *Introduction*

The working of the Uttar Pradesh State Road Transport Corporation was reviewed in the Audit Report (Commercial) for the year 1974-75. A review of the Corporation's stores and purchases was included in the Audit Report (Commercial)for the year 1977-78. The present review covers the operation of the city bus services in five major cities *viz.* Kanpur, Agra, Varanasi, Allahabad and Lucknow (KAVAL) of the State. The following are the details of city services in KAVAL towns *vis-a-vis* the Corporation as a whole for the 2 years up to 1978-79 :

	Corporation as a whole		City services in KAVAL towns		Share of city services (percentage)	
	1977-78	1978-79	1977-78	1978-79	1977-78	1978-79
Number of buses held as at the close of the year	5,376	5,645	597	620	11.1	11.0
Number of routes operated as at the close of the year	1,455	1,652	131	142	9.0	8.6
Revenue kilometres covered during the year (in crores)	31.85	34.34	2.24	2.30	7.0	6·7
Revenue earned during the year (Rupees in crores)	61.94	70.33	4.15	4.56	6.7	6.5
Number of passengers carried during the year (in crores)	35.76	39.48	8.52	8.49	23.8	21.5

While the percentage of buses operated in KAVAL towns (to total buses) was 11.1 in 1977-78 and 11 in 1978-79, the percentage of revenue from operation of buses in KAVAL towns (to total revenue) was 6.7 in 1977-78 and 6.5 in 1978-79.

12.02. *Working results*

Monthly profit and loss accounts for city services are prepared by the regions for the Management's information. The Corpora- tion does not, however, compile separate annual working results the city bus services.

The following table (based on the monthly accounts) indicates the working results of city bus services in KAVAL towns during the three years up to 1978-79 :

Particular	1976-77	1977-78	1978-79
		(Rupees in lakhs)	
Operating			
Revenue	379.41	407.83	441.54
Expenditure	400.70	473.07	556.36
Deficit	(—)21.29	(—)65.24	(—)114.82
Non operating			
Revenue	4.61	7.30	14.54
Expenditure	25.18	34.98	45.98
Deficit	(—)20.57	(—)27.68	(—)31.44
Total			
Revenue	384.02	415.13	456.08
Expenditure	425.88	508.05	602.34
Loss	(—)41.86	(—)92.92	(—)146.26

The following are depot-wise trends of working results for the 3 years up to 1978-79 :

Depot	Profit (+)/Loss (—) 1976-77	1977-78	1978-79
		(Rupees in lakhs)	
Kanpur	(+)4.25	(—)10.67	(—)11.58
Agra	(—)3.25	(—)12.03	(—)27.50
Varanasi	(—)9.24	(—)17.75	(—)32.91
Allahabad	(—)15.53	(—)17.14	(—)21.86
Lucknow	(—)18.09	(—)35.33	(—)52.41
Total Loss	(—)41.86	(—)92.92	(—)146.26

The Corporation has been incurring losses on city services and the loss increased from Rs. 41.86 lakhs in 1976-77 to Rs. 92.92 lakhs in 1977-78 and to Rs. 146.26 lakhs in 1978-79.

The operating results are analysed below :

Name of the depot	Income	1976-77 Expenditure	Profit(+)/ Loss (—) (Rupees
Kanpur	100.79 (200)	96.54 (192)	(+)4.25 (8)
Agra	80.08 (178)	83.33 (185)	(—)3.25 (7)
Varanasi	66.25 (184)	75.49 (209)	(—)9.24 (25)
Allahabad	58.47 (167)	74.00 (212)	(—)15.53 (45)
Lucknow	78.43 (162)	96.52 (199)	(—)18.09 (37)
Total	384.02 (179)	425.88 (198)	(—)41.86 (19)

NOTE : Figures in brackets denote income/expenditure in paise per km.

1977-78			1978-79		
Income	Expenditure	Profit(+)/ Loss(—)	Income	Expenditure	Profit(+)/ Loss(—)
	in lakhs)				
105.86 (201)	116.53 (221)	(—)10.67 (20)	120.42 (208)	132.00 (228)	(—)11.58 (20)
97.64 (186)	109.67 (209)	(—)12.03 (23)	113.92 (203)	141.42 (252)	(—)27.50 (49)
66.63 (184)	84.38 (231)	(—)17.75 (47)	69.36 (202)	102.27 (299)	(—)32.91 (97)
70.53 (183)	87.67 (228)	(—)17.14 (45)	83.89 (198)	105.75 (248)	(—)21.86 (50)
74.47 (167)	109.80 (247)	(—)35.33 (79)	68.49 (175)	120.90 (310)	(—)52.41 (135)
415.13 (185)	508.05 (226)	(—)92.92 (41)	456.08 (199)	602.34 (262)	(—)146.26 (63)

An analysis of revenue and expenditure per revenue kilometre revealed wide variations between the different depots as shown below :

	1976-77	1977-78	1978-79
1. *Income*			
Highest (In paise)	200 (Kanpur)	201 (Kanpur)	208 (Kanpur)
Lowest (In paise)	162 (Lucknow)	167 (Lucknow)	175 (Lucknow)
Variance (*Per cent*)	23	20	19
2. *Expenditure*			
Highest (In paise)	212 (Allahabad)	247 (Lucknow)	310 (Lucknow)
Lowest (In paise)	185 (Agra)	209 (Agra)	228 (Kanpur)
Variance (*Per cent*)	15	18	36

It will be seen that in the years 1977-78 and 1978-79 Lucknow region contributed the lowest income and recorded the highest expenditure. The loss per kilometre also went up from 37 paise in 1976-77 to 135 paise in 1978-79.

An analysis of the expenditure on salaries and wages and oil and lubricants per revenue km revealed even wider variations as under :

	1976-77	1977-78	1978-79
1. *Salaries and wages*			
Highest (In paise)	91 (Allahabad)	108 (Lucknow)	127 (Lucknow)
Lowest (In paise)	58 (Agra)	66 (Agra)	75 (Agra)
Variance (*Per cent*)	57	64	69
2. *Oil and lubricants*			
Highest (In paise)	44 (Kanpur)	42 (Lucknow)	49 (Lucknow)
Lowest (In paise)	33 (Varanasi)	35 (Varanasi)	35 (Varanasi)
Variance (*Per cent*)	33	20	40

In 1977-78 and 1978-79 Lucknow recorded the highest expenditure per kilometre on salaries and wages as well as on oil and lubricants.

The reasons for the losses incurred by the city bus services and wide variances in the earnings and various items of expenditure in different depots were not being analysed by the Corporation.

A review in Audit revealed the following:

(*a*) *Poor fleet utilisation*

While the Study Group (City Services) of the Association of Road Transport Undertakings (ASRTU) had indicated (July 1971) that the percentage of "off-road" buses should be 10 *per cent* (including two *per cent* for traffic reserve) of the fleet strength, the Corporation had prescribed (May 1975) the percentage of off-road buses at 16—20 for the Corportion as a whole. Separate norms for city bus services were, however, not prescribed.

The following table indicates the position of 'off-road' buses in KAVAL depots during the three years up to 1978-79:

	Average number of buses held	Average number of off-road buses			Percentage of off-road buses to total buses
		Under repairs	Traffic reserves	Total	
1976-77	561	96 (17.1)*	61 (10.9)*	157	28.0
1977-78	602	100 (16.6)*	68 (11.3)*	167	27.9
1978-79	603	129 (21.2)*	41 (6.8)*	170	28.2

It will be seen that while the percentage of vehicles under repairs varied between 16.6—21.4 *per cent*, the traffic reserve varied between 6.8—11.3 *per cent.*

* Figures in brackets indicate the percentage to the average number of buses held.

It will be seen from the following table that Kanpur, Agra and Varanasi accounted for the highest percentages (26.7—35.8) of off-road buses.

