ERRATA

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1979-80 (COMMERCIAL)– GOVERNMENT OF UTTAR PRADESH

Serial no.	Reference to		For	Read
	Page no.	Para no. etc.		
(1)	(2)	(3)	(4)	(5)
1	1	1.01—line 2	1980)	1980
2	1	1st Table Sl. 2	System	Systems
3	2	Table— Last line	subsidiaries	subsidiary
4	4	1.05— last line of the para	respective	respectively
5	5	1st Table— Item 1	Mills (	Mills Co.
6	5	1st Table—Item 2	Tex tile	Textile
7	6	Last line	Corpon.	Corpn.
8	9	1.07—Table Heading 6th column	Corporation	Corporations
9	9	1.08—Table 5th item	aduit	audit
10	9	1.08—Table 10th item	purchase	purchases
11	11	2.03—4th line	b the	by the
12	11	2.04—1st line	Compony	Company
13	13	Note (1) 1st line	aggregates	aggregate
14	15	Table—Column 5 Heading	fixed call	fixed/ call
15	15	7th line from bottom of the page	tht	the
16	16	5th sub-para—last but one line	changes	charges
17	16	(b) (i)—3rd line	or	for
18	16	last line of the page	out of this	out of this,
19	17	1st line of sub-para below the table	.Jagispur	Jagdispur
20	17	2nd line of 2nd subpara below the table	Prataooarh	Pratapgarh
21	17	2nd line from bottom	tranfer	transfer
22	20	(*c*) 5th line	an	on

Serial no.	Reference to		For	Read
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1)	(2)	(3)	(4)	(5)
23	23	(*d*) Table Heading last column	1978-8	1979-80
24	25	3rd line of the page	11.33	77.33
25	30	Note below the line	project	projects
26	31	(*b*) Table—Heading 7th column	collaborator's	collaborators'
27	31	(*b*) second sub-para 3rd line	tht	the
28	31	(*b*) Third sub-para 3rd line	starttd	started
29	33	2.13—1st sub-para 2nd line	Nainial	Nainital
30	34	1st sub-para 2nd line	company	Company
31	35	(xiii)—1st line	incurrted	incurred
32	36	3.01—2nd sub-para line 12	Junuary	January
33	36	3.01—2nd sub-para line 13	for	far
34	41	Table—4th column	balance	balances
35	43	3.07—1st line	results*	results
36	43	3.07—3rd line	tht	the
37	44	Table heading—2nd column	bed	beds
38	45	Do.	bed	beds
39	46	(ii)—2nd sub-para last but one line	decision, was	decision was
40	46	(ii)—2nd sub-para last line	has	had
41	47	Table—item one column 10	0.2	0.24
42	49	3.09—2nd sub-para last line	year	years
43	56	4.09—1st sub-para 3rd line	rom	from
44	56	4.09—1st sub-para 4th line	value the	value of the
45	62	sub-para C 1st line	company	Company
46	64	4.22—2nd line	company	Company

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	Page no.	Para no. etc.		
(1)	(2)	(3)	(4)	(5)
47	65	4.24—last line	i	in
48	67	1st table—1st column	delete 1025.00	
49	71	6.02—1st sub-para 2nd line	othter	other
50	71	6.02—2nd sub-para 4th line	Rs. 12.4	12.4
51	71	6.02—Table Heading	iin crores	in crores
52	73	Note below the line	1973, 74	1973-74
53	74	Table—column 4—item "Transmission .... losses"	1828.	1828.105
54	74	Table—Column 4 item "Percentage........ losses	18.	18.8
55	75	6.07—Table 3rd line	pump-sets wells	pump-sets/wells
56	78	5th line from top	REC,	REC
57	88	Table—Item 2 2nd column	transmissin	transmission
58	94	Table—3rd column 1st item	1975-66	1975-76
59	94	Table—3rd column 2nd line of item 1	15—76	1975-76
60	95	Table—Heading—4th column	Remark	Remarks
61	97	(*c*) (i) 2nd line	32.2	38.2
62	98	Table—Heading—last column	support	supports
63	98	(*d*) (i)—4th line	lakhs	lakh
64	98	(*d*) (i) 2nd sub-para 6th line	sinct	since
65	105	2nd sub-para from bottom—last line	7.578	7,578
66	114	8.04.04—1st sub-para 5th line	groups t	groups to
67	114	8.04.04—1st sub-para 7th line	quotea	quoted
68	117	(*b*) (ii)—line 4	1.6	1.56
69	118	(iv)—7th line	Spetember	September
70	119	Middle of the page	8.05.06	8.05.05

Serial no.	Reference to		For	Read
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(1)	(2)	(3)	(4)	(5)
71	121	8.08—3rd sub-para last but one line	fuds	funds
72	123	8.09.02 Table Heading 3rd column	Ouantity	Quantity
73	126	Table—Heading—2nd column	per	Per
74	126	Table 1st column 4th line	masonary	masonry
75	126	(ii)—4th line	masonary	masonry
76	127	8.09.06 1st sub-para 2nd line	fundation	foundation
77	132	9.02 (*b*)—3rd sub-para 1st line	Board/(Government	Board/Government
78	133	9.04—3rd sub-para 1 and 2 lines	division	divisions
79	137	9.11—1st sub-para 6th line	section	Section
80	140	10.03 (a)—2nd sub-para last but one line	36 bills and	36 bills but
81	141	10.05—2nd sub-para 4th line	lakh	lakhs
82	144	Table 1st column 2nd item	1 ndustrial	Industrial
83	146	(*b*) Table—Heading last column	1979-8	1979-80
84	148	11.07.01—7th line	Interal	Internal
85	149	11.07.02—Table Heading—column 3	(Rupee (in lakh)	(Rupees in lakhs)
86	149	Note—2nd line	amonnts	amounts
87	151	11.07.05—1st line	insert 'of'	after moratorium
88	153	4th sub-para—8th line	nitrict	nitric
89	157	11.08.07—10th line	1.75 la	1.75 lakhs
90	157	11.08.07—2nd sub-para 4th line	bsual	usual
91	158	11.08.09—last line	Howe.,	However,
92	160	11.10—2nd sub-para 3rd line	he	the
93	161	Table—column 1—item 3	Year	year

Serial no.	Reference to		For	Read
	Page no.	Para no. etc.		
(1)	(2)	(3)	(4)	(5)
94	165	Table—last column—2nd item	58.97	68.97
95	166	Table—1st column	voollen	Woollen
			tools	tools,
			jhansi	Jhansi
			complex	complex,
			Atarra	Atarra
96	172	12.01—4th and 5th lines	to notice	to the notice.
97	174	12.06—Table 1st column 1st item	kilometers	kilometres
98	175	12.06—Table—3rd column 11th line	3378.6	3378.67
99	178	(*b*) 2nd line	and or	and/or
100	178	(*b*) 2nd sub-para—4th line	Conporation	Corporation
101	180	Table—last column 5th item	290.54	290.45
102	180	(ii)—last but one line	in the other	in its other
103	182	1st sub-para—3rd line	2.12	2.21
104	190	Table—column 1 Sl. no. 6	6	*6
105	190	Serial No. 12 column 2	Pray ag	Prayag
	192	Serial No. 33 column 2	Digitals system	Digital Systems

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REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

For the year 1979-80

(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

TABLE OF CONTENTS

PREFATORY REMARKS

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

- Government Companies,
- Statutory Corporations, and
- Departmentally-managed commercial and *quasi*-commercial undertakings.

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

3. In the case of Government Companies, audit is conducted by Company auditors appointed on the advice of the Comptroller & 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 audit report, submitted by the Company auditors. The Companies Act, 1956 further empowers the Comptroller & Auditor General to issue directives to the auditors in regard to the performance of their functions. Such directives were issued to the auditors from time to time.

4. In respect of Uttar Pradesh State Road Transport Corporation and Uttar Pradesh State Electricity Board (Statutory Corporations), the Comptroller & Auditor General is the sole auditor while in respect of the 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.

5. The cases mentioned in the Report are those which came to the notice of Audit during the year 1979-80 as well as those which had come to notice in earlier years but could not be dealt

with in the previous Reports ; developments relating to the period subsequent to 1979-80 have also been included wherever considered necessary.

6. The points brought out in the Report have emerged in the course of test audit of the 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 87 Government Companies (including 36 subsidiaries) as on 31st March 1980) as against 81* Government Companies (including 31 subsidiaries) as at the close of the previous year. The following Companies were incorporated or became Government Companies during the year :

	Name of the Company	Date of incorporation	Authorised capital
			(Rupees in lakhs)
1.	U.P. Carbide and Chemicals Ltd.	23rd April 1979	500.00
2.	Uptron Digital System Ltd.	18th May 1979	100.00
3.	Uptron Powertronics Ltd.	29th May 1979	25.00
4.	Uptron Video Ltd.	18th October 1979	50.00
5.	U.P. Matsya Vikas Nigam Ltd.	27th October 1979	100.00
6.	Uptron Instruments Ltd.	15th November 1979	10.00

The following Companies were in the process of liquidation :

	Name of Company	Date of incorporation	Date of going into liquidation
1.	Indian Bobbin Co. Ltd.	22nd February 1924	10th September 1973
2.	Sharda Sahayak Samadesh Kshetra Vikas Nigam Ltd.	4th March 1975	9th August 1977
3.	Gandak Samadesh Kshetra Vikas Nigam Ltd.	15th March 1975	7th June 1977
4.	Ramganga Samadesh Kshetra Vikas Nigam Ltd.	15th March 1975	6th May 1977

*Includes Uptron Sempack Ltd. incorporated on 23rd May 1977 with an authorised capital of Rs. 25 lakhs.

1.02. *Compilation of accounts*

33 Companies (including 12 subsidiaries) had finalised their accounts for the year 1979-80 (March 1981). In addition, 14 Companies (including 4 subsidiaries) finalised their accounts for the earlier years. A synoptic statement showing the summarised financial results of 47 Companies (based on the latest available accounts) is given in Appendix A. The accounts of the following 47 Companies* (including 21 subsidiaries) were in arrears for the periods noted against each (March 1981):

Name of Company	Extent of arrears
U. P. Plant Protection Appliances Private Ltd.	1972-73 to 1979-80
U. P. Buildware Private Ltd.	1972-73 to 1979-80
Krishna Fasteners Ltd.	1973-74 to 1979-80
U. P. Roofings Private Ltd.	1973-74 to 1979-80
Faizabad Roofings Ltd.	1974-75 to 1979-80
Northern Electrical Equipment Industries Ltd.	1974-75 to1979 -80
U. P. Potteries (Private) Ltd.	1975-76 to 1979-80
U. P. Abscot Private Ltd.	1975-76 to 1979-80
Bundelkhand Concrete Structurals Ltd.	1975-76 to 1979-80
U. P. Pashudhan Udyog Nigam Ltd.	1976-77 to 1979-80
U. P. Bundelkhand Vikas Nigam Ltd.	1976-77 to 1979-80
U. P. Prestressed Products Ltd.	1977-78 to 1979-80
U. P. Paschimi Kshetriya Vikas Nigam Ltd.	1977-78 to 1979-80
UPAI Ltd.	1977-78 to 1979-80
Uptron Sempack Ltd.	1977-78 to 1979-80
Mohammadabad Peoples Tanneries Ltd.	1977-78 to 1979-80
U. P. State Bridge Corpn. Ltd.	1977-78 to 1979-80
U. P. State Tourism Development Corpn. Ltd.	1977-78 to 1979-80
U. P. Panchayati Raj Vitta Nigam Ltd.	1977 to 1979
U. P. Small Industries Potteries Ltd.	1978-79 to 1979-80
Garhwal Mandal Vikas Nigam Ltd.	1978-79 to 1979-80
U. P. Rajkiya Nirman Nigam Ltd.	1978-79 to 1979-80
Handloom Intensive Development Corporation (Gorakhpur and Basti) Ltd.	1978-79 to 1979-80
Handloom Intensive Development Project (Bijnore) Ltd.	1978-79 to 1979-80
Turpentine Subsidiaries Industries Ltd.	1978-79 to 1979-80

*The accounts of 3 Companies (incorporated between May—November 1979) were not due during the year.

Name of Company	Extent of arrears
U. P. State Agro Industrial Corpn. Ltd.	1978-79 to 1979-80
U. P. State Horticulture Produce Marketing and Processing Corpn. Ltd.	1978-79 to 1979-80
U. P. Textile Printing Corpn. Ltd.	1978-79 to 1979-80
U. P. State Food and Essential Commodities Corpn. Ltd.	1978-79 to 1979-80
Tarai Anusuchit Janjati Vikas Nigam Ltd.	1978-79 to 1979-80
U. P. Poorvanchal Vikas Nigam Ltd.	1978-79 to 1979-80
U. P. State Handloom Corpn. Ltd.	1978-79 to 1979-80
Allahabad Mandal Vikas Nigam Ltd.	1979-80
U. P. Scheduled Caste Finance and Development Corpn. Ltd.	1979-80
U. P. Bhumi Sudhar Nigam Ltd.	1979-80
U. P. State Mineral Development Corpn. Ltd.	1979-80
Kumaon Mandal Vikas Nigam Ltd.	1979-80
Varanasi Mandal Vikas Nigam Ltd.	1979-80
Lucknow Mandaliya Vikas Nigam Ltd.	1979-80
Gorakhpur Mandal Vikas Nigam Ltd.	1979-80
Kumaon Anusuchit Janjati Vikas Nigam Ltd.	1979-80
Garhwal Anusuchit Janjati Vikas Nigam Ltd.	1979-80
Teletronix Ltd.	1979-80
Transcables Ltd.	1979-80
U. P. (Madhya) Ganna Beej Evam Vikas Nigam Ltd.	1979-80
U. P. State Brassware Corpn. Ltd.	1979-80
U. P. Matsya Vikas Nigam Ltd.	1979-80

The position of arrears in the finalisation of accounts was last brought to the notice of Government in March 1981.