	1976-77	1977-78	1978-79
Kanpur	35.8	32.2	30.5
Agra	27.2	32.8	35.5
Varanasi	31.7	26.7	31.3
Allahabad	24.4	24.8	18.0
Lucknow	15.2	21.0	22.0

(b) Delays in registration of new vehicles

While new vehicles are required to be put on the road within 2 days of their receipt, there were delays of 1—27 days in putting on road 229 new buses received during the three years up to 1978-79 which were attributed to delay in registration under the Motor Vehicles Act. This accounted for a loss of an aggregate of 1,228 bus days with a loss of revenue of over Rs. 3 lakhs.

(c) Low utilisation of vehicles

The Corporation has not prescribed any norms for fleet utilisation per day. As against an over-all average of 202 and 196 revenue Kms performed per day during April and May 1978 respectively by city bus services of 16 States/Union Territories*, the average utilisation of the city buses in KAVAL depots was 140 Kms (1976-77), 138 Kms (1977-78) and 145 Kms (1978-79).

The working group on Metropolitan Transport Services set up by the Planning Commission (March 1970) had also pointed out (September 1970) that, roughly, an increase in speed by 1.6 kms per hour can reduce the operational cost by 10 *per cent.* The Study Group (City Services) had recommended (July 1971) that as far as possible every route should be subjected to speed tests (at least twice a year). This recommendation has, however, yet to be implemented (March 1980).

* Source: Monthly bulletin of Public Sector Road Transport Undertakings for May 1978 published by the Government of India, Ministry of Shipping and Transport.

The diversion of buses from city routes to rural routes (Agra and Allahabad) during the 3 years up to 1978-79 is indicated below :

Year	Average number of buses on road		Average number of buses diverted to rural routes		Percentage of buses diverted	
	Agra	Allahabad	Agra	Allahabad	Agra	Allahabad
1976-77	75	68	25	35	33.3	51.5
1977-78	90	76	32	36	35.5	47.4
1978-79	89	82	34	40	37.1	48.8

It would appear from the above details that the requirements of buses to cover the city routes were not being properly assessed and there were apparent and continuing imbalances in the fleet deployment in these depots.

The Corporation had undertaken to run city buses on chartered trips to four factories at Allahabad at the following rates :

	From 1st December 1975	From 29th March 1976	From 1st June 1978
		(Rupees per Km)	
With passengers	1.50	2.10	2.10
Empty	1.00	1.00	2.10

The increase in the rates for empty trips from 1st June 1978 was not accepted by the users and three of them had withheld a sum of Rs.6.90 lakhs from the dues up to January 1979. In a meeting between the Corporation and the concerned users (6th March 1979) it was agreed subject to Government approval to increase the existing rates by 15 *per cent* with effect from 1st March 1979. The revised rates at Rs.2.41 per km with passengers and Rs.1.15 per km for empty runs were given effect to from 1st March 1979 pending Government approval which was still awaited (March 1980).

While the average number of chartered buses deployed increased from 17 in 1975-76 to 35 in 1978-79, their utilisation was much lower than the utilisation of buses on other city services.

Year	Average number of buses on road			Revenue kilometres covered (In lakhs)		Utilisation per bus per day (Km)	
	On chartered trips	Other routes	Total	On chartered trips	Other routes	On chartered trips	Other routes
1975-76	17	41	58	2.09	29.86	34	199
1976-77	24	44	68	9.21	25.78	105	160
1977-78	31	45	76	12.59	26.00	111	158
1978-79	35	47	82	14.19	28.28	111	165

Although as per terms and conditions prescribed by the Corporation (August 1976) the chartered buses could be freely utilised on other schedule routes, these were not so utilised. The Regional Manager stated (April 1978) that it was not profitable to cover extra kilometres by these buses during off periods. No data was, however, made available in support of the reply.

(*d*) *Engagement of 30 seater buses in city bus services*

Twenty four 30 seater buses (converted from trucks and renovated at a cost of Rs. 20.38 lakhs) were deployed in city bus services in four of the KAVAL depots (Kanpur : 2, Agra : 8, Varanasi : 2 and Lucknow : 12). The effective utilisation of these buses was nil in Kanpur (September 1975-March 1979), and Varanasi (June 1974–March 1979), and varied from 12 km per bus per day in Agra (January 1978–March 1979) to 30 km per bus per day in Lucknow (June 1975–March 1979).

These buses were used in Kanpur and Varanasi only for carrying cash and stores and for breakdown duties.

In Agra 3 (out of 8) such buses were re-converted (June/August 1979) into trucks. In Lucknow, 7 (out of 12) buses were returned to the regional workshop for premature condemnation (July 1978 – February 1979).

(e) Uneconomic routes

It was noticed that out of 131 and 142 routes operated by the city services as on 31st March 1978 and 31st March 1979 respectively, 117 (89 *per cent)* and 132 (93 *per cent)* routes respectively did not cover even the direct operational costs.

(f) *Quality of service*

(i) Punctuality

The punctuality in the operation of city services during the 3 years up to 1978-79 was as under :

Year	Scheduled trips (In lakhs)	Trips run on time (In lakhs)	Percentage of trips run on time
1976-77	17.40	12.89	74.1
1977-78	17.08	12.86	75.3
1978-79	16.91	12.49	73.9

In Allahabad the punctuality in individual services ranged between a low of 43.8 *per cent* (1976-77) and a high of 93.1 *per cent* (1978-79).

(ii) Missed trips

The following are the details of missed trips during the 3 years up to 1978-79 :

	1976-77	1977-78	1978-79
Scheduled trips (In lakhs)	17.40	17.08	16.91
Missed trips (In lakhs)	3.24	3.08	3.61
Percentage of missed trips	18.6	18.0	21.3

The reasons for the heavy curtailments of trips were not analysed by the Management.

(g) Excessive dead/departmental kilometres

Although stores vans and a number of staff cars are available in each region, it was noticed that the city buses were being deployed for cash duty, stores and stationery collection, etc. In Kanpur and Agra the city buses covered 1.53 lakh and 0.40 lakh kms respectively for departmental runs during the two years up to 1978-79 although these regions had the following staff cars and stores vans :

	Stores van As on 31st March 1978	Stores van As on 31st March 1979	Staff car As on 31st March 1978	Staff car As on 31st March 1979
Agra	4	7	9	6
Kanpur	14	12	11	8

The position of dead kms (other than departmental use) in city services in the KAVAL depots during the 3 years up to 1978-79 was as under :

	1976-77 Revenue kms	1976-77 Dead kms	1976-77 Percentage of dead kms to revenue kms	1977-78 Revenue kms	1977-78 Dead kms	1977-78 Percentage of dead kms to revenue kms	1978-79 Revenue kms	1978-79 Dead kms	1978-79 Percentage of dead kms to revenue kms
				(In lakhs)					
Kanpur	50.29	0.14	0.3	52.63	0.23	0.4	57.87	1.21	2.1
Agra	45.10	0.77	1.7	52.52	0.74	1.4	56.11	0.84	1.5
Varanasi	36.02	Nil	Nil	36.18	0.03	0.1	34.19	0.03	0.1
Allahabad	34.99	1.25	3.6	38.59	1.19	3.1	42.47	1.03	2.4
Lucknow	48.54	5.33	11.0	44.50	5.01	11.3	38.99	3.65	9.4
Total	214.94	7.49	3.5	224.41	7.20	3.2	229.63	6.76	2.9

In Lucknow, where the city services incurred the highest losses, the dead kilometres ranged between 9.4 and 11.3 *per cent* of the revenue kilometres during the three years up to 1978-79 as against the highest percentage of dead kilometres of 3.6 (Allahabad 1976-77) in the other towns.

(h) Excess consumption of oil and lubricants

(i) High speed diesel oil

As per the norms, buses in the plains should cover 5.5 km per litre of high speed diesel (HSD) oil ; separate norms for the city routes have not been fixed. Actual kms covered per litre of oil ranged between 3.99 and 4.23 only during the three years up to 1978-79 and the HSD consumed in excess worked out to 42.49 lakh litres (value : Rs. 59.90 lakhs approximately).

The table below would indicate that there were wide variations in the average consumption of diesel oil :

	1976-77	1977-78	1978-79
Highest (Km/litre)	4.98 (Lucknow)	5.39 (Lucknow)	4.49 (Allahabad)
Lowest (Km/ litre)	3.76 (Kanpur)	3.75 (Varanasi)	3.76 (Varanasi)
Variance (*Per cent*)	32.4	43.7	19.4

The reasons for these variances were not analysed by the Corporation.

(ii) Mobil oil

As per the norm in force, half a litre of mobil oil should be issued for topping up for every run of 200 kms by a bus. The consumption of mobil oil was much in excess and average km run per half litre of mobil oil worked out to 89km (1976-77), 120 km (1977-78) and 112 km (1978-79) ; the total mobil oil consumed in excess worked out to 1.57 lakh litres (value : Rs.12.35 lakhs approximately).

The reasons for excess consumption of mobil oil and wide variations from year to year were not being analysed or investigated by the Corporation.

(i) ***Premature failure of engines/tyres/batteries***

The following are the details of total removals of engines/tyres/batteries and their premature failures during the 3 years up to 1978-79 :

(*A*) *Engines*

(*i*) *New engines*

(Prescribed life : 2.5 lakh kms)

Year	Total removals	Number of engines removed: Below 0.5 lakh kms	0.5—1 lakh kms	1—1.5 lakh kms	1.5—2 lakh kms	2—2.5 lakh kms	Above 2.5 lakh kms
1976-77	36	..	..	16	16	2	2
1977-78	13	1	1	1	10	..	..
1978-79	32	1	3	13	12	3	..

(ii) *Reconditioned engines*

(Prescribed life : 1 lakh kms)

1976-77	110	37	46	22	5	..	..
1977-78	87	15	51	18	3	..	..
1978-79	81	21	52	8	..	..	..

(*B*) *Tyres*

(*i*) *New tyres*

(Prescribed life : 80,000 kms)

Year	Total removals	Number of tyres removed: Up to 25,000 kms	25,000—50,000 kms	50,000—80,000 kms	Above 80,000 kms
1976-77	964	62	165	547	190
1977-78	1,519	37	196	977	309
1978-79	1,624	60	284	1,021	259

(ii) *Retreaded tyres*

(Prescribed life : 30,000 kms)

Year	Total removals	Number of tyres removed Up to 25,000 kms	25,000—30,000 kms	Above 30,000 kms
1976-77	1,000	419	208	373
1977-78	1,117	403	174	540
1978-79	1,355	642	343	370

(C) Batteries

(Prescribed life : 12 months)

Year	Total removals	Number of batteries removed Up to 4 months	4—8 months	8—12 months	Above 12 months
1976-77	827	26	131	324	346
1977-78	871	23	93	229	526
1978-79	1,113	12	180	257	664

While reasons for premature failures were being recorded in individual cases, there was no system of an overall analysis of the reasons for poor performance of engines, tyres and batteries with a view to take remedial action.

12.03. *Fare structure*

Mention was made in paragraph 70 of the Audit Report (Commercial) for the year 1974-75 about the revision of fares by the Corporation. The fare structure of the city buses was fixed by Government from time to time as shown below :

	From 10th January 1972	From 12th December 1974	From 3rd May 1975
	(Paise	per passenger)	
Up to 3 kms	13	17	13
3—4 kms	17	21	17
4—5.5 kms	22	28	22
5.5—6.5 kms	26	33	26
6.5—8 kms	30	38	30
8—10.5 kms	35	44	35
10.5—12 kms	39	49	39
Above 12 kms	At rates applicable to rural routes		

NOTE: The rates are exclusive of passenger tax. The actual fare is charged in multiples of 5 paise after adding passenger tax.

The reasons for the downward revision of city bus fares from 3rd May 1975 were not on record.

The fare structure was again revised from 26th July 1976 as below :

	Paise per passenger
Up to 5 kms	22
5—12 kms	43
Above 12 kms	At rates applicable to rural routes

The cost of operations is not analysed by the Corporation to serve as an index for review or fixation of fares and the city services of the Corporation continue to incur losses inspite of the last revision in fares (July 1976).

12.04. *Display of advertisement panels*

Prior to the formation of the Corporation (1st June 1972), contracts for display of advertisement on the buses were awarded by the State Government on certain specified terms and conditions but without inviting tenders. During 1949 to March 1968, three advertising agents were appointed by Government. The dues outstanding (March 1979) against these agents on the expiry of their agreements amounted to Rs.6.55 lakhs including Rs.5.95 lakhs relating to the period 1950/1951.

In August/November 1973, the Deputy General Manager (Vikas) appointed (temporarily) two firms of Lucknow as advertising agents ; *ex-post-facto* approval of the Chairman was obtained in April 1978. The agents were to deposit a security of 25 *per cent* of the guaranteed business for one year (Rs.0.60 lakh and Rs.0.50 lakh respectively), which was deposited by the firms in August and December 1973 respectively. As per the terms of the agreement, payment for the display was to be made in advance.

The rates of commission payable were fixed from time to time as under :

(Rupees in thousand)	Commission as percentage of business		
	August/ November 1973	September 1974	April 1979
Up to 10	10	10	10 (Up to 30)
10—30	15	15	
30—40	20	20	15 (30—50)
40—50	25	25	
Over 50	30 (Over 40)		20

The Corporation was to provide the display boards (for painting) to the agents for display for periods ranging from 1 to 12 months. The display boards, after expiry of the prescribed period, were required to be removed from the buses and returned to the Corporation.

In this connection the following observations are made:

While the entire work of display of advertisement is controlled by the headquarters no watch is kept over the availability/utilisation of space. In July 1977, the Corporation prescribed a monthly return about timely removal and the return of display boards, but this had not been implemented by any region.

The agents appointed temporarily in 1973 were still continuing (March 1980) and no efforts had been made to finalise periodical contracts by inviting tenders.

12.05. *Operation of private mini-buses in cities*

In January 1976, Government allowed private mini-buses to operate as stage carriage in major cities of the State. These private mini-buses were to run under the administrative control of the Corporation for which administrative and operational control charges (AOCC) were to be recovered by the Corporation at the rate of Rs. 350 per month for Matadors and Rs. 500 per month for other mini-buses.

The mini-buses were to operate only after obtaining an authorisation certificate from the "Competent Authority" duly endorsed by the Regional Manager concerned on payment of AOCC in advance.

The operation of mini-buses started in August 1976. The table below indicates the details of their operations in KAVAL towns:

Depot	1976-77 Number of buses at year end	1976-77 AOCC recovered (Rupees in lakhs)	1977-78 Number of buses at year end	1977-78 AOCC recovered (Rupees in lakhs)	1978-79 Number of buses at year end	1978-79 AOCC recovered (Rupees in lakhs)
Kanpur	71	1.92	44	1.73	13	1.41
Agra	16	Not available	4	Not available	..	..
Varanasi	7	0.36	6	0.37	6	0.43
Allahabad	5	0.09	3	0.22	1	0.18
Lucknow	94	3.21	34	1.93	13	2.57

In this connection the following points were noticed :

(i) The mini-buses were to operate on allotted routes on the basis of time-table prescribed by the Corporation so as to ensure operation of 160-180 kms per bus per day. The tickets to be issued by the mini-buses were required to be authenticated and the buses were to be checked to ensure the basis of time-table prescribed by the Corporation so as to being issued to passengers.

There were no records to indicate that the time-table and the number of trips prescribed were adhered to or that advance recoveries of AOCC were effected in all cases.