1.03. *Paid-up capital*

The aggregate paid-up capital of Rs.14511.82 lakhs (46 Government Companies excluding 4 Companies under liquidation and 31 subsidiaries) as on 31st March 1979, increased to Rs.15701.52 lakhs (47 Government Companies excluding 4 Companies under liquidation and 36 subsidiaries) as on 31st March 1980, as detailed below :

Particulars of Companies	Number of Companies	Investment by State Government	Central Government	Others	Total
				(Rupees in lakhs)	
Wholly owned by the State Government	35	14010.62	..	..	14010.62
Jointly owned with the Central Government/ Others	12	1288.16	341.83	60.91	1690.90
Total	47	15298.78*	341.83	60.91	15701.52

1.04. *Loans*

The balance of long-term loans outstanding in respect of 11 Companies (excluding 23 subsidiaries) as on 31st March 1980 was Rs.10480.55 lakhs (State Government : Rs.4066.08 lakhs, other parties : Rs.6414.11 lakhs ; deferred payment credit : Rs.0.36 lakh) as against Rs.8692.99 lakhs as on 31st March 1979 (11 Companies).

1.05. *Guarantees*

The State Government had guaranteed the repayment of loans (and payment of interest thereon) raised by 17 Companies (including 5 subsidiaries). The total amount guaranteed and the amount outstanding there against in respect of 15 Companies as on 31st March 1980 was Rs.10280.65 lakhs and Rs.8710.44 lakhs respective as detailed below :

Name of Company	Amount guaranteed	Amount outstanding as on 31st March 1980
	(Rupees in lakhs)	
U.P. State Cement Corpn. Ltd.	3635.00	3635.00
U.P.State Sugar Corpn. Ltd.	1380.15	747.75

*The amount as per the Finance Accounts is Rs. 15484.02 lakhs.

The difference of Rs. 185.24 lakhs represents investment in two Central Government Companies (Rs. 15 lakhs), in 4 Companies under liquidation (Rs. 142.74 lakhs), in 2 subsidiaries (Rs. 19 lakhs) and cost of tourist bungalows transferred (Rs. 24 lakhs) ; difference of Rs. 15.50 lakhs (two Companies) is under reconciliation.

Name of Company	Amount guaranteed	Amount outstanding as on 31st March 1980
	(Rupees in lakhs)	
U.P. State Spinning Mills (No. I) Ltd.*	946.50	818.99
U.P. State Tex tile Corpn. Ltd.	845.00	727.50
Nandganj-Sihori Sugar Co. Ltd.*	750.00	724.95
The Pradeshiya Industrial and Investment Corpn. of U.P. Ltd.	660.00	660.00
Chandpur Sugar Co. Ltd.*	387.00	349.18
Chhata Sugar Co. Ltd.*	377.00	366.10
U P. (Paschim) Ganna Beej Evam Vikas Nigam Ltd.**	320.00	172.66
U.P. State Agro Industrial Corpn. Ltd.**	300.00	137.14
Kichha Sugar Co. Ltd.*	211.00	102.55
U.P. State Food and Essential Commodities Corpn. Ltd.**	175.00	..
U,P. State Industrial Development Corpn. Ltd.	110.00	110.00
U.P. (Poorva) Ganna Beej Evam Vikas Nigam Ltd.,**	104.00	80.86
U.P. (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.**	80.00	77.76
Total	10280.65£	8710.44£

1.06. *Performance of the Companies*

1.06.1. The following table gives the details of 18 Companies (including 2 subsidiaries) which earned profits during 1979-80, and the comparative figures for the previous year :

Name of Company	Paid-up capital		Profit (+)/Loss (−)	
	1978-79	1979-80	1978-79	1979-80
			(Rupees in lakhs)	
Companies				
U.P. State Textile Corpn. Ltd.	2214.19	2414.19	(+)70.66	(+)357.31
U.P. State Industrial Development Corpn. Ltd.	1430.73	1432.73	(+)71.50	(+)119.63
The Pradeshiya Industrial and Investment Corpon. of UP Ltd.	814.51	665.75	(+)66.51	(+)73.57
U.P. Nalkoop Nigam Ltd.	200.00	390.00	(+)8.34	(+)2.02

*Represents subsidiary companies.

**Represents Companies where short-term loans have been guaranteed.

£The figures as per the Finance Accounts are Rs. 11256.52 lakhs and Rs. 7651.32 lakhs (16 Companies) ; information from 2 Companies was awaited. The differences are under reconciliation.

Name of Company	Pid-up capital 1978-79	Pid-up capital 1979-80	Profit (+)/Loss(—) 1978-79	Profit (+)/Loss(—) 1979-80
			(Rupees	in lakhs)
U.P. Electronics Corpn. Ltd. ..	185.00	275.00	(+)5.29	(+)11.55
U.P. Export Corpn. Ltd. ..	134.00	134.00	(+)0.40	(+)2.80
Auto Tractors Ltd.	106.51	406.51	..	(+)0.17
Meerut Mandal Vikas Nigam Ltd.	100.00	100.00	(+)3.16	(+)3.15
Agra Mandal Vikas Nigam Ltd.	100.00	100.00	(+)2.37	(+)0.38
U.P. Small Industries Corpn. Ltd.	77.00	85.00	(+)10.54	(+)24.96
U.P. Leather Development and Marketing Corpn. Ltd.	67.00	67.00	(+)1.07	(+)9.16
U.P. Development Systems Corpn. Ltd.	60.00	60.00	(+)0.34	(+)5.14
U.P. (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.	22.70	22.81	(+)3.18	(+)5.73
U.P. (Paschim) Ganna Beej Evam Vikas Nigam Ltd.	14.64	15.29	(+)0.11	(+)1.42
U.P. (Poorva) Ganna Beej Evam Vikas Nigam Ltd.	13.31	13.65	(+)0.41	(+)1.57
Indian Turpentine and Rosin Co. Ltd.	21.83	21.89	(+)15.40	(+)11.50
Subsidiaries				
U.P. State Spinning Mills Co. (No. I) Ltd.	1070.00	1150.00	(—)6.03	(+)60.41
Kichha Sugar Co. Ltd. (Year ended 30th September 1980)	187.79	187.79	(—)79.89	(+)14.30

1.06.2. During the year 6 Companies declared dividends as indicated below :

Name of Company	Distributable surplus	Amount retained in business	Dividend declared	Percentage of dividend to paid-up capital
	(Rupees in lakhs)			
U.P. State Industrial Development Corpon. Ltd.	205.05	162.13	42.92	3

Name of Company	Distri-butable surplus	Amount retained in business	Dividend declared	Percen-tage of dividend to paid-up capital
	(Rupees in lakhs)			
Indian Turpentine and Rosin Co. Ltd.	159.72	157.68	2.04	10
The Pradeshiya Industrial and Investment Corpn. of U.P. Ltd.	61.86	48.54	13.32	2
U.P. Small Industries Corpn. Ltd.	49.92	44.82	5.10	6
U.P· (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.	5.55	4.41	1.14	5
U.P. (Paschim) Ganna Beej Evam Vikas Nigam Ltd.	1.70	0.38	1.32	9

1.06.3. The following table gives details of 10 Companies (including 5 subsidiaries) which incurred losses during the year 1979-80, and the comparative figures for the previous year :

Name of Company	Paid-up capital		Loss	
	1978-79	1979-80	1978-79	1979-80
	(Rupees in lakhs)			
Companies				
U.P. State Cement Corpn. Ltd.	3707.00	3707.00	216.33	248.50
U.P. State Sugar Corpn. Ltd.	1910.00	1998.00	607.89	237.67
U.P. Chalchitra Nigam Ltd.	77.85	158.07	1.69	8.01
Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Ltd.	50.00	50.00	3.09	1.14
Harijan Evam Nirbal Varg Avas Nigam Ltd.	15.00	15.00	1.12	2.14
Subsidiaries				
Nandganj—Sihori Sugar Co. Ltd.	503.00	503.00	249.87	232.35
Chandpur Sugar Co. Ltd.	258.00	258.00	121.47	70.60
Chhata Sugar Co. Ltd.	253.00	253.00	66.35	89.81
U.P. Instruments Ltd.	7.01	27.51	24.64	28.43
U.P. Digitals Ltd.	9.20	9.20	0.36	1.55

1.06.4. The accumulated loss in respect of 16 Companies (paid-up capital : Rs.11304.48 lakhs) amounted to Rs.6221.37 lakhs. Particulars of 6 Companies the accumulated losses of which (1979-80) had exceeded the paid-up capital are given below :

Name of Company	Paid-up capital	Accumulated loss	Percentage of accumulated loss to paid-up capital
	(Rupees in lakhs)		
U.P. State Sugar Corpn. Ltd.	1998.00	2637.99	132.0
Nandganj—Sihori Sugar Co. Ltd.	503.00	688.88	137.0
Kichha Sugar Co. Ltd.	187.79	582.13	310.0
Chandpur Sugar Co. Ltd.	258.00	403.03	156.2
Chhata Sugar Co. Ltd.	253.00	378.15	149.5
U.P. Instruments Ltd.	27.51	104.95	381.5

1.06.5. The following table gives details of Companies (subsidiaries) which were under construction, and the expenditure incurred during 1978-79 and 1979-80 :

Name of Company	Paid-up capital		Expenditure during	
	1978-79	1979-80	1978-79	1979-80
	(Rupees in lakhs)			
Subsidiaries				
U.P. Carbide and Chemicals Ltd.	..	206.13	..	6.86
U.P. Tyres and Tubes Ltd.	50.00	50.00	68.88	64.47
Uptron Digital Systems Ltd. (Year ended 31st December 1979)	..	28.47	..	22.00
Uptron Capacitors Ltd. (Year ended 31st December 1979)	..	26.65	..	48.40
U..P State Spinning Mills Co. (No. II) Ltd.	0.01	0.01	..	0.01

1.07. In addition, there were 5 Companies covered under Section 619-B of the Companies Act, 1956 as per details given below :

Name of Company	Latest year of accounts	Paid-up capital	Investment by State Government	Investment by Government Companies	Investment by Government Corporation	Profit (+)/ Loss (—) during the year
		(Rupees in lakhs)				
Bhadohi Woollen Mills Ltd.	1979-80	40.89	..	14.24	15.75	(—)31.92 (71.24)*
Almora Magnesite Ltd.	1978-79	140.00	..	85.40	..	(+)41.29
Steel and Fasteners Ltd.	1978	89.84	..	36.88	17.95	(—)47.85 (102.13)*
Electronics and Computors (India) Ltd.	The accounts for the years 1978 to 1980 are in arrears					
Synthetic Foams Ltd.	The accounts for the year 1979-80 have not been received					

1.08. The Companies Act, 1956 empowers the Comptroller & Auditor General to issue directions to the auditors of Government Companies in regard to the performance of their functions. In pursuance of the directive so issued, the special reports of the Company auditors were received in respect of 12 Companies during the year. The important points noticed in these Reports are summarised below :

Nature of defects	Number of Companies where defects were noticed
Absence of accounts manual	8
Imperfect accounting system	2
Absence of regular costing system	1
Absence of adequate budgetary system	1
Absence of internal aduit manual	12
Absence of internal audit system	3
Internal audit system not commensurate with nature and size of business	3
Sales below cost of production	1
Non-determination of surplus/unserviceable stores	4
Absence of tender system for purchase	
Non-maintenance/defective maintenance of property/lar registers	
Absence of system of ascertaining idle time for labou	
Non-fixation of maximum/minimum limits of stock/spar	
Non-fixation of norms for manpower	

*Figures represent accumulated loss.

1.09. Under Section 619 (4) of the Companies Act, 1956 the Comptroller & Auditor General has a right to comment upon or supplement the audit reports of the Company auditors. Under this provision the audited annual accounts of Governmtnt Companies are reviewed on a selective basis. Some of the errors/ omissions, *etc.* noticed in the course of review of the annual accounts are detailed below :

Balance Sheet

—Share application money (against shares awaiting allotment) included in paid-up capital ;

—Non-disclosure of shares allotted for consideration other than cash ;

—Non-provision of liabilities for interest, penal interest accrued and expenses, resulting in understatement of liabilities ; non-provision of doubtful debts with consequent overstatement/under—statement of profit/loss ;

—Non-accountal of capital expenditure ;

—Non-disclosure of mode of valuation of stocks ;

Profit and losss account

—Non-preparation or incorrect preparation of profit and loss account ;

—Inclusion of shortages in materials consumed resulting in overstatement of value of work done ;

—Incorrect calculation of interest income ;

—Non-accountal of receipts and expenditure of revenue nature ;

General

—Certification of accounts by the Company auditors before their adoption by the Board of Directors ;

—Placing of accounts before the annual general meeting prior to their certification by the Company auditors.

SECTION II

UTTAR PRADESH STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

2.01. *Introduction*

The Uttar Pradesh State Industrial Development Corporation Limited was incorporated on 29th March 1961 as a wholly-owned Government Company with the main object of promoting and advancing the industrial development of the State. The working of the Company was last reviewed in the Audit Report (Commercial) for the year 1973-74.

2.02. *Activities*

The Company is currently engaged in the following activities:

—development of industrial areas;

—equity participation;

—underwriting of shares issued by public limited companies;

—bridging loans; and

—procurement of industrial licences for setting up joint-sector projects, etc.

2.03. *Organisational set-up*

The Management of the Company is vested in a Board of Directors headed by the Commissioner and Secretary, Industries Department, who is the ex-Officio Chairman. There is a Managing Director and 11 part-time directors appointed by the State Government. The Managing Director is the chief executive of the Company and is assisted in the day-to-day administration by two General Managers, one looking after financing of schemes and joint-sector projects and the other dealing with the Industrial Area and Civil Construction divisions besides general administration.

2.04. *Capital structure*

The Compony was registered with an authorised capital of Rs.5 crores divided into 5,00,000 shares of Rs.100 each which was increased to Rs.20 crores, by 1977-78. The entire paid-up capital of Rs.1,432.73 lakhs (as on 31st March 1980) is contributed by the State Government.