(ii) The operators were required to surrender their stage carriage permits to the Regional Manager before operating mini-buses on these routes. It was, however, seen during test check in audit that the stage carriage permits were not surrendered by the mini-bus operators except in Kanpur. In Kanpur, although the stage carriage permits in respect of 5 mini-buses were held (March 1980) by the Corporation, the AOCC were not being recovered from them since April 1977. No reasons for non-recovery were on record. The Regional Manager, Kanpur has taken up (May 1979) the matter with the "Competent Authority" whose reply was awaited (March 1980).

12.06. *Bus staff ratio*

In August 1977, the Corporation laid down the following norms for the deployment of staff on an overall basis ; the Corporation has, however, not prescribed any separate norm for employment of staff for city services where most of the buses are run on double-shift basis :

	Staff per bus on road
Administrative staff	2.91
Conductors	1.86
Drivers	1.86
Skilled/unskilled workers	2.62
	9.25

The table below would indicate that there were wide variations in the number of employees per bus in different depots and overall staff employed per bus was the highest in Lucknow where the losses incurred were the highest :

Year	Number of overall staff employed per bus on road		Number of overall staff employed per bus held in the fleet	
	Minimum	Maximum	Minimum	Maximum
1976-77	7.1 (Varanasi)	9.5 (Agra)	4.7 (Kanpur)	8.1 (Lucknow)
1977-78	5.9 (Varanasi)	8.8 (Allahabad)	4.9 (Varanasi)	7.7 (Lucknow)
1978-79	7.8 (Varanasi)	10.8 (Lucknow)	5.4 (Varanasi)	8.7 (Lucknow)

The percentage of overtime allowance to salaries and wages ranged between 0.4 and 8.4 during the 3 years up to 1978-79 and the highest incidence of overtime allowance was in Lucknow depots as detailed below :

Name of the depot	Amount of salaries and wages (excluding over-time)			Amount of overtime allowance			Percentage of overtime to salaries and wages		
	1976-77	1977-78	1978-79	1976-77	1977--78	1978-79	1976-77	1977-78	1978-79
	(Rupees in lakhs)								
Kanpur	32.63	41.85	46.11	1.03	2.25	0.48	3.2	5.4	1.0
Agra	26.02	33.88	42.36	0.29	0.67	0.19	1.1	2.0	0.4
Allahabad	30.74	34.32	37.57	1.00	1.05	0.36	3.3	3.1	1.0
Lucknow	38.41	44.62	46.44	3.21	3.32	3.11	8.4	7·4	6.7

The matter was reported to the Corporation/Government in October 1979 ; replies are awaited (March 1980).

12.07. *Summing up*

(i) The Corporation does not prepare separate annual accounts for city services. However, on the basis of monthly profit and loss accounts, the losses incurred by the city services went up from Rs.41.86 lakhs in 1976-77 to Rs.92.92 lakhs in 1977-78 and Rs.146.26 lakhs in 1978-79, aggregating Rs.281.04 lakhs. Of this, Lucknow accounted for Rs.105.83 lakhs (38 *per cent*) with the lowest income and the highest expenditure per km (1977-78 and 1978-79) ; the loss per km increased from 37 paise in 1976-77 to 135 paise, i.e. by 265 *per cent*. The staff bus ratio, the expenditure on salaries and wages per km, the overtime allowances paid as well as the expenditure per km on oil and lubricants were also the highest in the Lucknow depot.

(ii) The reasons for the losses incurred by the City bus services and wide variances in the earnings and various items of expenditure in different depots were not being analysed by the Corporation.

(iii) The percentage of buses remaining off road averaged around 28 as against the norm of 10 *per cent* suggested by ARSTU Study Group and 16—20 prescribed for the Corporation as a whole, and varied from 30.5 to 35.8 *per cent* in Kanpur depot followed by Agra (27.2 to 35.5 *per cent*) and Varanasi (26.7 to 31.3 *per cent*).

(iv) The average daily utilisation of city buses in KAVAL depots ranged between 138 and 145 kms during the three years up to 1978-79 as against to all-India average of 196 to 202 kms (April-May 1978).

(v) The deployment of buses for city services was not properly assessed with the result that the city buses were frequently diverted to the rural routes. Such diversions in Agra and Allahabad depots varied from 33.3 to 51.5 *per cent* of the fleet on road.

(vi) Twenty-four 30 seater buses (converted/renovated at a cost of Rs.20.38 lakhs) were deployed in 4 of the KAVAL towns. Four buses (2 each in Varanasi and Kanpur) were used only for carrying cash, stores and break-down duties (June 1974/September 1975 to March 1979). The average utilisation in Agra (8 buses) was 12 km per bus per day (January 1978—March 1979) and in Lucknow (12 buses) 30 km per bus per day (June 1975—March 1979); 3 out of 8 buses at Agra were reconverted into trucks : 7 out of 12 buses at Lucknow were returned to the Regional Workshop for premature condemnation.

(vii) 117 (89 *per cent*) out of 131 routes (March 1978) and 132 (93 *per cent*) out of 142 routes (March 1979) did not cover even the direct operational costs.

(viii) The percentage of missed trips varied from 18.6 (1976-77) to 18.0 (1977-78) and 21.3 (1978-79).

(ix) The percentage of dead kms to revenue kms ranging from 9.4 to 11.3 in Lucknow was the highest against the overall percentage of 2.9 to 3.5 for all the five KAVAL towns.

(x) Excessive consumption (as compared to the norms) of HSD oil and mobil oil during the 3 years up to 1978-79 amounted to Rs.72.25 lakhs. Cases of premature failures of engines, tyres and batteries were also noticed. These were, however, not being reviewed for remedial action.

(xi) Except for a short period, the fares introduced in January 1972 were continued until July 1976 when the fares were last revised. The cost of operations is not analysed by the Corporation to serve as a basis for review or fixation of fares, and the city services continue to incur losses.

(xii) The two firms of Lucknow appointed temporarily, as the Corporation's advertising agents (August/November 1973), were still continuing and no effort had been made to enter into periodical contracts through tenders.

SECTION XIII

UTTAR PRADESH STATE TRANSPORT CORPORATION DEPLOYMENT OF PRIVATE BUSES ON HIRE BASIS

13.01. *Introduction*

Certain selected routes were nationalised by the State Government at the time of formation of Uttar Pradesh Government Roadways in May 1947. Services on these routes were managed by the Transport Department of the State Government. With the growth of traffic and increase in the number of routes this work was entrusted to the Uttar Pradesh State Road Transport Corporation set up in June 1972 under the Road Transport Corporations Act, 1950. The number of nationalised routes increased from 1,123 in 1972 to 1,460 in 1977.

In September 1976, with the approval of the Chairman, the General Manager invited private operators to operate their buses on the nationalised routes under the overall control of the Corporation. The Corporation guaranteed an operation of 200 kilometres per bus per day. The operators were to provide the drivers and bear all the operational costs (including diesel, repairs and maintenance, road tax, insurance, etc.). The conductors were to be provided by the Corporation and payments were to be regulated on the basis of the models of buses deployed. These rates were Rs. 1.30 per km for 1968 to 1972 models, Rs. 1.35 per km for 1973 and 1974 models and Rs. 1.40 per km for 1975 and 1976 models.

The operations commenced in October 1976. The operations suspended in some regions in March-April 1977 were resumed (in different months) during 1978 on the basis of revised hire charges of Rs. 1.30 per km for buses of 1972 to 1974 models, Rs. 1.35 per km for 1975 and 1976 models and Rs. 1.40 per km for 1977 and 1978 models. From May 1978, the minimum guaranteed operation was raised to 250 kms with a reduction in rate of 5 paise per km in respect of distance in excess of 300 kms per bus per day.