2.05. *Borrowings*

(*a*) For financing schemes for the development of industrial areas, the Company obtained loans from the State Government carrying interest at 11.25 *per cent* per annum (with a rebate of 3.5 *per cent* for timely payments). As on 31st March 1980 loans amounting to Rs. 197.40 lakhs were outstanding.

(*b*) Besides, the Company had also raised Rs. 110 lakhs in 1976-77 by the issue of 10.25 *per cent* redeemable debentures (1989).

(*c*) A sum of Rs. 91.98 lakhs sanctioned (March 1975) by the State Government (equally as loan and grant) for the 'Half-a-million Jobs Scheme' was drawn by the Company on 29th March 1975. The loan was repayable in 10 annual instalments (with a moratorium of one year) with interest at 11.25 *per cent* (with a rebate of 3.5 *per cent* for timely payment). The first instalment due in March 1976 was repaid belatedly in March 1977 (along with the second instalment) after adjusting the rebate of 3.5 *per cent* which was not admissible and a further amount of Rs. 1.61 lakhs was payable on 28th March 1977 towards interest from 29th March 1976 to 28th March 1977. The Company had approached the State Government (February 1979) for waiver of penal interest and Government decision was awaited (May 1981). No reports of the physical progress of the scheme were available (May 1981).

(*d*) While the Company was holding Rs. 395.14 lakhs in fixed/call deposits (March 1977) with a maximum rate of interest of 6 *per cent*, it drew a loan of Rs.16.84 lakhs from a bank against an agreement executed in January 1977. The agreement provided for interest at 9.5 *per cent* per annum on yearly basis. The entire amount of the loan was, however, repaid with interest calculated on quarterly rest basis up to 30th June 1979 (Rs.4.03 lakhs) resulting in an excess payment of Rs.0.15 lakh. Had the funds been drawn by the Company as advance against fixed deposits carrying interest at 8 *per cent* per annum, it would have resulted in a saving of Rs.0.77 lakh.

2.06. *Financial position*

The following table indicates the summarised financial position of the Company under broad headings at the close of the 3 years up to 1979-80 :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Liabilities			
Paid-up capital	1422.73	1430.73	1432.73
Reserves and surplus	246.99	275.43	314.67

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Borrowings from the State Government — Loans	377.31	289.64	197.40
—Funds for specific Government sponsored schemes	41.12	50.11	43.89
Others	126.83	126.83	110.00
Trade dues and other current liabilities (including provisions)	712.50	955.88	1254.18
Total	2927.48	3128.62	3352.87
Assets			
Gross block	54.24	94.38	130.32
Less—Depreciation	10.89	13.49	19.85
Net fixed assets	43.35	80.89	110.47
Capital works-in-progress	37.37	24.47	18.73
Investments (at cost)	107.43	148.32	213.30
Current assets, loans and advances	2734.39	2870.73	3006.75
Miscellaneous expenditure	4.94	4.21	3.62
Total	2927.48	3128.62	3352.87
Capital employed	2172.43	2138.24	2078.71
Net worth	1664.78	1701.95	1743.78

NOTE— (1) Capital employed represents the mean of the aggregates of opening and closing balances of paid-up capital, reserves and surplus (other than those funded and backed by investment outside), debentures and borrowings.

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

2.07. (*a*) *Working results*

The following table gives the working results of the Company for the three years up to 1979-80 :

	1977-78	1978-79	1979-8 0
		(Rupees in lakhs)	
Gross income	149.47	153.21	204.07

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Expenditure			
—Salaries and other expenditure	39.33	41.68	50.25
—Interest on loans and debentures	40.63	40.03	34.19
Total	79.96	81.71	84.44
Profit before tax	69.51	71.50	119.63
Provision for tax	22.00	18.75	37.47
Profit after tax	47.51	52.75	82.16
		(*per cent*)	
Percentage of profit after tax to			
—Paid-up capital	3.3	3.7	5.7
—Capital employed	2.2	2.5	4.0
—Net worth	2.9	3.1	4.7

The progressive increase in the profits was attributed by the Management (June 1980) to increase in the dividend on shares held in the assisted companies, interest earned on surplus funds kept in call/fixed deposits with banks and interest received on deferred premium on land allotted under the scheme for development of industrial areas, as indicated below :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Particulars			
Dividends from assisted companies	27.24	32.25	40.60
Interest on deposits with banks	33.31	27.70	23.00
Interest on deferred premium on land	41.71	61.03	82.54
Total	102.26	120.98	146.14

(*b*) *Cash Management*

The Company had, during the 4 years up to 1979-80, drawn Rs. 565 lakhs as share capital and Rs. 155 lakhs as loans from the State Government for financing its activities. It would be evident from the table below that the bulk of the funds were not required and were placed in fixed/call deposits with the banks:

Year	Drawals during the year		Total (Cumulative)	Amount in fixed call deposits at year end	Percentage
	Share capital	Loans			
		(Rupees in lakhs)			
1976-77	555.00	80.00	635	395.14	62.2
1977-78	..	75.00	710	416.97	58.7
1978-79	8.00	..	718	412.99	57.5
1979-80	2.00	..	720	299.56	41.6

On 7th March 1979, the State Government instructed all Government Companies to open Personal Ledger Accounts (PLAs) with the Treasury and to deposit therein all surplus Government funds (drawn as loans or share capital), from which funds could be withdrawn according to requirements. Moneys held in fixed deposits were to be withdrawn in due course and deposited into the PLAs. It was noticed, however, that a sum of Rs.57.50 lakhs was re-invested by the Company in fixed/term deposits during June–October 1979 for periods ranging from 3–12 months.

While the Company had not sought any relaxation of the instructions, the Management stated (May 1980) that it would not be appropriate to deposit the amount of interest bearing loans into the PLA (without any return). It was stated further that availability of funds from banks had to be ensured for equity participation on 'private placement' basis, underwriting, term loans, etc. for the Company's joint sector projects and that the banks had also issued guarantees for heavy amounts on the Company's behalf against fixed deposit receipts. It was noticed, however, that while bank gurantees had been obtained only from 3 banks, tht fixed deposits were held by 16 banks.

2.08. *Development of industrial areas*

(*a*) *Introduction*

Mention was made of the working of the scheme of development of industrial areas in paragraph 31 (Section IV) of the Audit Report (Commercial) for the year 1973-74.

In July 1974, the Company introduced a scheme of building sheds in the industrial areas for the setting up of industrial units by entrepreneurs. The Company also took up the construction of additional facilities (1975-76) like central buildings, hostels, police outposts, labour quarters, bus sheds and street lighting etc in the areas.

The construction of sheds is undertaken by the Company on its own initiative and also against firm demands of the entrepreneurs. The plots are allotted on 90 years' lease and the sheds are sold on hire-purchase basis.

Lease rent for the plots is payable at a flat rate of Rs.250 per hectare per annum for the first 30 years, Rs.370 for the next 30 years and Rs.560 for the last 30 years.

Premium is calculated on the basis of the direct and indirect costs incurred on the plotted area. 10 *per cent* of the premium (15 *per cent* in the case of industrial areas at Loni Road, Meerut Road, Sahibabad Road and Sector XXII and Loni industrial estate of Ghaziabad) is payable on allotment and the balance in 8—10 annual instalments commencing 2 years after the allotment (with interest at 13—15 *per cent* per annum and a rebate of 2-3 *per cent*) depending on location of areas where the plots/sheds are situated.

In respect of the sheds the selling price broadly covers the expenditure on construction (including interest during construction) and administrative changes at 12.5 *per cent* and other miscellaneous charges at 3 *per cent* of the direct costs.

(b) Utilisation of land

(i) Out of 15002.2 acres (6071.3 hectares) of land (35 industrial areas) in the Company's possession, conveyance deeds had been executed or 13224.7 acres (5351.9 hectares) up to 31st March 1980. The balance of 1777.5 acres of land for which conveyance deeds were pending includes 1154.50 acres taken over in 1974-75 and 1976-77. Up to 31st March 1980 the Company had incurred an expenditure of Rs.85.92 lakhs on the development, etc. of this land (1777.5 acres).

The Management stated (April 1980) that the delay in the execution of deeds was mainly due to disputed cases besides those pending with the State Government for finalisation.

(ii) The Company had taken possession of 15002.2 acres of land against payment of Rs.8.66 crores by way of compensation and spent Rs.10.60 crores towards development charges up to 31st March 1980. Out of this 9725 acres of land had been developed up to 31st March 1980 at a total cost of Rs. 10.02 crores (excluding the cost of land : Rs.7.96 crores). On 1206.5 acres out of the balance 5277.2 acres of land, the Company had spent Rs.51.17 lakhs towards development during the 4 years up to 1979-80 as indicated below :

Area	Area of land acquired in 1976-77 (acres)	Cost of land	Expenditure on development 1976-77	1977-78	1978-79	1979-80	Total
			(Rupees in lakhs)				
Faizabad	104.00	4.59	0.01	0.37	5.49	2.47	12.93
Jagdispur	992.50	37.20	14.76	19.05	0.27	(—)0.13	71.15
Muzaffarnagar	110.00	19.52	0.05	3.41	2.05	3.37	28.40
	1206.50	61.31	14.82	22.83	7.81	5.71	112.48

In Jagispur (Sultanpur) a total expenditure of Rs.71.15 lakhs (including cost of land : Rs.37.20 lakhs) had been incurred when all the major entrepreneurs who were earlier interested in setting up industries dropped their proposals (June 1977). As a result, the Company had to stop further development work (November 1977). The Management stated (June 1980) that the State Government had constituted a High Power Committee (April 1980) to examine and advise about the type of industries which could be set up in the area. Decision of the State Government on the Committee's report (June 1980). was still awaited (May 1981). The entire investment of Rs.71.15 lakhs had proved unfruitful so far (September 1980) : besides unutilised road materials worth Rs.1.95 lakhs were lying at the site since November 1977.

In addition, the Company had acquired, during July—October 1976, 1126.37 acres of land (Rs.11.91 lakhs) at Pratapgarh (98 acres : Rs.6.30 lakhs). Moradabad (34.76 acres : Rs.2.99 lakhs) and Lalitpur (993.61 acres : Rs.2.62 lakhs) for the specific use of 3 units and the land was leased out to them without any development.

In the case of 993.61 acres acquired at a cost of Rs.2.62 lakhs on 20th October 1976 for a Lalitpur unit, the land was transferred to the unit on 24th January 1977. The unit had neither made any payment towards the cost of land nor completed the project work scheduled for completion within 3 years as per the terms set by Government for the acquisition and tranfer of land to the Company. No action had been taken to recover the dues or to take back the land (May 1981). The Management stated (June 1980) that economic rent will be payable by the unit from the date of expiry of one year from the date of commencement of commercial production.

(iii) As against 9725 acres of land developed up to 1979-80 the progress of plotting and allotment is indicated below :

	Plots	Area (in acres)
Land plotted	5637	7203
Plots allotted	3455	4635
In production	1063	2624
Under construction	703	980

The remaining 2182 plots (2568 acres value : Rs.14.69 crores) were awaiting allotment on 31st March 1980. No work was started by the plot holders on 1689 plots (1031 acres) allotted. The slow progress in the utilisation of the allotted plots was attributed by the Management (April 1980) mainly to unsatisfactory power supply and shortage/non-supply of raw materials.

(iv) Up to 31st March 1980 the Company had constructed 291 sheds at a cost of Rs.114.23 lakhs of which 225 sheds (value : Rs.142.56 lakhs) had been allotted leaving a balance of 66 sheds (value : about Rs.58.05 lakhs) which were awaiting allotment (March 1980). Entrepreneurs had commenced production on 106 out of 225 sheds allotted.

(v) The Company had up to 1979-80 constructed 138 residential quarters for workers belonging to the economically weaker sections (EWS) and 16 for the lower income groups (LIG).

The table below indicates the progress of construction/allotment of quarters together with the expenditure incurred thereon up to 1979-80 :

Station	Number of quarters constructed			Date of completion	Number of quarters allotted		
	EWS	LIG	Total		EWS	LIG	(Rupees in lakhs)
Sandila	36	16	52	September 1977	36	..	4.11
Sandila	20	..	20	January 1979	..	..	1.17
Unnao	53	..	53	March 1979	..	..	3.09
Sikandrabad	29	..	29	October 1979	..	..	2.01
Total	138	16	154		36	..	10.38

It will be seen that only 36 (23 *per cent*) out of 154 quarters had been allotted so far (March 1980).

(vi) There were delays in effecting recoveries from defaulting lessees/allottees and in initiating legal action for the purpose. In the industrial areas of 3 regions the overdues as on 31st March 1980 amounted to Rs.176.46 lakhs from 1039 lessees/allottees as indicated below :

	Agra	Ghaziabad	Lucknow	Total
Number of defaulters	109	729	201	1039
		(Rupees in lakhs)		
Premium overdue	3.60	69.77	22.32	95.69
Interest overdue	7.30	54.69	18.05	80.04
Total overdues	10.90	124.46	40.37	175.73

NOTE—Lease rent overdue in respect of Agra and Ghaziabad were not available. Lease rent overdue in respect of Lucknow was Rs. 0.73 lakh.

The following is the year-wise break-up of the overdues :

Year	Agra		Ghaziabad		Lucknow		Total	
	Number of default-ers	Amount due (Rupees in lakhs)	Number of default-ers	Amount due (Rupees in lakhs)	Number of default-ers	Amount due (Rupees in lakhs)	Number of default-ers	Amount due (Rupees in lakhs)
Up to 1977	85	2.61	270	80.59	152	34.19	507	117.39
1978	Nil	Nil	54	14.37	13	1.92	67	16.29
1979	14	7.66	373	26.38	30	4.26	417	38.30
1980 (up to 31st March)	10	0.63	32	3.12	6	0.73	48	4.48
Total	109	10.90	729	124.46	201	41.10	1039	176.46

Listed below are two illustrative cases of default :

(i) Three plots were allotted to an entrepreneur in Unnao area in April 1972. The unit failed to pay even the first instalment due in April 1974 and the total dues increased to Rs.9.11 lakhs (including interest : Rs.4.33 lakhs) as on 31st March 1980. Re-scheduling of the debt was under consideration by the Company (March 1981).

(ii) An entrepreneur was allotted a plot in industrial area, Kanpur (December 1973) and the first instalment was due in December 1975. The party continued to default in payments and the amount overdue increased to Rs.0.53 lakh (including interest : Rs.0.30 lakh) up to August 1977. The party requested that interest be charged from the date of provision of facilities (like telephones, security, power supply and approach road in the area) and not from the date of allotment. Interest amounting to Rs.0.23 lakh due from December 1975 to September 1976 was, as a special case, waived in August 1978. The party, however, continued to default and the amount overdue for recovery had increased to Rs.0.77 lakh (including interest : Rs.0.09 lakh) up to February 1980.

(c) Adjustment of funds in accounts

The Company had spent Rs.19.26 crores on the acquisition of land and development of industrial areas (including construction of sheds) up to 31st March 1980. The Company had received Rs.2.58 lakhs as subsidy from Government and Rs.617.68 lakhs as premia an the allotted plots and sheds. Rupees 12.21 lakhs received as premia and earnest money had been forfeited. These receipts (Rs.6.32 crores) were set off against the outlay on the scheme and the balance amount of Rs.12.94 crores was shown as current assets in the Company's Balance Sheet (March 1980). While the amounts received as interest on premium and lease rent (Rs.345.47 lakhs) during the period 1973-74 to 1979-80 were accounted for as income in the profit and loss account, the amounts of overdue premia and rent and interest accrued thereon were, however, not brought into account. The financial results of the scheme had also not been worked out.

(d) Other points of interest

Some other aspects of the scheme for development of industrial areas are dealt with below :

(i) In June 1976 the Company decided to take up, as deposit works, the development of *infra* structural facilities for complexes set up by other Government companies/ departments. Up to March 1977 the Company had constructed 14 sheds in Kashipur industrial estate for the hosiery complex sponsored by the Industries Department at a cost of Rs.6.50 lakhs met from its own resources as the Industries

Department did not have any budget provision for it. After completion in March 1977 these sheds were handed over to the Industries Department in August 1977. According to the scheme for the complex, 10 *per cent* of the cost was to be deposited by the entrepreneurs and the balance of 90 *per cent* finance was to be made available to the entrepreneurs by the Uttar Pradesh Financial Corporation (UPFC). Against the expenditure of Rs.6.50 lakhs incurred by the Company, it had received only Rs.0.90 lakh through UPFC (1978). The delay in recoupment was due to the fact that the cost of construction worked out to Rs.44 per sft as against Rs.27 per sft for similar construction by private entrepreneurs in the same area. The Management stated (April 1980) that the connected records had been seized by the Vigilance authorities and that action for recovery would be taken after these are released by the Vigilance Department.

(ii) In pursuance of a decision of the State Government (1976) that all foundries in Agra city should be shifted to a new site to be developed, the Company acquired 167.79 acres of land in two villages (Navaich Mustqil and Etak Savodshar) in Agra district and took possession of the land in October/November 1976. Part payments of Rs.3.09 lakhs and Rs.13 lakhs were released by the Company in August 1976/August 1977 respectively towards the final estimate of compensation (Rs.53.67 lakhs). The compensation included, *inter alia,* the cost of land (Rs.17.10 lakhs), cost of buildings (Rs.23.87 lakhs) and interest at 6 *per cent* on the cost of land from the date of possession to the date of payment (Rs.1.58 lakhs). The Company could not take possession of the constructed portion as the owners were not ready to part with the buildings and had in some cases obtained stay orders from the courts. The development of the area was, therefore, restricted to the vacant portion of the land only and plots measuring about 11 acres were not allotted (September 1981). The report of the committee constituted by the Company (December 1977) to consider reconveyance of the existing buildings to erstwhile owners is awaited (September 1981).

(iii) A scheme for the establishment of a leather complex at Unnao was sponsored by the U. P. Small Industries Corporation Ltd. The work of construction of 20 sheds (including development of land) was taken up by the Company (November 1976) on behalf of the entrepreneurs on the basis that the cost of the sheds would be reimbursed by UPFC at the time of disbursement of the first instalment of loan to the entrepreneurs. For this, the lease deed was required to be transferred to the UPFC for an equitable mortgage in its favour.

The Company had spent Rs.29.76 lakhs on the sheds but the recovery of dues was delayed due to controversies raised by the entrepreneurs regarding the cost of sheds, computation of interest on capital, *etc.* and in most cases the cost of land, sheds and interest accrued thereon had exceeded the loans sanctioned. The UPFC had agreed (August 1979) to disburse the loans on the condition that the Company would indemnify it against any future claims in respect of the sheds. This was agreed to by the Company (December 1979) in order to save the entrepreneurs from further burden of interest.

As on 31st December 1980 in respect of 14 out of 20 sheds constructed, the amount recoverable was Rs.11.30 lakhs (U. P. Financial Corporation : Rs.8.78 lakhs and entrepreneurs : Rs.2.52 lakhs). The dues in respect of the remaining 6 sheds had not been worked out by the Company (March 1981).

2.09. *Underwriting of shares*

(*a*) In pursuance of its objectives, the Company underwrites public issues of shares by public limited companies mainly to help promotion and establishment of manufacturing units within the State.

Up to 31st March 1980, the Company had underwritten the shares of 51 units worth Rs.610.48 lakhs (out of issues aggregating Rs.4966.18 lakhs) and was called upon to honour these obligations to the extent of Rs.486.47 lakhs.

(*b*) The Board of Directors had decided (May 1963) that the maximum amount underwritten in each case should not exceed 20 *per cent* of the total capital to be issued. This limit was exceeded by the Company in 11 cases and the amount underwritten varied from 21.1 to 37.3 *per cent.* In 6 cases the value of shares which the Company had to accept in view of the underwriting obligations exceeded the limit of 20 *per cent* and the percentage varied from 20.5 to 36.2.

The Management stated (June 1980) that the Board sanctioned assistance to units on merits and was competent to raise this limit ; however, in respect of two units re-purchase agreements were executed to cover the excess over the limit.

However, the Board of Directors had decided (May 1980) that for underwriting of shares the Company should adhere to a maximum limit of 15 *per cent* as was being followed by the Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited.

(*c*) The market value of the shares held by the Company in 51 companies as on 31st March 1980 was as under :

Type of shares	Number of companies	Face value	Market value	Gain (+)/ Loss (—)
		(Rupees in lakhs)		
(*a*) Quoted				
—Below par				
Equity	14	68.68	37.93	(—)30.75
Preference	5	34.10	29.56	(—)4.54
	19	102.78	67.49	(—)35.29
—At or above par				
Equity	12	162.88	534.10	(+)371.22
Preference	2	18.83	18.87	(+)0.04
	14	181.71	552.97	(+)371.26
(*b*) Not quoted				
Equity	12	54.48	..	..
Preference	34	159.33	..	..
	46	213.81		

The Company had received bonus equity shares of the value of Rs.44.04 lakhs (March 1980) from 3 units (investment : Rs.79.19 lakhs). The Company has also acquired rights equity shares of the value of Rs.13.94 lakhs in 5 units.

(*d*) The details of dividends received by the Company during the three years up to 1979-80 in respect of shares purchased as an underwriting obligation are given below :

	1977-78	1978-79	1979-8
Number of units	50	51	51
Capital subscribed by the Company (Rupees in lakhs)	493.51	500.41	498.30*
Number of units from whom dividend received	8	8	11
Amount of dividend received (Rupees in lakhs)	27.24	32.25	40.60
Percentage of return on total investment	5.5	6.4	8.2

*Includes bonus shares received by the Company.

(e) Off-loading of shares

The Company reviewed its policy for sale/disposal of shares (October 1970) and decided that it should raise its financial resources by selling, in small lots, its holdings quoted above their face value provided the amounts realised could be invested to fetch better returns or for new investments through underwriting. A sub-committee was constituted by the Board in September 1975 to examine the matter on a priority basis and give its recommendations to the Board : no meeting of the sub-committee was, however, held. After a further review in September 1978 the Board decided that institutions such as LIC, UTI, IDBI, etc. should be consulted for guidance in this regard.

On the basis of these consultations the guidelines were approved by the Board (January 1979) and it was decided that each case of disposal of shares would be considered on merits having regard to these guidelines.

However, none of the shareholdings (equity or preference), except those covered by the re-purchase agreements with certain units, had been disposed of by the Company so far. The Board had also decided (January 1979) on the setting up of a separate cell for the management of the shares portfolio : the cell had, however, not been set up so far (January 1981).

(f) Unprofitable shareholdings

A review of the Company's shareholdings revealed the following :

(i) The Company decided (November 1965) to underwrite equity shares for Rs.5 lakhs (out of an issue of Rs.60 lakhs) and preference shares for Rs.5 lakhs (out of an issue of Rs.17.50 lakhs) offered for public subscription by an industrial unit incorporated (November 1964) for the setting up of a steel foundry at Muzaffarnagar with foreign technical collaboration. In pursuance of the underwriting obligation the Company had to accept shares worth Rs.9.95 lakhs (equity shares : Rs. 4.98 lakhs and preference shares : Rs.4.97 lakhs).

The unit went into commercial production in January 1968 without the foreign collaborator's assistance. During the period of 10 years up to December 1977 the unit could produce only 4,228 tonnes of castings as against its installed capacity of 5,000 tonnes per annum. As a result of consistent under utilisation of the plant capacity, the unit incurred losses and against the paid-up capital of Rs.77.33 lakhs the accumulated loss, as on 31st December 1977, amounted to Rs.139 lakhs.

The financial institutions involved reviewed the working of the unit (February 1977) and concluded that the problem of the unit caused by inadequacy of power had been further aggravated by the inexperience of the promoters, lack of proper technical and administrative personnel, diversion of production capacity for the manufacture of ingots rather than steel castings, frequent break-down of almost all equipment, inability of the promoters to mobilise adequate working capital and the failure to utilise the technical assistance from the foreign collaborator. In July 1977 the High Court appointed a receiver for the mortgaged assets of the unit and ordered the sale of the mortgaged assets (May 1979).

Since the proposal of a party for the transfer of equity and preference shares held in the unit to it and/or its nominee at 22 *per cent* and 30 *per cent* respectively of the face value was approved by the financial institutions, the Board decided (March 1981) to sell the Company's shareholdings to the party on these terms involving a loss of Rs.7.36 lakhs. The sale of the shares had, however, not been effected so far (May 1981).

(ii) Out of an issue of equity shares for Rs.35 lakhs by a pipe manufacturing company to implement its project at Agra for the manufacture of soil pipes (in collaboration with a foreign firm) the Company decided (November 1962) to underwrite shares worth Rs.3 lakhs. Subsequently, since the other underwriters backed out the Company agreed to an additional undewriting of preference shares for Rs.6.50 lakhs (June 1967/March 1969) out of an issue of Rs.10 lakhs. As a result, the Company had to subscribe to equity shares of Rs.2.80 lakhs (October 1963) and preference shares of Rs.6.47 lakhs (October 1969).

The company sustained heavy losses. Against its paid-up capital of Rs.44.58 lakhs, the accumulated loss as on 31st December 1978 was Rs.92.85 lakhs.

While processing the case for underwriting the second instalment of preference shares (Rs.2.50 lakhs) the Board had considered (March 1969) the shortcomings in the working of the company, *viz.* poor quality of products, heavy rejections, inadequate financial stakes of the Managing Agent/Directors etc., and the Board had decided to undertake the additional obligation (Rs.2.50 lakhs) besides extending the validity (up to June 1969) in respect of the previous obligation for preference shares (Rs.4 lakhs) on the ground that the management of the unit had changed. The changed management was also not successful and ultimately the financial institutions decided to recall their outstanding dues (May 1979) and the assets of the unit were auctioned for Rs.10.35 lakhs (October 1979). The Company's investment of Rs.9.27 lakhs was lost.

(iii) In June 1977 the Company agreed to underwrite the entire issue of preference shares of Rs.7.50 lakhs by a company of Lucknow for setting up a vanaspati plant (50 tonnes per day) near Amausi (Lucknow). The Company had to subscribe to shares of Rs.7.47 lakhs.

The company did not function satisfactorily and against the paid-up capital of Rs.35.98 lakhs its accumulated loss up to November 1974 amounted to Rs.33.63 lakhs. Thereafter, it did not furnish its accounts to the Company. Ultimately the assets of the unit were auctioned for Rs.40.50 lakhs (October 1977). The concern is under liquidation (May 1980).

(iv) In 1963 the Company agreed to underwrite equity and preference shares to the extent of Rs.10 lakhs (out of Rs.105 lakhs) and Rs.5 lakhs (out of Rs.10 lakhs) respectively for the setting up of a factory for the manufacture of precision industrial fasteners at Anugarh Nagar (Moradabad). The underwriting liability of the Company was determined at Rs.9.92 lakhs and Rs.4.92 lakhs in respect of equity and preference shares respectively. The Company further subscribed to rights equity shares worth Rs.3 lakhs (1972). The implementation of the project was delayed and the project cost escalated from Rs.110 lakhs to Rs.200 lakhs, and then to Rs.372 lakhs (August 1977).

The unit went into production in April 1978 but largely remained closed and there was no production during

1979-80 due to the hostile and non-co-operative attitude of the promoters. In consequence of an application filed by a financial institution and the unit in the High Court, a receiver was appointed in December 1979. Further developments were awaited (April 1981).

(v) The Company had underwritten (September 1971) the entire issue of Rs.4.60 lakhs in preference shares of a company of New Delhi promoted in November 1970 for setting up a project for the manufacture of malt at Ghaziabad. In view of the underwriting obligations the Company had to subscribe to shares for the entire amount.