13.02. In this connection the following observations are made :

(*a*) *Operations commenced without authorisation*

In terms of Section 19 (g) of the Road Transport Corporations Act, 1950, the deployment of private buses require the approval of the Corporation. Although private buses were engaged from October 1976, the matter was first brought to the notice of the Board in March 1978 when it was decided to continue the practice for 3 months pending fresh proposals being submitted to the Board after a detailed examination. In September 1978 the Board set up a 5 member Committee headed by the General Manager of the Corporation to examine the background, utility and profitability of private operations and to submit its report within 3 months. It was also decided to continue private operations till the Board took a decision on the report of the Committee. The Committee has not met so far (June 1980).

(*b*) *Higher rates fixed for private buses*

The rates payable to private owners were fixed on the basis of rough estimates without calling for competitive quotations.

As per the instructions of the General Manager (July 1976) the Regional Manager, Agra held a meeting (August 1976) with the Contract Carriage Union, Agra which agreed to operate their buses in Agra region at (Rajasthan rates) Rs.1.20 per km. for the first 200 kms per day for 1970–1973 models and for the first 275 kms per day for 1974–1976 models. The rate was to be reduced to Re.1 per km for distance in excess of 200 and 275 kms per day respectively.

Although the results of these discussions were communicated to the General Manager immediately after the meeting (August 1976), these were not found to be on record and were not implemented. Private buses engaged in Agra region during October 1976 to April 1977 had covered 14,96,868 kms and were paid for at the higher rates resulting in an extra expenditure of at least Rs.3.42 lakhs. A profit and loss account of private operations for the period October 1976–April 1977 prepared by the Region disclosed a loss of Rs.3.65 lakhs.

(*c*) *Hiring of private buses without assessment of actual requirement*

The table below indicates the month-wise details of the average number of buses held, number of off-road buses as per the norm (16 to 20 *per cent*), the actual number of off-road buses and the number of private buses deployed during April 1978 to December 1978* :

Month 1978	Buses held	Buses off-road	Traffic reserve	Total buses off-road (3+4)	Maximum off-road buses at 20 *per cent*	Excess (5-6)	Private buses operated
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
April	5,413	1,130	342	1,472	1,083	389	96
May	5,455	1,228	271	1,499	1,091	408	110
June	5,448	1,274	143	1,417	1,090	327	142
July	5,401	1,344	192	1,536	1,080	456	214

*Data about the number of private buses deployed prior to April 1978 was not available at the Corporation headquarters.

Month 1978	Buses held	Buses off-road	Traffic reserve	Total buses off-road (3+4)	Maximum off-road buses at 20 *per cent*	Excess (5-6)	Private buses operated
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
August	5,434	1,377	178	1,555	1,087	468	274
September	5,478	1,400	190	1,590	1,096	494	350
October	5,510	1,208	268	1,476	1,102	374	376
November	5,561	1,200	271	1,471	1,112	359	370
December	5,607	1,260	208	1,468	1,121	347	396

The traffic reserve during this period varied from 3.4 to 8 *per cent* of the buses deployed, and the total number of buses off-road ranged between 26 to 29 *per cent* of the fleet as compared with the norm of 16—20 *per cent*. It would be evident from the table that even with a marginal control over the number of off-road buses, the hiring of private buses could be obviated or substantially reduced. It was noticed that the Corporation had not analysed the reasons for the low utilisation of its own fleet.

(*d*) *Operational results*

Separate profit and loss accounts of private bus operations were not being prepared except in Agra region. Instructions issued to the regions in March 1979 for the preparation of such accounts were revoked in July 1979.

The results of private operations as compiled in audit for the period July 1978 to February 1979 in Etawah and Faizabad regions* (where the highest number of private buses were engaged) are given below :

	Etawah	Faizabad
Kilometres covered by private buses	20,77,567	39,72,532
Kilometres covered by Corporation buses	1,09,34,143	1,20,33,775
	(Rupees in lakhs)	
(i) Expenditure		
Salary and allowances of traffic staff of the region	51.74	52.62
Welfare and superannuation charges	8.75	9.23

*Etawah and Faizabad regions were set up in July 1978.

	Etawah	Faizabad
	(Rupees in lakhs)	
General administration expenses	3.18	6.00
Depreciation on buildings	1.46	0.68
Headquarter charges	2.84	2.76
Total	67.97	71.29
(ii) Proportionate expenditure debitable to private operations (on the basis of kms covered)	10.84	17.68
(iii) Payment made to the operators (at an average of Rs. 1.35 per km)	28.05	52.62
(iv) Total expenditure on private operations	38.89	70.30
(v) Income from private buses	35.46	64.92
Loss	(—)3.43	(—)5.38
Loss per kilometre operated (in paise)	17	14

(*e*) *Reduction in utilisation of Corporation's buses*

The table below indicates utilisation and income from the Corporation buses (rural only) in six regions (Agra, Etawah, Faizabad, Kanpur, Lucknow and Varanasi) during July 1978 to December 1978:

Month	Private buses engaged during the period	Corporation buses on road	Effective kms covered (in lakhs)	Vehicle utilisation per bus per day (kms)	Income (Rupees in lakhs)	Income per bus per day (Rupees)
July	144	1,030	79.48	253	152.01	476
August	179	1,054	77.91	239	145.21	444
September	221	1,057	73.29	231	136.28	430
October	220	1,079	77.87	232	147.18	440
November	232	1,090	78.23	231	142.12	435
December	223	1,129	81.29	232	143.40	410

It will be seen that with the increase in the number of private buses, the utilisation of the Corporation's own buses declined from 253 to 232 kms per bus per day and the income dropped from

Rs. 476 to Rs. 410 per bus per day. It was also noticed that vehicle utilisation and income per bus of Corporation buses was the highest in the Kanpur region where a lower number of private buses were engaged while vehicle utilisation and income per bus was lower in Etawah region where the maximum private buses were engaged as shown below:

Month 1978	Kanpur: Private buses engaged	Kanpur: Kilometres covered per bus per day by Corporation's buses	Kanpur: Income per bus per day from Corporation's buses (Rupees)	Etawah: Private buses engaged	Etawah: Kilometres covered per bus per day by Corporation's buses	Etawah: Income per bus per day from Corporation's buses (Rupees)
July	22	294	541	13	262	487
August	27	274	496	35	245	418
September	26	253	466	43	228	388
October	26	266	527	40	242	435
November	26	255	496	47	229	420
December	24	250	454	46	237	403

Private buses were engaged in all the 5 depots of Etawah region except in Shikohabad depot. The table below indicates that the vehicle utilisation and income per bus in the depot where private buses were not engaged was better than in other depots:

Month 1978	Shikohabad depot where private buses were not engaged: Utilisation per bus per day (Km)	Shikohabad depot where private buses were not engaged: Income per bus per day (Rupees)	Other depots: Utilisation per bus per day (Km)	Other depots: Income per bus per day (Rupees)
July	283	572	256	463
August	270	526	239	387
September	257	468	219	364
October	269	510	235	414
November	251	512	223	394

(f) Unintended benefits extended to private owners

As per the policy laid down by the Corporation, the private buses were to be operated only on 'extra' schedules. Instances were noticed where private buses were allowed to operate on regular (existing) schedules by withdrawing the Corporation's own buses. Against the average daily utilisation of Corporation buses ranging from 216 kms in 1975-76, 217 kms in 1976-77 and 220 kms in in 1977-78, the private buses were guaranteed 250 kms per day. The average utilisation of private buses was, however, not available but in many cases the private buses had been deployed on long distance routes where the daily distance operated was more than 400 kms against the guaranteed distance of 250 kms.

The private buses were required to be operated after inscribing on the body the dates up to which these were engaged. Instances came to notice where buses had operated after the expiry of the contract or on trips without the Corporation's conductors.

(g) Miscellaneous

Separate daily vehicle returns and breakdown and curtailment registers were not maintained in the Pratapgarh depot (Faizabad region) since the formation of the region in July 1978. The details of daily income and kms covered by each bus were neither furnished by the depot to the regional office nor insisted upon by the regional office up to February 1979. The details of income and kms covered by the private buses for November 1978 (records for other months not made available) as intimated by the depot to the regional office disclosed the following discrepancies :

	Kilometres covered by private buses in November 1978	Income (Rupees)
(i) As per income statement received from depot	54,691	83,209
(ii) As per income register of the depot on the basis of which payments were made to owners	92,879	1,12,960
Difference	38,188	29,751

The reasons for the differences could not be analysed due to non-maintenance of proper records. The income register contained numerous alterations and overwritings in the entries which were neither verified nor authenticated by any supervisory staff.

In January 1979, the summary of the operation of all private buses prepared for the month by the depot on the basis of bus-wise details in the income register, indicated the total distance covered as 55,447 kms while the bus-wise distances on the basis of which payment was made to the operators aggregated 57,883 kms.

The matter was reported to the Corporation/Government in October 1979 ; replies are awaited (March 1980).

SECTION XIV
UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION
OTHER TOPICS OF INTEREST

14.01. *Delays at the workshops resulting into loss of revenue*

As per the orders of the Corporation, renovation of bus bodies is required to be completed within 3 months of their receipt in the workshop. It was noticed that 190 vehicles received for renovation (June 1977 to August 1978) at one of the workshops were returned (after renovation) after periods ranging from 97 to 578 days:

Number of days taken for renovation	Number of buses
90—100 days	6
101—180 days	135
Over 180 days	49
Total	190

The total time taken was 31,083 days (an average of 164 days) as against the permissible maximum of 17,100 days. Even after renovation, the delivery of vehicles to the regions took 5—17 days as against the prescribed limit of 3—6 days. Computed at an average earning of Rs. 300 per vehicle per day the retention of the vehicles in the workshop in excess of 90 days per vehicle resulted in a loss of revenue of about Rs. 41.95 lakhs.

Similarly, the work on vehicles sent to the regional workshops for repairs/maintenance after covering 30,000/1,00,000 kms is required to be completed within 10—30 days. In the Agra region, the work of repairs/maintenance on 132 vehicles received during July 1978 to April 1979 took 7,389 days (an average of 56 days) as against the permissible 3,240 days. The delays resulted in a loss of revenue of about Rs. 12.45 lakhs. The Workshop management attributed these delays to non-availability of spares (July 1979).

The matter was reported to the Corporation in August 1979 and to Government in September 1979; replies are awaited (June 1980).

14.02. *Loss of revenue*

Due to diversion (19th July 1978) of the route from Balbirnagar (Meerut) to Delhi, vehicles plying up to Delhi had to cover 4 kms extra. In Meerut, Dehra Dun and Bareilly regions the fares were increased only from 20th October 1978 to take care of this additional distance. The delay in revision of fares resulted in undercharge of revenue aggregating Rs. 0.65 lakh (Meerut : Rs. 0.18 lakh, Dehra Dun : Rs. 0.43 lakh, Bareilly : Rs. 0.04 lakh).

The matter was reported to the Corporation in April 1979 and to Government in September 1979 ; replies are awaited (June 1980).

14.03. *Non-accountal of money*

(a) In an auction for the disposal of unserviceable materials held on 5th March 1978, a successful bidder deposited (15th March 1978) Rs. 20,165 with the cashier of Haldwani depot and got the consignment released (March 1978) from the Service Manager, Kathgodam, after surrendering the cash receipt obtained from the cashier. On verification (15th April 1978) it was noticed that neither was the amount entered in the cash book nor was it remitted into the bank. During investigation of the case (17th April 1978) the cashier and the station-in-charge were held responsible for the non-accountal. Thereafter records for earlier periods (11th January 1973 to 5th March 1978) were also checked (May 1978) and it was revealed that amounts totalling Rs. 20,178 representing the earnest money deposits had also not been accounted for by the same cashier.

The non-accountal, as per Management (May 1978), was facilitated by

(i) countersignature of receipts by the Station-in-charge without verification of the corresponding entries in the cash book ;

(ii) indifferent attitude of the Station-in-charge, the Station Superintendent and the Assistant Regional Manager.

The amount has not been recovered so far and the case is now pending in the Court of Law (June 1980).

(b) Embezzlement

On checking (February 1978) of the way-bill of a conductor operating on the Mathura-Gwalior route by the Traffic Superintendent it was noticed that 13 tickets issued to passengers were neither entered by the conductor in the way-bill nor was any entry made in the way-bill by the clerk while issuing the relevant blank ticket book to the conductor. While verifying the records for the earlier periods, it was noticed further that 162 ticket books containing 8,100 tickets were not entered in the way-bills during July 1975 to February 1978, resulting in embezzlement of about Rs. 0.93 lakh. This was facilitated by the absence of proper account of blank receipt books at the depot level.

It was reported (January 1980) by the Region that the conductor had been placed under suspension and a report had been lodged with Police (April 1978). 17 checking clerks had been chargesheeted. No amount has been recovered so far (June 1980).

The matter was reported to the Corporation during May to September 1979 and to Government in September 1979 ; replies are awaited (June 1980).

SECTION XV

UTTAR PRADESH STATE WAREHOUSING CORPORATION

15.01. *Shortages/defalcations*

On a complaint from the Junior Technical Assistant, Pilibhit (June 1977) the warehouse-in-charge of Pilibhit godowns was placed under suspension on 11th July 1977 for a suspected misappropriation and was directed to hand over charge to the Warehouse Manager, Pilibhit. The official handed over charge of the wheat godowns (3rd August—3rd September 1977) and absconded (10th September 1977) without handing over charge of the fertilizer godowns. Shortages of wheat valuing Rs. 0.24 lakh (175.54 quintals) were noticed on verification. On breaking the locks of the fertilizer godowns in the presence of the district authorities (1st December 1977) shortages of fertilizers valuing Rs. 6.54 lakhs (NPK : 167.52 tonnes—Rs. 3.50 lakhs, Urea : 183.90 tonnes—Rs. 3.04 lakhs) were noticed during 1st to 4th December 1977. First information reports regarding shortages in wheat and fertilizers were lodged with the Police authorities on 8th November 1977 and 20th December 1977 respectively. The case is also being investigated by the C.I.D. (Crime Branch). The claim with the Insurance Company for Rs. 6.77 lakhs was lodged in March 1978. The official concerned expired in October 1979.

It was noticed in audit that no physical verification of stocks in the godown had been carried out ever since its inception (July 1974).

The Management stated (January 1980) that due to considerable increase in the activities of the Corporation from 1975-76, timely physical verification could not be carried out.

Government stated (December 1979) that records of Pilibhit centre were examined by the audit party of the Corporation which had reported shortages of Rs. 4.46 lakhs (wheat-178.79 quintals valuing Rs. 0.29 lakh, NPK—97.398 tonnes valuing Rs. 2.03 lakhs, Urea—128.401 tonnes valuing Rs. 2.12 lakhs and dead stock valuing Rs. 0.02 lakh). It was further stated that a special investigation cell had been established at the headquarters of the Corporation (February 1978) for strict control over the activities of warehouses and action for providing more staff and auditors was under consideration of the Corporation.