The unit started commercial production in July 1974 but suffered from marketing problems and acute shortage of working capital. The unit sustained losses and the accumulated losses as on 31st December 1975 were Rs.12.93 lakhs as against its paid-up capital of Rs.21 lakhs.

By the winding up order of the High Court, Delhi, an official liquidator was appointed in December 1977. There is little chance of the shareholders getting any money because the disposal of assets is not likely to cover even the dues of the secured creditors.

(vi) The Company had not made any provision for the likely loss in respect of its investment amounting to Rs.31.29 lakhs in four units where the accumulated loss had amounted to Rs.278.41 lakhs as against their paid-up capital of Rs.178.89 lakhs.

(vii) The table below indicates the working results of 7 other units in which the Company had invested Rs.46.34 lakhs. The units with an aggregate paid-up capital of Rs.281.62 lakhs (and reserves of Rs.118.71 lakhs) had accumulated losses amounting to Rs.596.59 lakhs (1976-77 and 1977-78).

Name of the company	Year of accounts	Total paid-up capital and reserves	Accumulated losses and intangible assets	Net worth	Company's investment in shares	Remarks
			(Rupees in lakhs)			
A	1977-78	117.50 (54.71)	173.34	(—)55.85	11.94	With a change in management the unit made a profit (Rs. 2.48 lakhs) in 1977-78.

Name of the company	Year of accounts	Total paid-up capital and reserves	Accumulated losses and intangible assets	Net worth	Company's investment in shares	Remarks
				(Rupees in lakhs)		
B	1977-78	72.78 (14.47)	104.34	(—)31.56	9.95	The unit suffered due to power problem and is closed since 1976-77.
C	1978	70.88 (1.21)	95.83	(—)24.95	9.32	The unit suffered due to marketing problems and shortage of funds.
D	1977-78	35.50	61.06	(—)25.56	8.88	The unit incurred losses due to power cuts and under-utilisation of capacity, paucity of funds and increased labour costs and overheads.
E	1978	17.24 (0.29)	59.69	(—)42.45	2.50	A sum of Rs. 10.04 lakhs (including interest: Rs. 5.87 lakhs) was also due from the unit (February 1980) against a term loan of Rs. 5 lakhs (May 1969). An industrial unit of Ghaziabad which had shown interest (March 1980) in taking over the unit on lease for one year had been asked to submit a detailed proposal (January 1981.)

Name of the company	Year of accounts	Total paid-up capital and reserves	Accumulated losses and intangible assets	Net worth	Company's investment in shares	Remarks
		(Rupees in lakhs)				
F	1977-78	71.52 (46.52)	75.04	(—)3.52	1.99	The unit suffered due to inadequate working capital and increased costs of coal and power.
G	1976-77	14.92 (1.51)	27.29	(—)12.37	1.76	The unit is lying closed since 1976-77 due to disconnection of power by U. P. State Electricity Board.

Note—Figures in brackets indicate the reserves and surplus included in the total figure.

2.10. *Bridging loans*

In December 1975 the Company approved a scheme of providing short-term finance to entrepreneurs who were sanctioned loans by the U. P. Financial Corporation (UPFC) and/or the Pradeshiya Industrial and Investment Corporation of U. P. Ltd. (PICUP) to cover the gap between the sanction and actual disbursement of loans by the financial institutions. The guidelines provided *inter alia*, that the quantum of bridging loans would normally be restricted to 25—40 *per cent* of the loans sanctioned by UPFC and/or PICUP. The UPFC/PICUP would directly repay the Company the amount of the bridging loan (and interest thereon) against letters of authorisation to be furnished by the entrepreneur alongwith the confirmation of the financial institutions. Interest on short-term loans for 3 months was to be 16 *per cent* for districts declared as backward and 18 *per cent* for other districts (subsequently reduced to 14 and 16 *per cent* respectively) with a rebate of 2 *per cent* for timely payments.

Up to 31st March 1980, the Company had sanctioned bridging loans aggregating Rs.838.02 lakhs to 31 units against which Rs.649.45 lakhs had been disbursed to 24 units. A sum of Rs.143.12 lakhs (including Rs.3.99 lakhs on account of interest) was overdue for recovery from the units on 31st March 1980.

Some of the cases of default are dealt with below :

(i) A bridging loan of Rs. 15 lakhs for margin money for working capital (not covered by the guidelines) for 6 months (with interest at 16 *per cent*) was sanctioned to a unit in December 1977 against the guarantee of a nationalised bank. The repayment of the loan due in July 1978 was extended up to September 1978. The unit repaid Rs. 14.34 lakhs (including interest : Rs1.68 lakhs) in September 1978. As on 31st March 1980, a sum of Rs.2.91 lakhs (including interest : Rs. 0.57 lakh) was still outstanding. The time for repayment of the balance amount was extended up to 30th June 1980, against a bank guarantee.

(ii) A bridging loan of Rs.24.50 lakhs for 6 months (with interest at 14 *per cent*) was sanctioned with the approval of the Board (March 1978) to a joint sector project of U. P. Export Corporation Ltd. (UPEC) which was not covered by the approved guidelines. The loan was to be repaid by the unit out of the public issue, (September 1978) and repayment was guaranteed by the UPFC. The due date for repayment (October 1978) was extended up to January 1979 and again up to September 1979. The unit had, however, repaid only Rs. 11.25 lakhs (including interest : Rs. 5.90 lakhs) and an amount of Rs.20.57 lakhs (including interest : Rs. 1.41 lakhs) was outstanding as on 31st March 1980.

2.11. *Joint sector projects*

(*a*) In October 1970, the Company introduced a scheme for the setting up of joint sector projects. Under the scheme, 51 *per cent* of the share capital was to be subscribed by the Company (26 *per cent*) and the collaborators/associates (25 *per cent*) and the balance 49 *per cent* was to be offered for public subscription.

The following table indicates the position in regard to these projects up to 31st March 1980 :

Up to 31st March	Number of letters of intent		Project Cost (Rupees in crores)	Number of projects taken up	Expenditure incurred by the Company (Rupees in lakhs)
	Applied for	Received			
1977	60	35	229.52	25	92.73
1978	65	39	238.80	30	130.94
1979	65	39	238.80	32	182.25
1980	70	40	239.82	44*	229.91

*Includes project taken up in established units on the basis of registration certificates.

The position of the projects taken up and the Company's investment therein up to 1979-80 was as follows:

	Number	Amount invested (Rupees in lakhs)
Projects for which companies have been incorporated		
In production	4	141.97
Under construction	7	80.71*
Projects under implementation	15	4.88
Dormant projects	1	0.32
Projects given up	17	2.03
Total	44	229.91

(*b*) The table below indicates the position of some of the joint sector projects set up by the Company up to 1979-80:

Name of the unit	Date of incorporation	Paid-up capital	Investments by Company	Investments by Collaborators	Investments by Others	Shortfall in collaborator's share	Products to be manufactured
		(Rupees in lakhs)					
UP Instruments Ltd., Lucknow	January 1975	27.50	17.50	10.00	..	3.47	Water meters, speedometers, magnetos

The unit (a State Government concern) was taken up (51 *per cent*) in collaboration with Scooters India Limited (49 *per cent*). While tht Company was contributing towards share capital since 1974-75, the collaborator made the contribution only in February/March 1980. The accumulated losses of the unit amounted to Rs.76.53 lakhs (March 1979).

Name of the unit	Date of incorporation	Paid-up capital	Investments by Company	Investments by Collaborators	Investments by Others	Shortfall in collaborator's share	Products to be manufactured
UP Tyres and Tubes Ltd., Lucknow	January 1976	70.00	35.70	34.30	..	No shortfall	Scooter tyres and tubes

Also set up in collaboration with Scooters India Limited on 51 : 49 basis. The unit scheduled for commissioning in May 1979, starttd trial production in November 1980 and commercial production was expected to commence in February 1981.

Name of the unit	Date of incorporation	Paid-up capital	Investments by Company	Investments by Collaborators	Investments by Others	Shortfall in collaborator's share	Products to be manufactured
Upar Chem. Ltd., Kanpur	January 1976	24.83	13.70	11.13	..	1.04	Beta napthol bonacid

Set up in collaboration with a firm, R. K. Wires (P) Ltd., Kanpur. The Company also provided Rs.35 lakhs as bridging

*Includes one company with an investment of Rs. 3.19 lakhs where the Company had decided to sell the shares.

loans out of which Rs.8.50 lakhs were outstanding (March 1980). While sanctioning the additional bridging loan of Rs.10 lakhs (included in Rs.35 lakhs) in June 1979 the Board had desired that the loan should be disbursed only after the promotors had matched Company's equity contribution. The entire amount was, however, released in September/October 1979 in spite of a shortfall of Rs.1.04 lakhs in the promotor's contribution. Besides, the Company had also paid (in advance) a sum of Rs.3.90 lakhs to be adjusted against the call of shares.

(c) *Printing machinery project*

A letter of intent from the Government of India to set up a project for the manufacture of printing machinery at Unnao was obtained in January 1971. The collaboration agreement was finalised in September 1973 and Printing Machines (India) Limited was incorporated in November 1973 (authorised capital : Rs.150 lakhs) for the implementation of the project. The Company and the co-promotor contributed Rs.3.19 lakhs and Rs.3.06 lakhs respectively, towards share capital to meet the initial expenses. In 1974 because of an adverse market report the Board of Directors decided not to incur any further expenditure on the project. The technical know-how agreement with a West German firm was, however, finalised in August 1975. The total expenditure incurred up to 31st March 1978 amounted to Rs.3.30 lakhs. No further details were available as the connected records were thereafter seized by the Vigilance Department.

Due to delay the co-promotor expressed his inability to participate in the project as the project cost had gone up from Rs.2.60 crores to Rs.3.60 crores.

In April 1980 the Board decided that the unit be wound up involving an estimated loss of Rs.2 lakhs. Since the co-promotor did not accept the Company's decision, the Board decided (September 1980) to sell the Company's share holdings to a firm of Kanpur at its offer of Rs.1.24 per share, involving a loss of Rs.2.79 lakhs. The sale of the shares had, however, not been effected so far (May 1981).

2.12. *Accounting procedure and internal audit*

The Company has not prepared any accounting manual defining the functions, duties and responsibilities of the various wings, branches and offices and for adequate financial control. In 1977-78 the Company had sanctioned an internal audit cell (comprising an Audit Officer, Commercial Auditor and Divisional Accountant) for systematic internal audit, but the decision has yet to be implemented (September 1981).

2.13. *Other topics of interest*

Uttar Pradesh Digitals Limited – A Subsidiary

In December 1976 the Company decided to set up a project for the assembly of wrist watches at Bhowali, (Nainial) in technical collaboration with Hindustan Machine Tools Limited (HMT), Bangalore.

According to an agreement executed in January 1977, HMT was to impart training to the personnel, supply components free of cost and collect the assembled watches, after inspection. On signing of the agreement the Company paid Rs. 1 lakh to HMT for the supply of technical know-how. HMT was to pay the Company a firm rate of Rs. 1.50 per watch for casing and Rs. 5.60 per watch for assembly for a period of 3 years from the date of the agreement. which was renewed in November 1980 with retrospective effect from February 1980 for a further period of 3 years.

To implement the project, Uttar Pradesh Digitals Limited was incorporated (March 1978) as a wholly-owned subsidiary of the Company with its registered office at Kanpur.

The project envisaged assembly of 2.50 lakh watches per annum on single shift basis and was to be implemented in two phases of semi-knock-down (SKD) assembly and complete knock-down (CKD) assembly.

The estimated cost of the project (Rs. 24.10 lakhs) was to be met by share capital of Rs. 9.20 lakhs from the Company and a term loan of Rs. 14.90 lakhs from UPFC.

The unit started assembly of watches from 1st December 1977 (on trial basis). The position of assembly of watches as against the targets fixed (in consultation with HMT) up to 31st March 1980 was as follows:

SKD assembly

Up to 31st March	Target	Actual	Variance (+)/(—)	Percentage
	(In number)			
1978	60,000	65,864	(+)5,864	109.8
1979	2,40,000	2,40,600	(+)600	100.3
1980	1,92,000	1,78,277	(—)13,723	92.9
Total	4,92,000	4,84,741	(—)7,259	98.5

CKD assembly

Up to 31st March	Target	Actual	Variance (+)/(—)	Percentage
		(In number)		
1978	..	..	..	..
1979	10,000	2,500	(—)7,500	25.0
1980	75,000	25,440	(—)49,560	33.9
Total	85,000	27,940	(—)57,060	32.9

The Management attributed the shortfalls to irregular supply of power and of components from HMT. The company had sustained a loss of Rs.1.90 lakhs up to 31st March 1980.

2.14. *Summing up*

(i) The percentage of profit after tax to capital employed was 2.2 in 1977-78, 2.5 in 1978-79 and 4.0 in 1979-80.

(ii) Under the scheme of development of industrial areas, the Company had acquired 15,002.2 acres of land in 35 industrial areas of the State, had developed 9,725 acres of land at a total cost of Rs.10.02 crores up to 31st March 1980 excluding the cost of land (Rs.7.96 crores).

(iii) Out of 9,725 acres of developed land the Company had plotted 5,637 plots in 7,203 acres (74 *per cent* of the developed land); 3,455 plots (4,635 acres) were allotted to industrial units, 1,063 plot-holders (2,624 acres) had gone into production and on 703 plots (980 acres) construction work was in progress. The slow progress in the utilisation of plots by the entrepreneurs in industrial areas was attributed by the Management mainly to unsatisfactory position of power supply and shortage/non-supply of raw materials.

(iv) The Company had constructed 291 sheds at a cost of Rs.114.23 lakhs; 225 sheds had been allotted and on 106 sheds the entrepreneurs had commenced production.

(v) Up to 31st March 1980, the Company had constructed 154 quarters (Rs.10.38 lakhs) under the EWS and LIG schemes of which only 36 EWS quarters had been allotted.

(vi) A sum of Rs.176.46 lakhs was overdue for recovery from 1,039 allottees of industrial plots in Lucknow, Agra and Ghaziabad regions.

(vii) The Company had constructed 14 sheds in Kashipur industrial estate for a hosiery complex sponsored by the Industries

Department at a cost of Rs.6.50 lakhs. The entrepreneurs were to deposit 10 *per cent*, and the balance 90 *per cent* cost of the sheds was to be recovered out of loans sanctioned by UPFC. The Company was not able to recover the cost as the same was held by the entrepreneurs to be very high. The connected records had been seized by the Vigilance Department.

(viii) Up to the end of March 1980, the Company had under written capital issues of 51 units (Rs.610.48 lakhs) and acquired equity (38 units) and preference shares (41 units) aggregating Rs.486.47 lakhs or 79.7 *per cent* of the shares underwritten by it.

(ix) The market value of the Company's investment of Rs.102.78 lakhs (equity shares : 14 companies ; preference shares : 5 companies) was Rs.67.49 lakhs, reflecting a drop of Rs.35.29 lakhs.

(x) The Company had received dividend from 8 (out of 51) companies in 1978-79 and from 11 companies in 1979-80.

(xi) The accumulated losses of 9 companies (Company's investment : Rs. 65.56 lakhs) had exceeded their paid-up capital.

(xii) Under the scheme of providing short-term finance to entrepreneurs, the Company had sanctioned short-term bridging loans aggregating Rs.838.02 lakhs (31 units) against which Rs.649.45 lakhs had been disbursed (24 units) up to 31st March 1980. A sum of Rs.143.12 lakhs (loan: Rs.139.13 lakhs and interest : Rs. 3.99 lakhs) had not been repaid within the stipulated period up to 31st March 1980.

(xiii) The Company had incurrtd an expenditure of Rs.229.91 lakhs on 44 joint sector projects up to 31st March 1980.

New companies had been set up for the implementation of 11 projects, of which 4 companies had commenced production and 7 projects were in the construction stage. Out of the remaining 33 projects only 13 projects were under implementation ; 1 was dormant and 17 projects, on which the Company had spent Rs.2.03 lakhs, had been given up.

(xiv) One of the projects set up for the manufacture of meters, speedometers, magnetos, etc. (Company's investment Rs.17.50 lakhs) had accumulated a loss of Rs.76.53 lakhs up to 31st March 1979 against the paid-up capital of Rs.27.50 lakhs.

SECTION III

UTTAR PRADESH STATE TOURISM DEVELOPMENT CORPORATION LIMITED

3.01. *Introduction*

In 1972, the State Government established a Directorate of Tourism to promote and develop tourism in the State. In order to provide and co-ordinate the facilities for tourists on commercial lines the U. P. State Tourism Development Corporation Limited was incorporated (under the Companies Act, 1956) on 5th August 1974.

The Government had transferred to the Company 3 tourist bungalows (Haridwar, Lucknow and Varanasi) in May 1975, 4 tourist bungalows (Agra, Allahabad, Ayodhya and Sarnath) in February 1977 (initially given on lease from July 1975), and Mahoba tourist bungalow in July 1977 (actually handed over in January 1977), on the condition that the value of the bungalows (with the attached canteens) transferred (notionally fixed at Rs.8 lakhs for each lot) would be treated as the Government contribution towards share capital. Formal agreements for the transfer of the bungalows have not yet been executed (September 1981). Government had also transferred the Chitrakoot tourist bungalow to the Company in Junuary 1978, the terms and conditions of which have not been specified so for (October 1980). Pending determination of the tranfer value of these tourist bungalows by a Committee set up for the purpose in June 1974, the value of fixed assets transferred to the Company (excluding Chitrakoot) has been provisionally adjusted for Rs.24 lakhs. The shares for this amount are, however, yet to be allotted to Government (September 1981).

3.02. *Objects*

The main objects of the Company are to :

—promote, take over, develop, start, purchase, construct, take on lease, maintain, manage and operate hotels, motels, restaurants, travellers' lodges, guest houses, recreational places, handicrafts and emporia ;

—enter into arrangements for taking over assets and liabilities of any department of the State Government or the Government of India connected with the development of tourism ;

—establish and manage transport units, operate or ply cars, cabs, buses, coaches, launches, ropeways, air craft, inland water-ways and act as travel agents for airlines, railways, shipping companies, etc.;

—produce, distribute and sell tourist publicity materials; and

—organise substantial publicity and provide conducted tours to places of interest for foreign as well as Indian tourists.

3.03. *Capital structure*

Share capital

The Company has an authorised capital of Rs.100 lakhs divided into 1,00,000 equity shares of Rs. 100 each. Its paid-up capital as on 31st March 1980 was Rs. 85.87 lakhs, wholly subscribed by the State Government. The Board decided (April 1980) to increase the authorised capital from Rs.1 crore to Rs.5 crores and Government was approached for approval which is still awaited (May 1981).

3.04. *Organisational set-up*

The management of the Company is vested in a Board of Directors nominated by the State Government. The Secretary, Tourist Department, and the Director of Tourism are the *ex officio* (part-time) Chairman and the Managing Director of the Company respectively. The Board does not have any whole-time Director. Article 136 of the Articles of Association of the Company provides that the Managing Director of the Company shall be appointed with the approval of the Government of Uttar Pradesh and hold such office for a term of 5 years at a time. It was noticed, however, that the Managing Directors were changed eight times since the Company's inception, i.e. August 1974.

While the provisions of the Companies Act, 1956 require the Company to have a qualified whole-time Secretary, an Accounts Officer of the Company has, since inception, been discharging the functions of the Secretary on a part-time basis.

3.05. *Financial position*

The Company's accounts for the years 1977-78 onwards were in arrears (March 1981). The delay in the finalisation of accounts was last brought to the notice of Government in March/August 1980. However, on the basis of provisional figures the financial position of the Company, during the three years up to 1979-80 was as under :

	1977-78	1978-79	1979-80
		(Provisional)	
		(Rupees in lakhs)	
Liabilities			
Paid-up capital	80.87	85.87	85.87
Reserve and surplus	1.54	1.56	1.56
Deposits	0.36	0.36	22.08
Current liabilities (including provisions)	29.24	29.54	29.75
Total	112.01	117.33	139.26
Assets			
Gross fixed assets	37.26	39.44	44.90
Less—Depreciation	8.25	11.06	14.06
Net fixed assets	29.01	28.38	30.84
Current assets, loans and advances	82.87	88.84	104.48
Intangible assets			
—Miscellaneous expenses	0.13	0.11	0.09
—Accumulated losses	..	..	3.85
Total	112.01	117.33	139.26
Capital employed	82.64	87.68	105.57
Net worth	82.64	87.68	105.57

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

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

3.06. *Working results*

The table below summarises the Company's working results (provisional) for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
		(Provisional)	
		(Rupees in lakhs)	
Income			
Income from bungalows and canteens	10.50	16.84	17.76
Conducted tours and taxi charges	0.13	0.08	0.25

	1977-78	1978-79 (Provisional)	1979-80
		(Rupees in lakhs)	
Sale of maps	0.12	0.06	0.08
Interest from bank	4.86	2.50	1.72
Miscellaneous income	0.16	0.32	0.71
Other adjustments	..	1.16	..
Total	15.77	20.96	20.52
Expenditure			
Salaries, wages and other payments	8.69	13.15	15.22
Rent, rates and taxes	0.31	0.38	0.88
Stores written off	0.73	0.55	0.84
Depreciation	2.52	2.26	2.16
Decrease in stock of maps	0.12	0.06	0.08
Miscellaneous expenses	2.92	4.53	5.19
Total	15.29	20.93	24.37
Profit (+)/Loss (—)	(+)0.48	(+)0.03	(—)3.85

The Company had during the 3 years earned Rs.9.08 lakhs by way of interest on fixed deposits or savings accounts in the banks/post offices. It would be seen that while income from bungalows and canteens had increased from Rs.10.50 lakhs in 1977-78 to Rs.17.76 lakhs in 1979-80 (69 *per cent*), the salaries and wages had increased from Rs.8.69 lakhs to Rs.15.22 lakhs (75 *per cent)* during the same period.

(*i*) *Irregular advances*

(*a*) The Company, at the instance of the Director of Tourism,* advanced (July 1976) Rs. 5 lakhs (by premature encashment of a fixed deposit involving a loss of interest of Rs. 0.14 lakh) to Haryana Tourism Corporation Ltd. (HTC) (without any detailed study or viability report or the approval of the Board) for the construction of a tourist complex (consisting of a restaurant, bar and

*Also the *ex-officio* Managing Director of the Company tourist rest house) at Narora. The advance included an *ad hoc* amount (Rs.0.25 lakh) required for publicity, advertisement and running of the complex (as an agent of the Company) for a period of 2 years (extendable by 2 years by mutual agreement). The complex was completed in September 1976 and started functioning from December 1976. The total expenditure (excluding preliminary expenses of Rs.0.09 lakh) on fixed assets (Rs.4.04 lakhs), consultancy (Rs.0.45 lakh) and the running of the complex (Rs.2.07 lakhs) till it was taken over (November 1977) was Rs.6.56 lakhs. The income derived during the period was Rs.0.83 lakh, resulting in an operating loss of Rs.1.24 lakhs. The claim of HTC for Rs.0.73 lakh is pending consideration (May 1981).

(*b*) HTC was also advanced Rs.11.39 lakhs (September 1976) by the Milk Commissioner, Lucknow for the establishment of milk bars at Mathura, Taj (Agra), Fatehpur Sikri and Sikandara. The State Government decided (August 1977) that these milk bars should be run by the Company and directed HTC (January 1978) to transfer the full amount to the Company. HTC reported (January 1979) that the Mathura milk bar, with an investment of Rs.1.85 lakhs, was ready in April 1977 but could not be operated for want of electric connection for which Rs.4,500 had been deposited with the State Electricity Board. It was also reported that an expenditure of Rs. 300 per month was being incurred on the watch and ward of the milk bar since April 1974. A feasibility report prepared in April 1980 indicated the need for an additional expenditure of Rs.1.55 lakhs and projected an estimated profit of Rs.12.20 lakhs to Rs.26.20 lakhs per annum during the next 5 years. The setting up of the milk bar at Mathura and the feasibility report thereof is yet to be approved by the Board (May 1981). The adjustment of expenses incurred by HTC against the advance of Rs.11.39 lakhs and refund of the balance was still pending (May 1981).

(*c*) The Company had, at the instance of the Director of Tourism (and without the approval of the Board), paid advances aggregating Rs.6.65 lakhs (during December 1974 to March 1976) to the Executive Engineers, P. W. D. (Buildings), Banda and Mathura for completion of the construction and electrification of the tourist bungalows at Mahoba (transferred in July 1977), Chitrakoot (transferred in January 1978) and Mathura (not yet transferred). These were under the administrative and financial control of the Director of Tourism.

The Company had also paid Rs. 0.70 lakh (August 1975), at the instance of the Director of Tourism, for the furniture and furnishing of the tourist bungalows at Varanasi and Sarnath against orders placed by the Director of Tourism in March 1974. The supplies were received during June–October 1974 whereas the tourist bungalows were transferred to the Company in May 1975 and February 1977 respectively.

(*ii*) *Unplanned utilisation of funds*

In the absence of adequate developmental activities, a large portion of the funds received from the Government towards share capital (Rs.85.87 lakhs) and for other schemes (Rs.4.01 lakhs) were invested in fixed deposits for 3–37 months or kept in the savings/current accounts in the bank/post office.

The year-wise position of investments in fixed deposits is indicated below:

Period	Amount received towards share capital	Minimum and maximum investment in a month	Cash and bank balance at year end	Average investment	Interest earned
		(Rupees in lakhs)			
1974-75	14.88*	5.50 to 9.05	2.02	6.67	0.21
1975-76	55.00	9.18 to 14.18	55.75	12.93	0.97
1976-77	5.00	66.42 to 72.23	2.89	69.34	5.56
1977-78	10.00	38.30 to 65.68	15.70	53.95	4.86
1978-79	5.00	25.00 to 38.68	17.54	34.49	2.50
1979-80**	Nil	25.00 to 32.97	58.48	31.37	1.72

* Includes Rs. 4.01 lakhs for Half a Million Jobs Programme.

** No amount was kept in fixed deposit after August 1979.

(iii) Non-utilisation of loans and grants

Under the "Half a Million Jobs Programme" of the Government of India, the State Government sanctioned (February 1975)—for execution through the Company—an Employment Promotion Scheme for the educated unemployed in hotel management and catering. The scheme envisaged 4 months' training to 100 youths who were then to be helped in establishing hotel units. It was estimated that each trained person would require Rs.0.34 lakh for establishing a hotel. These funds were to be obtained by the trainees from financial institutions with 10 *per cent* margin money being loaned to the trainees by the Company at 7.5 *per cent* interest.

The total cost of the scheme was estimated at Rs.4.01 lakhs. The full amount (Rs.4.01 lakhs) was drawn by the Company in March 1975 in the shape of grant (Rs.1,77,500), loan (Rs.1,77,500) carrying interest at 7.5 *per cent* per annum and for training costs (Rs.46,000). The Company placed Rs.3.55 lakhs out of these funds in fixed deposit (March 1975) for a period of 1 year (extended, on maturity, for 13 months more).

The Company spent Rs.0.46 lakh (including Rs.0.02 lakh spent departmentally) on training 94 persons none of whom, however, came up for margin money assistance. As directed by the State Government, the unspent balance of Rs.3.55 lakhs was refunded to the State Government (March 1977). The interest (Rs.0.27 lakh) earned on the grant portion (March 1975 to March 1977) which was required to be refunded was, however, not refunded to the Government.

(iv) Cash collections and remittance

(a) Every tourist bungalow and canteen has a separate bank account into which receipts are credited and funds drawn for day to day expenditure. Cash receipts are required to be deposited into the bank on the next working day. It was, however, noticed that there were delays of 3 to 30 days in the deposit of money.

(b) The persons responsible for handling cash (receptionists and counter clerks) had neither given any security nor were they trained for the maintenance of proper books and accounts.