(S. T. KENGHE)
Accountant General, Uttar Pradesh-II

ALLAHABAD :
THE 14 JAN 1981

Countersigned

(GIAN PRAKASH)
Comptroller and Auditor General of India

NEW DELHI :
THE 20 JAN 1981

APPENDICES

APPENDIX

(*Reference* :

Statement showing summarised

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
1	Uttar Pradesh State Textile Corporation Limited	Industries	22nd December 1969	1978-79	3,200.31
2	Uttar Pradesh Electronics Corporation Limited	Industries	30th March 1974	1978-79	201.91
3	Uttar Pradesh Small Industries Corporation Limited	Industries	13th June 1958	1978-79	516.73
4	Uttar Pradesh State Leather Development and Marketing Corporation Limited	Industries	12th February 1974	1978-79	113.72
5	Uttar Pradesh State Industrial Development Corporation Limited	Industries	29th March 1961	1978-79	2,112.63
6	Uttar Pradesh Export Corporation Limited	Industries	20th January 1966	1978-79	265.10
7	The Indian Turpentine and Rosin Company Limited	Industries	22nd February 1924	1978-79	199.20
8	The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	Industries	29th March 1972	1978-79	1,885.94
9	Uttar Pradesh State Cement Corporation Limited	Industries	29th March 1972	1978-79	7,217.06
10	Uttar Pradesh State Brasswares Corporation Limited	Industries	12th February 1974	1978-79	150.64
11	Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited	Harijan Evam Samaj Kalyan	25th March 1975	1978-79	156·08
12	Harijan Evam Nirbal Varg Avas Nigam Limited	Harijan Evam Samaj Kalyan	25th June 1976	1978-79	16.39
13	Uttar Pradesh Development Systems Corporation Limited	Planning	15th March 1977	1978-79	60.60
14	Meerut Mandal Vikas Nigam Limited	Kshettriya Vikas	31st March 1976	1978-79	105.69

I

Paragraph 1.02 *Page* 1)

financial results of working of Government Companies

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

Profit(+)/ Loss(−)	Total interest charged to profit and loss account	Interest on long-term loan	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
7	8	9	10	11	12	13	14
(+)70.66	88.16	75.79	145.85	4.56	1,727.24	158.82	9.20
(+)5.29	1.29	..	5.29	2.62	144.57	6.58	4.55
(+)9.90	61.60	25.42	35.32	6.84	10.70	71.50	7.85
(+)1.07	0.02	..	1.07	0.94	73.69	1.09	1.48
(+)71.50	40.03	39.77	111.27	5.27	2,138.24	111.53	5.22
(+)0.40	15.20	7.41	7.81	2.95	342.91	15.60	4.55
(+)15.40	2.20	0.44	15.84	7.95	192.71	17.60	9.14
(+)63.85	59.00	55.80	119.65	6.34	2,257.58	122.85	5.44
(−)190.60	5.15	0.90	(−)189.70	..	1,538.91	(−)185.45	..
(+)3.69	0.13	..	3.69	2.45	170.47	3.82	2.24
(−)5.02	1.84	1.84	(−)3.18	..	134.52	(−)3.18	..
(−)1.12	..	..	(−)1.12	..	43.04	(−)1.12	..
(+)0.34	..	..	0.34	0.56	151.10	0.34	0.23
(+)3.16	0.39	..	3.16	2.99	109.45	3.55	3.24

APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
15	Uttar Pradesh Chalchitra Nigam Limited	Information	10th September 1975	1978-79	77.85
16	Uttar Pradesh Nalkoop Nigam Limited	Irrigation	25th May 1976	1978-79	210.27
17	Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Limited	Animal Husbandry	7th December 1974	1978-79	50.00
18	Uttar Pradesh State Sugar Corporation Limited	Sugar Industry	26th March 1971	Year ended 30th September 1979	3,415.90
19	Auto Tractors Limited	Industries	28th December 1972	1978-79	106.51
20	Uttar Pradesh (Rohilkhand-Tarai) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1979	31.32
21	Uttar Pradesh (Pashchim) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1979	17.18
22	Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1979	13.57
23	Agra Mandal Vikas Nigam Limited	Area Development	31st March 1976	1978-79	105.80
24	U. P. (Madhya) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	1978-79	15.68
25	U. P. Bhumi Sudhar Nigam Limited	Agriculture	30th March 1978	30th March 1978 to 31st March 1979	106.77
26	Uttar Pradesh State Mineral Development Corporation Limited	Industries	23rd March 1974	1977-78	152.28
27	Kumaon Mandal Vikas Nigam Limited	Parvatiya Vikas	30th March 1971	1977-78	249.88
28	Lucknow Mandaliya Vikas Nigam Limited (formerly Uttar Pradesh Madhya Kshettriya Vikas Nigam Limited)	Kshettriya Vikas	31st January 1976	1977-78	51.08
29	Allahabad Mandal Vikas Nigam Limited	Kshettriya Vikas	31st March 1976	Year ended 30th June 1978	45.34
30	Gorakhpur Mandal Vikas Nigam Limited	Kshettriya Vikas	31st March 1976	1977-78	45.73

I (*Continued*)

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

Profit(+)/ Loss(—)	Total interest charged to profit and loss account	Interest on long-term loan	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
7	8	9	10	11	12	13	14
(—)1.69	..	..	(—)1.69	..	68.08	(—)1.69	..
(+)8.34	..	..	8.34	3.97	170.92	8.34	4.88
(—)3.09	..	..	(—)3.09	..	46.91	(—)3.09	..
(—)620.63	330.79	203.18	(—)417.45	..	657.22	(—)289.84	..
..	..	..	..	..	72.58	..	..
(+)3.18	3.11	..	3.18	10.15	45.37	6.29	13.86
(+)0.11	5.08	..	0.11	0.64	106.16	5.19	4.89
(+)0.41	3.00	..	0.41	3.02	73.51	3.41	4.64
(+)2.37	..	..	2.37	2.23	105.20	2.37	2.25
(+)1.17	6.91	..	1.17	7.46	77.28	8.08	10.46
(+)4.20	..	..	4.20	3.93	106.57	4.20	3.94
(+)0.24	0.11	..	0.24	0.16	140.86	0.35	0.25
(+)5.61	7.88	7.18	12.79	5.12	222.13	13.49	6.07
(+)1.97	..	..	1.97	3.86	50.81	1.97	3.88
(+)0.82	..	..	0.82	1.81	45.19	0.82	1.81
(—)17.43	0.72	..	(—)17.43	..	28.20	(—)16.71	..

APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
31	Uttar Pradesh State Agro Industrial Corporation Limited	Agriculture	29th March 1967	1977-78	766.71
32	Uttar Pradesh Rajkiya Nirman Nigam Limited	Public Works	1st May 1975	1977-78	117.78
33	Uttar Pradesh State Food and Essential Commodities Corporation Limited	Food and Civil Supplies	22nd October 1974	1977-78	52.38
34	Garhwal Mandal Vikas Nigam Limited	Hill Development	31st March 1976	1977-78	278.32
35	Tarai Anusuchit Janjati Vikas Nigam Limited	Harijan Evam Samaj Kalyan	2nd August 1975	1976-77	5.62
36	Uttar Pradesh State Tourism Development Corporation Limited	Tourism	5th August 1974	1976-77	76.52
37	Uttar Pradesh Pashchimi Kshettriya Vikas Nigam Limited	Kshettriya Vikas	31st January 1976	1976-77 31st January 1976 to 30th June 1977	102.96
38	Ramganga Samadesh Kshettra Vikas Nigam Limited	Kshettriya Vikas	15th March 1975	1st April 1977 to 6th May 1977	47.00
39	Uttar Pradesh Poorvanchal Vikas Nigam Limited	Kshettriya Vikas	30th March 1971	1976-77	97.27
40	Mohammadabad People's Tannery Limited	Industries	21st December 1964	1976-77	5.61
41	Uttar Pradesh State Bridge Corporation Limited	Public Works	18th October 1972	Year ended 30th September 1977	362.15
42	Uttar Pradesh Bundelkhand Vikas Nigam Limited	Kshettriya Vikas	30th March 1971	1975-76	53.30
43	Uttar Pradesh Pashudhan Udyog Nigam Limited	Animal Husbandry	5th March 1975	5th March 1975 to 31st March 1976	65.05
44	Uttar Pradesh Panchayati Raj Vitta Nigam Limited	Panchayati Raj	24th April 1973	Year ended 31st December 1975	68.32