(c) No procedure or instructions have been laid down for the maintenance of accounts.

(d) There is no system of checks over the accounts by the supervisory staff.

(*e*) All the staff of the canteens is employed on daily wages.

(*f*) An embezzlement of Rs.0.32 lakh during the period from September 1977 to February 1978 was detected in the canteen of Lucknow tourist bungalow. A test check in audit (May 1978) revealed over-writings and erasures of entries in the books and the services of the counter clerk (employed on daily wages) were terminated (February 1978). A show cause notice was issued to the Manager (June 1978), but no action was taken against him. The case, reported to the Police in February 1978, was still under investigation (March 1981).

3.07. *Activities*

The working results* on the basis of the income and direct expenditure* of tourist bungalows and canteens (other than Agra canteen, not taken over) for tht 3 years up to 1979-80 are given below :

	Profit/Loss		
	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Haridwar	0.30	0.29	0.28
Lucknow	0.60	0.90	0.58
Varanasi	0.06	0.43	0.91
Agra	0.68	0.80	0.94
Allahabad	0.19	0.34	0.14
Ayodhya	(—)0.16	(—)0.06	(—)0.01
Sarnath	0.06	(—)0.11	(—)0.02
Mahoba	(—)0.04	(—)0.20	(—)0.13
Narora	(—)0.18	(—)0.23	(—)0.22
Chitrakoot	..	(—)0.21	(—)0.02
Kukrail	0.03	(—)0.09	(—)0.08
Total	1.54	1.86	2.37

* Excludes the expenditure on repairs and renewals/additions and alterations of buildings and depreciation thereon.

It will be seen that the tourist bungalows at Ayodhya, Sarnath, Mahoba, Narora and Chitrakoot and the canteen at Kukrail have not been recovering even their running expenses.

(i) *Tourist bungalows*

(*a*) The following table gives details of bed capacity available, occupancy of accommodation, percentage of occupancy, earning capacity, actual earning and percentage of actual earning to earning capacity for the three years up to 1979-80 :

	Total bed	Bed capacity for the year	Occupancy	Percentage of occupancy	Earning capacity	Actual earnings*	Percentage of earnings to capacity
		(Number)			(Rupees in lakhs)		
Haridwar	50						
1977-78		18250	9548	52.3	1.96	0.93	47.4
1978-79		18250	9067	49.7	2.01	1.17	58.2
1979-80		18300	11511	62.9	2.01	1.21	60.2
Lucknow	59						
1977-78		20440	13490	66.0	2.20	1.85	84.0
1978-79		19435	14424	74.2	2.28	2.05	90.0
1979-80		19398	14311	73.8	2.36	2.07	87.7
Varanasi	81						
1977-78		29565	15470	52.3	3.31	1.57	47.4
1978-79		29565	17885	60.5	3.31	2.04	61.6
1979-80		29646	19976	67.4	3.32	2.29	69.0
Agra	70						
1977-78		25550	16316	63.9	2.32	1.76	75.9
1978-79		25550	18502	72.4	2.88	2.28	79.2
1979-80		25620	20781	81.1	2.93	2.52	86.0
Allahabad	30						
1977-78		10950	6515	59.5	1.32	0.94	71.2
1978-79		10950	7762	70.9	1.37	1.12	81.8
1979-80		10980	7824	71.3	1.37	1.19	86.9
Ayodhya	26						
1977-78		9490	3394	35.8	0.44	0.19	43.2
1978-79		9490	4229	44.6	0.44	0.24	54.5
1979-80		9516	4597	48.3	0.44	0.24	54.5

*As assessed by the Corporation

	Total bed	Bed capacity for the year	Occupancy	Percentage of occupancy	Earning capacity	Actual earnings*	Percentage of earnings to capacity
		(Number)			(Rupees in lakhs)		
Sarnath	42						
1977-78		15330	2256	14.7	1.30	0.39	30.0
1978-79		15330	2053	13.4	1.33	0.36	27.1
1979-80		15372	2675	17.4	1.33	0.46	34.6
Mahoba	36						
1978-79		13140	1177	9.0	0.88	0.08	9.1
1979-80		13176	1708	13.0	0.88	0.17	19.3
Narora	8						
1978-79		2920	290	9.9	0.36	0.04	11.1
1979-80		2928	684	23.4	0.36	0.09	25.0
Chitrakoot	36						
1978-79		13140	3678	28.0	0.95	0.21	22.1
1979-80		13176	4667	35.4	0.96	0.38	39.6

It will be seen that the occupancy and earnings of the Ayodhya, Sarnath, Mahoba, Narora and Chitrakoot bungalows had been very low.

The low earnings from Mahoba tourist bungalow were attributed (July 1979) by the Management to wrong selection of the site, inadequate publicity and gross neglect in the maintenance of the building.

(*b*) *Non-recovery of rent*

While the Company took over the tourist bungalows, the Regional Tourist Offices (of the Director of Tourism) continued to occupy office accommodation in the tourist bungalows at Lucknow (363 sft), Varanasi (974 sft), Allahabad (752 sft) and Ayodhya (1546 sft). The Board decided (November 1976) to recover rent at the market rates prevailing on the date of occupation and the rent due up to March 1980 (Rs.0.98 lakh) has yet to be recovered (May 1981). The Regional Tourist Officer, Ayodhya,

*As assessed by the Corporation.

continues (November 1980) to occupy 3 rooms (1530 sft) for residential purposes since July 1979. Neither has the rent for the residential portion been fixed (October 1980) nor are any recoveries being effected from the officer by the Company or the Government. The proportionate electricity and water charges are also not being recovered (May 1981).

(ii) *Canteens*

The canteens attached to the tourist bungalows were also taken over by the Company alongwith the tourist bungalows transferred to it by the State Government. These canteens were earlier let out to private parties on a token rent of Re.1 per month which was continued even after their transfer to the Company. In December 1975, the Board decided to charge, with effect from January 1976, a monthly rent of Rs.750 for Varanasi and Agra canteens, Rs.300 for Lucknow and Haridwar canteens and Rs.100 for the Allahabad canteen, which was objected to by all the contractors. The canteen contractor of Haridwar paid the rent in full and that of Agra in part, but the others did not pay any rent. It was further decided (December 1975) that all the canteens (including the above five canteens) should be let out on the basis of annual tenders for service at the tariff decided by the Managing Director. This decision, was, however, not implemented and the other canteens continued to be let out to private parties as before.

In November 1976, the Board decided to take over catering from the private parties and to run the canteens departmentally. The private parties were nevertheless allowed to operate Allahabad and Lucknow canteens up to January 1977, Haridwar canteen up to September 1977 and Ayodhya and Varanasi canteens up to February 1978 without recovery of any rent except from Haridwar canteen. Total dues in respect of rent amounted to Rs.0.24 lakh. The contractor of Agra canteen had not vacated (May 1981) the canteen and had taken the matter to the court; the case is subjudice. The outstanding rent against him amounted to Rs.0.38 lakh (March 1981). The charges on account of electricity were not recovered from any of the parties. The terms and conditions regarding the use of Company's crockery, furniture, *etc.* by the parties has also not been finalised.

The canteens at Narora and Kukrail were taken over departmentally during November 1977 and January 1978 respectively.

The operating results of the canteens (except Agra) during the 3 years up to 1979-80 on the basis of direct material costs (excluding wages, rent, electricity, water and overheads) were as under :

	Departmental operation from	1977-78 Expenditure	Gross sales	Surplus/ Deficit	1978-79 Expenditure	Gross sales	Surplus/ Deficit	1979-80 Expenditure	Gross sales	Surplus/ Deficit
		(Rupees in lakhs)								
Sarnath	October 1976	0.36	0.44	0.08	0.21	0.22	0.01	0.21	0.24	0.03
Allahabad	February 1977	0.16	0.16	..	0.23	0.27	0.04	0.34	0.39	0.05
Lucknow	February 1977	0.87	0.90	0.03	1.92	2.43	0.51	1.68	1.72	0.04
Ayodhya	March 1977	0.01	0.01	..	0.09	0.12	0.03	0.09	0.12	0.03
Haridwar	October 1977	0.27	0.32	0.05	0.63	0.76	0.13	0.73	0.85	0.12
Mahoba	November 1977	0.29	0.25	(—)0.04	0.04	0.06	0.02	0.06	0.14	0.08
Narora	November 1977	0.37	0.23	(—)0.14	1.02	0.81	(—)0.21	0.96	0.74	(—)0.22
Chitrakoot	January 1978	0.12	0.12	..	0.14	0.19	0.05	0.22	0.36	0.14
Kukrail	January 1978	0.12	0.15	0.03	0.25	0.16	(—)0.09	0.22	0.14	(—)0.08
Varanasi	March 1978	0.94	0.97	0.03	1.74	2.09	0.35	2.28	2.46	0.18
Total		3.51	3.55	0.04	6.27	7.11	0.84	6.79	7.16	0.37

It will be seen that material costs constituted 88 to 99 *per cent* of the total earnings of the departmental canteens.

The Managers of the tourist bungalows were authorised (November 1979) to revise the canteen tariff (last fixed in August 1977) so as to provide a clear margin of 40 *per cent* on the total costs. The tariff had, however, not been revised so far (October 1980). It was also noticed that while the Company was liable for sales tax on the sale of foodstuffs and snacks, no recoveries on this account were being effected nor had any payments been made. The liability on this account for the years 1977-78 to 1979-80 amounted to Rs.1.25 lakhs approximately.

(iii) *Conducted tours*

The Company operated a fixed hour conducted tour service at Lucknow with a de-luxe bus hired from UPSRTC during the period May 1977—May 1978. As against the hire charges of Rs.0.57 lakh the total income during the period was Rs.0.33 lakh.

From May 1978, the Company operated conducted tours with a second-hand mini-bus purchased for Rs.0.30 lakh. The total income during the period May 1978—March 1980 was Rs.0.36 lakh as against an expenditure of Rs.0.42 lakh. This operation resulted in a loss of Rs.0.30 lakh up to March 1980.

During November 1977—May 1978 the Company operated conducted tours from Lucknow to Naimisharanya (Sitapur) with a bus hired from UPSRTC and incurred a loss of Rs.0.07 lakh. During May 1978—February 1979 the Company operated 7 trips to Naimisharanya and back (230 kms) with its own vehicle and incurred a loss of Rs.0.03 lakh.

In March 1979 the Company decided to purchase a de-luxe bus for conducted tours in Lucknow city but subsequently decided (September 1979) to go in for an air-conditioned bus. A chassis purchased for Rs.1.34 lakhs (August 1979) and an air-conditioning plant purchased from a firm of Bombay (September 1979) for Rs.1.31 lakhs (including incidentals of Rs.0.11 lakh) was sent (October 1979) to the Central Workshop of UPSRTC at Kanpur for fabrication of the body at an estimated cost of Rs.1.15 lakhs, to be completed within 2 to 3 months. The performance guarantee of the air-conditioning plant had expired in January 1981. The bus body had not been built so far (May 1981).

(iv) *Air-conditioned taxis*

The Company purchased 3 air-conditioned Japanese (Toyota) cars (November 1976) for Rs.4.18 lakhs by obtaining a loan of Rs.4.20 lakhs from a bank bearing interest at 13 *per cent* per annum although the Company had surplus funds invested in fixed deposits. Had the Company's own funds been utilised the company would have saved Rs.0.21 lakh by way of interest. No viability report or income and expenditure statements for the operation of these taxis were prepared. The cars were operated at Agra and the operating loss for the period December 1976—September 1979 worked out to Rs.2.94 lakhs.

In December 1978 the Company decided to sell these cars but they had not been disposed of so far (May 1981).

The rates of taxi charges fixed in November/December 1976 had not been revised so far (May 1981).

(v) *Ram Charit Manas Programme*

The Company staged a (light and sound) cultural programme "Ram Charit Manas" at Varanasi from 15th November to 17th

December, 1979 in collaboration with the Song and Drama Division of the Ministry of Information and Broadcasting (Government of India). The programme was approved by the Board of Directors (October 1979) for a period of 45 days against the original plan for 90 days. A net profit of Rs.10.89 lakhs was estimated for the 90 day programme. Fifty *per cent* of the gate money was to be paid to the Song and Drama Division.

Against an expenditure of Rs.2.33 lakhs on the programme the net income amounted to Rs.0.21 lakh resulting in a loss of Rs.2.12 lakhs. The loss was attributed by the Management (April 1980) to (i) early closure of the programme due to Lok Sabha elections, (ii) winter rains, and (iii) improper supply of electricity due to power cuts.

3.08. *Hiring of office building*

The Board decided (June 1976) to hire a building on Vidhan Sabha Marg, Lucknow and to let out one floor to the Directorate of Tourism. Accordingly two floors of a building (2500 sft approximately) were hired from 1st August, 1976 at a monthly rental of Rs.3,500 and one floor (1250 sft approximately) was let out to the Directorate of Tourism. The rent was to be shared equally between the Company and the Directorate of Tourism, but as the rent was not got approved from the State Government, the latter was paying only Rs.1263.55 per month resulting in a short recovery of Rs.0.41 lakh up to February 1981.

3.09. *Manual of accounts and internal audit*

The Company has not so far prepared any manual for accounts procedure and establishment matters.

There was no system of internal audit for periodical checking of the accounts of tourist bungalows/canteens. However, two firms of Chartered Accountants have been appointed as internal auditors for the year 1979-80 and 1980-81.

The matter was reported to Government/Management in October 1980 ; replies were awaited (May 1981).

3.10. *Summing up*

(i) The Company had been getting funds much in excess of requirements and bulk of the funds (ranging from Rs.5.50 lakhs to Rs.72.23 lakhs) had been kept by the Company in fixed deposits, savings/current accounts.