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

Profit(+)/ Loss (—)	Total interest charged to profit and loss account	Interest on long-term loan	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
7	8	9	10	11	12	13	14
(—)156.07	72.34	2.60	(—)153.47	..	979.01	(—)83.73	..
(+)33.98	0.28	..	33.98	28.85	117.88	34.26	29.06
(+)7.46	2.14	..	7.46	14.24	52.40	9.60	18.32
(—)9.83	..	..	(—)9.83	..	263.65	(—)9.83	..
(+)1.42	..	..	1.42	25.27	5.62	1.42	25.27
(+)2.49	0.27	0.27	2.76	3.61	76.37	2.76	3.61
(+)7.00	..	..	7.00	6.80	102.60	7.00	6.82
(—)3.49	..	..	(—)3.49	..	44.02	(—)3.49	..
(—)10.25	0.57	..	(—)10.25	..	45.94	(—)9.68	..
(—)0.01	..	..	(—)0.01	..	1.35	(—)0.01	..
(—)24.97	1.26	..	(—)24.97	..	396.34	(—)23.71	..
(—)7.52	0.88	..	(—)7.52	..	46.44	(—)6.64	..
(—)0.45	..	..	(—)0.45	..	64.42	(—)0.45	..
(+)3.37	..	..	3.37	4.93	58.80	3.37	5.73

APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
	Subsidiary Companies				
45	Uttar Pradesh State Spinning Mills Company (No. I) Limited	Industries	20th August 1974	1978-79	2,160.59
46	Uttar Pradesh State Spinning Mills Company (No. II) Limited	Industries	20th August 1974	1978-79	0.01
47	Chandpur Sugar Company Limited	Sugar Industry	18th April 1975	Year ended 31st July 1979	716.57
48	Chhata Sugar Company Limited	Sugar Industry	18th April 1975	Year ended 31st July 1979	731.99
49	Nandganj Sihori Sugar Company Limited	Sugar Industry	18th April 1975	Year ended 30th June 1979	1,449.64
50	Uttar Pradesh Instruments Limited	Industries	1st January 1975	1978-79	107.87
51	Uttar Pradesh Tyres and Tubes Limited	Industries	14th January 1976	1978-79	127.87
52	Teletronix Limited	Parvatiya Vikas	24th November 1973	1978-79	5.79
53	Transcables Limited	Parvatiya Vikas	29th November 1973	1978-79	52.89
54	Uttar Pradesh Digitals Limited	Industries	8th March 1978	8th March 1978 to 31st March 1979	9.20
55	Kichcha Sugar Company Limited	Sugar Industry	17th February 1972	Year ended 30th September 1979	552.14
56	Garhwal Anusuchit Janjati Vikas Nigam Limited	Parvatiya Vikas	30th June 1975	1978-79	20.00
57	Kumaon Anusuchit Janjati Vikas Nigam Limited	Parvatiya Vikas	30th June 1975	1977-78	14.20
58	Uttar Pradesh Textiles Printing Corporation Limited	Industries	5th December 1975	1977-78	16.35

I (*Continued*)

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

Profit(+)/ Loss (—)	Total interest charged to profit and loss account	Interest on long-term loan	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
7	8	9	10	11	12	13	14
(—)4.82	109.79	96.78	(+)91.96	4.26	1,600.13	104.97	6.56
(—)0.01	..	..	(—)0.01	..	(—)0.80	(—)0.01	..
(—)121.47	70.11	42.72	(—)78.75	..	589.07	(—)51.36	..
(—)66.35	64.16	45.72	(—)20.63	..	610.96	(—)2.19	..
(—)249.87	43.79	41.56	(—)208.31	..	1,017.05	(—)206.08	..
(—)24.64	9.02	6.67	(—)17.97	..	54.51	(—)15.62	..
..	..	..	..	..	23.86	..	..
(—)3.48	0.98	..	(—)3.48	..	13.41	(—)2.50	..
(+)0.18	2.30	1.75	1.93	3.65	53.07	2.48	4.67
(—)0.36	..	..	(—)0.36	..	6.22	(—)0.36	..
(—)79.89	120.66	40.83	(—)39.06	..	270.23	40.77	15.09
(—)0.16	..	..	(—)0.16	..	19.49	(—)0.16	..
(+)0.15	..	..	0.15	1.06	14.16	0.15	1.06
(+)0.34	0.01	..	0.34	2.08	15.98	0.35	2.19

APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
59	Uttar Pradesh State Horticulture Produce Marketing and Processing Corporation Limited	Agriculture	6th April 1977	6th April 1977 to 31st March 1978	5.02
60	Handloom Intensive Development Project Limited (Bijnor)	Industries	14th September 1976	1977-78	116.41
61	Uttar Pradesh Small Industries Corporation Potteries Limited	Industries	27th April 1976	6th May 1976 to 31st March 1977	5.17
62	Uttar Pradesh Potteries (Private) Limited	Industries	28th June 1972	1974-75	9.79
63	Bundelkhand Concrete Structurals Limited	Kshettriya Vikas	2nd March 1974	2nd March 1974 to 31st March 1975	2.23

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

(ii) Capital employed (except in case of Companies at serial numbers 5, 8, 11 and 44)

(iii) In case of Companies at serial numbers 5, 8, 11 and 44 capital employed represents and debentures, (iii) reserves, (iv) borrowings including refinance and (v) deposits.

(iv) Companies at serial numbers 19, 51 and 62 have not gone into production.

(v) The Company at serial number 38 is under liquidation from 7th May 1977.

I *(Concluded)*

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

Profit(+)/ Loss (—)	Total interest charged to Profit and loss account	Interest on long-term loan	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
7	8	9	10	11	12	13	14
(+)0.04	..	..	0.04	0.80	4.56	0.04	0.88
(—)3.12	3.29	3.29	0.17	0.15	116.54	0.17	0.15
(—)1.63	..	..	(—)1.63	..	3.37	(—)1.63	..
..	..	..	..	..	8.60	..	..
(—)0.21	..	..	(—)0.21	..	0.16	(—)0.21	..

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

APPENDIX

(*Reference* :

Statement showing summarised

Serial number	Name of the Corporation	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
					(*a*) *Uttar Pradesh*
1	Uttar Pradesh State Electricity Board	Power	1st April 1959	1978-79	1,97,072.04
					(*b*) *Other Statutory*
2	Uttar Pradesh Financial Corporation	Industries	1st November 1954	1978-79	5,298.00
3	Uttar Pradesh State Warehousing Corporation	Co-operative	19th March 1958	1978-79	1,896.41
4	Uttar Pradesh State Road Transport Corporation	Transport	1st June 1972	1976-77*	4,942.92

NOTES - (i) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

(ii) Capital employed (other than Uttar Pradesh Financial Corporation) represents

(iii) In the case of Uttar Pradesh Financial Corporation, capital employed represents debentures, (iii) reserves, (iv) borrowings including refinance, (v) deposits and .

*Figures are provisional.

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Paragraphs 7 (*iii*) *and* 11·03 (*iv*) *pages* 107 *and* 159)

financial results of working of Statutory Corporations

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

Profit(+)/ Loss(—)	Total interest charged to profit and loss account	Interest on long-term loan	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
7	8	9	10	11	12	13	14
State Electricity Board							
(—)642.72	2,191.11	2,191.11	1,548.39	0.79	1,82,903.26	1,548.39	0.85
Corporations							
(+)127.62	241.77	241.77	369.39	6.97	4,844.71	369.39	7.62
(+)148.47	43.88	43.88	192.35	10.14	1,479.88	192.35	13.00
(+)120.26	372.36	372.36	492.62	9.97	5,119.85	492.62	9.62

net fixed assets *plus* working capital.

mean of the aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and (vi) funds for special schemes advanced by the State Government.

PSUP—A. P. 1 Mahalekhakar - 17-10-80—(2368)—1980—600 (E.).

LUCKNOW:
SUPERINTENDENT, PRINTING AND STATIONERY, U. P. INDIA
1980