(ii) The Company received Rs.4.01 lakhs (March 1975) from the State Government under "Half a Million Jobs Programme" of the Government of India for training persons in hotel management and catering and helping them in establishing their own business. The Company incurred an expenditure of Rs.0.46 lakh on training, *etc.* of 94 persons only and placed Rs.3.55 lakhs in fixed deposit. The unspent amount was refunded to Government in March 1977. None of the trained persons had come up for establishing hotel business.

(iii) There was an embezzlement of Rs.0.32 lakh during the period from September 1977 to February 1978 in the canteen of Lucknow tourist bungalow.

(iv) The tourist bungalows and canteens at Ayodhya, Sarnath, Mahoba, Narora and Chitrakoot had been incurring losses.

(v) The bed occupancy ratio was very low at Ayodhya, Sarnath, Mahoba, Narora and Chitrakoot and ranged from 9.1 to 54.5 *per cent*.

(vi) The Company purchased a chassis (August 1979) for Rs.1.34 lakhs and an air-conditioning plant (September 1979) for Rs.1.31 lakhs. The fabrication of the bus body in the Roadways Central Workshop, Kanpur at an estimated cost of Rs.1.15 lakhs had not been completed so far (May 1981) and the performance guarantee of the air-conditioning plant had meanwhile expired.

(vii) The Company purchased (November 1976) 3 air-conditioned Japanese cars for Rs.4.18 lakhs which were operated as taxis at Agra. The operating loss up to September 1979 had been Rs.2.94 lakhs. The rates of taxi charges fixed in November/December 1976 had not been revised so far. A decision taken in December 1978 to dispose of these taxis had not been implemented so far (May 1981).

(viii) The Company incurred a loss of Rs.2.12 lakhs on a cultural programme at Varanasi during November/December 1979.

SECTION IV

OTHER GOVERNMENT COMPANIES

UTTAR PRADESH RAJKIYA NIRMAN NIGAM LIMITED

4.01. *Avoidable expenditure*

(*a*) The Company undertook the construction of 3 godowns at Auraiya (Etawah) for Uttar Pradesh State Warehousing Corporation (UPSWC) on cost *plus* centage charges basis. The work was started in April 1977 and completed in October 1977. 3037 Cu m earth filling was got done by the Unit of the Company between April and October 1977 in the plinth of godowns and roads. Out of the aforesaid earth filled, 2819 Cu m of earth was purchased at Rs.0.48 lakh (rate : Rs.17 per Cu m) from the piece-rate workers by the Unit. During the same period, 2489 Cu m of earth had been excavated at the same site from the foundation trenches of the godowns. Considering that two-third volume of foundation trenches had been filled with lean concrete and brickwork in foundation, only one-third volume of excavated earth could have been utilised in back filling of the foundations of the godowns. Thus two-third quantity (1658 Cu m) of earth excavated from the foundations should have been available for plinth filling. Against this only 218 Cu m earth was used and records of disposal/utilisation of balance excavated earth (1440 Cu m) were not made available to Audit. Purchase of earth to the extent of 1440 Cu m resulted in an avoidable expenditure of Rs.0.24 lakh.

The matter was reported to the Management/Government in February/May 1980 : replies are awaited (March 1981).

(*b*) The Unit took supply of 2819 Cu m of earth at Rs.17 per Cu m and incurred further expenditure of Rs.5 per Cu m on its filling. Further 354 Cu m of earth work (inclusive of filling) was awarded to piece-rate wokers at Rs.17 per Cu m inclusive of filling. The rates were fixed (April—October 1977) by negotiations and no tenders or quotations were called for. According to analysis worked out in audit, reasonable rate of earth filling including supply worked out to Rs.13.75 per Cu m. Thus the rates of Rs.22 per Cu m (2819 Cu m) and Rs.17 per Cu m (354 Cu m) were abnormally high. Based on the rate of Rs.13.75 for supply and filling of earth (as per analysis of rates) an extra expenditure of Rs.0.24 lakh was incurred on supply and filling of 3173 Cu m of earth.

Government stated (October 1980) that the work of Auraiya warehouse was a rush job and was to be completed by the end of June 1977 during harvesting season and summer months. Considering these factors the analysis of rates would be Rs.16.06 per Cu m.

In this connection it may be mentioned that the rate of Rs.16.06 per Cu m has been worked out by assuming a rate of Rs.2 (instead of Re.1) per km for the second km lead.

4.02. *Excess measurement*

The Jaswantnagar Warehousing Unit of the Company entrusted with construction of warehouses got the work executed through piece-rate workers (PRW). According to Public Works Department (PWD) detailed specifications, width of walls in brickwork should be measured in multiples of half bricks, which should be deemed to be inclusive of mortar joints, but limited to the width specified in the drawings. Any increase in thickness of walls due to thicker mortar joints or oversized bricks is not to be paid for. The Unit, however, recorded the width of walls in excess of the width specified in the drawings resulting in an excess measurement (196 Cu m) and an excess payment of Rs.0.31 lakh.

The Management/Government stated (October 1980) that the field staff which were new hands, had recorded the thickness, due to ignorance, as actually found at the site which was against the practice prevailing in the State PWD. It was further stated that a circular was being issued for recording measurements according to the PWD system.

UTTAR PRADESH STATE SUGAR CORPORATION LIMITED

4.03. *Excess payment of electricity charges*

According to the rate schedule applicable to heavy power consumers, in cases where the actual energy charges happened to be less than the minimum consumption guarantee in a particular month the minimum consumption guarantee of Rs.360 per KVA per annum was chargeable at the rate of Rs.30 per month per KVA of the contracted demand subject to adjustments in the last bill for the year.

Four units of the Company had paid the minimum consumption charges for months during which the actual energy charges were less than the minimum consumption guarantee, but had not claimed adjustments in the last bills of the respective years, resulting in an excess payment of Rs.3.81 lakhs as detailed below :

Name of unit	Period		Amount (Rupees in lakhs)
Khadda	1975-76 to 1979-80		0.98
Bhatni	1976-77 to 1979-80		0.47
Sakhoti Tanda	1977-78 to 1979-80		1.38
Barabanki	1978-79		0.98
		Total	3.81

The Management stated (February 1981) that Rs.1.03 lakhs (Bhatni : Rs.0.05 lakh and Barabanki : Rs.0.98 lakh) had since been recovered/adjusted and for the balance the matter was being pursued.

The matter was reported to Government in September 1980 ; reply is awaited (March 1981).

CHANDPUR SUGAR COMPANY LIMITED

4.04. *Avoidable energy charges*

According to the rate schedule applicable to large and heavy power consumers, if the energy supplied to a factory is utilised for non-industrial purposes, such circuits are required to be segregated by the consumer, metered separately and consumption charged under the appropriate rate schedule. In case of default the entire consumption is to be charged at the higher rate applicable to mixed load.

The Company took a power connection (February 1977) with a contracted load of 300 KW but did not segregate the power circuit for the residential colony until April 1980 resulting in an avoidable extra payment of Rs.1.96 lakhs for the period August 1977 to April 1980.

The matter was reported to the Management/Government in May 1980 ; replies are awaited (May 1981).

4.05. *Short recovery*

The Company awarded a contract (September 1976) to a firm of Naini for the supply, erection and commissioning of plant and machinery for a sugar factory (1250 tonnes of cane per day) at Chandpur (Bijnor) for Rs.327.08 lakhs. The factory was commissioned in January 1978.

As per the terms of the contract the Company was to supply electric power to the firm on payment, the basis for which was not spelt out. During January 1977—January 1978 the Company had supplied 178,486 Kwh from its own diesel generating sets (average estimated cost : 75 paise per Kwh) and 78320 Kwh out of 177,060 Kwh received at the cost of Rs.1.06 lakhs (average cost : 60 paise per Kwh) from the State Electricity Board. The firm was charged at 22.83 paise per Kwh for all the units supplied to the firm resulting in a short recovery of Rs.1.24 lakhs.

The Management stated (January 1981) that as the agreement was silent about the basis for payment, the rate as applicable to heavy power consumers under the Board's tariff, was agreed to (February 1978) after discussions. The Management added that a supplementary debit note for Rs.0.42 lakh (at 16.17 paise per Kwh) was being issued as the revised rate (on the basis of supplementary bills received from the Board) worked out to 39 paise per Kwh.

The matter was reported to Government in May 1980 ; reply is awaited (March 1981).

KICHHA SUGAR COMPANY LIMITED

4.06. *Excess payment of sales tax*

Under the provisions of the Uttar Pradesh Sales Tax Act, 1948 (as amended from 26th May, 1975) the Company was eligible for a concessional rate of sales tax on goods purchased for its own use (3 *per cent* up to 30th June, 1975 and 4 *per cent* thereafter). To obtain the concession the Company had to furnish to the dealers a declaration in the prescribed form.

During the 3 years up to 1979-80 the Company had purchased goods worth Rs.10.76 lakhs for its own use but failed to furnish the required declaration resulting in an avoidable payment of sales tax of Rs.0.46 lakh.

The Management stated (March 1981) that bulk of the items were petty items for which furnishing of prescribed form was not feasible ; that wherever feasible refund of extra tax paid was being taken up with the suppliers and that instructions were being issued to the Company to furnish the forms wherever applicable in future.

The matter was reported to Government in September 1980 ; reply is awaited (March 1981).

UTTAR PRADESH STATE TEXTILE CORPORATION LIMITED

4.07. *Loss on yarn*

The Company sells yarn at the prevailing market price through dealers who are allowed a trade discount (on slab basis) of up to 1 *per cent*. Documents for yarn despatched to the dealers are sent through the bank for collection.

During July 1977 to March 1978, yarn valued at Rs.83.18 lakhs was despatched to a dealer of Kanpur by 4 units of the Company—Sandila (Hardoi), Kashipur (Nainital), Meerut and Jhansi—through road transport contractors and the despatch documents were sent through the bank. The dealer retired documents of the value of Rs.55.87 lakhs through the bank and managed to take delivery of yarn valued at Rs.11.65 lakhs against cheques handed over to the transport contractors. All the cheques, issued by the party (August 1977 to April 1978) were, on presentation, dishonoured. In addition, the bank, levied Rs.1.94 lakhs on account of bank charges and interest up to March 1979 due to non-retirement/delayed retirement of the documents.

The undelivered yarn valued at Rs.15.66 lakhs was disposed of by the Company at a loss of Rs.1.79 lakhs which (in terms of clause 9 of the agreement) was recoverable from the dealer.

Further, an amount of Rs.1.75 lakhs was recoverable from the dealer on account of sales tax in respect of the consignments taken delivery of by him.

The Management stated (June 1980) that 5 first information reports had been lodged with the Police against the dealer and transport contractors and two transport contractors had deposited Rs.1.07 lakhs. It was also stated that four petitions had been filed (May 1980) in the Court of Civil Judge, Kanpur, against the dealer and the transport contractors covering the losses amounting to Rs.12.37 lakhs and interest thereon.

The matter was reported to Government in May 1980 ; reply is awaited (March 1981).

UTTAR PRADESH STATE SPINNING MILLS COMPANY (NO. I) LIMITED

4.08. *Loss on sale of yarn*

In March 1978 the Uttar Pradesh Spinning Mills Company (No. I)Limited despatched 120 bales of cotton yarn in three consignments of 40 bales (7264 kgs ; value : Rs.2.61 lakhs) each from its factory at Rae Bareli to a firm of Calcutta for export to Bangladesh.

The firm took delivery of only one consignment (40 bales) and refused to take delivery of the other two consignments due to inferior quality and its having been rejected by the Textile Committee, Calcutta. The 80 bales lying with the transporters got damaged in the floods (September 1978). While assessing the extent of loss/damage, 40 bales were found by the Company to be in good condition and were disposed of at Calcutta at a lower rate resulting in a short recovery of Rs.0.45 lakh. While the firm agreed to bear 50 *per cent* of the loss (March 1980) the amount had not been recovered so far (September 1981). Five bales (Rs.0.33 lakh) were found short with the transporters, the claim for which was reported to have been lodged with the insurance company but the amount had not yet been realised (December 1980). The balance of 35 bales (value : Rs.2.28 lakhs) which were badly damaged were transported back to the factory and were lying at the factory undisposed of (September 1981).

The Management/Government stated (July/November 1980) that the claims lodged by the Company were being pursued and were likely to be finalised shortly and that such incidents were a regular feature of the trade.

UTTAR PRADESH INSTRUMENTS LIMITED

4.09. *Non-payment of principal and interest*

Pursuant to the State Government decision to transfer the Government Precision Instruments Factory, Lucknow (GPIF) to the Company (with effect rom 1st March, 1975) at the net written down value the amount of Rs.32.41 lakhs which was to have been paid by the Company within 12 months from the date of transfer had not been paid so far (March 1981).

According to the terms of transfer the value of inventory and stock (transferred at book value) was to be treated as a loan carrying interest at 8.5 *per cent* per annum repayable within 5 years. The exact value of the inventories had yet to be settled between Government and the Company (March 1981).

While the Company had treated Rs.93.40 lakhs (including the value of fixed assets : Rs.32.41 lakhs) as an unsecured loan from Government (as the purchase consideration) no instalments had been repaid so far. The amount of interest due to Government was assessed at Rs.26.79 lakhs (March 1980) after adjusting Rs.2.50 lakhs paid in March 1976.

The Management stated (August 1980) that the State Government had been requested (April 1979) for waiver of interest on the value of inventories and for repayment of the amount in instalments spread over a period of 5 years after an adequate moratorium period. The decision of the Government was still awaited (March 1981).

The matter was reported to Government in May 1980 ; reply is awaited (March 1981).

4.10. *Manufacture of speedometers*

In May 1975 the Company resolved to establish facilities for the manufacture of 100,000 speedometers per annum for scooters at its works at Lucknow. To finance this scheme as well as to manufacture magnetos and other products, the Company got a loan of Rs.10 lakhs sanctioned from the Uttar Pradesh Financial Corporation (November 1977) against which an amount of Rs.7.16 lakhs was drawn (November 1978).

The Company engaged a firm of Bangalore (May 1975) for the supply of technical know-how and initial supplies of components. Against Rs.3 lakhs payable to the firm on account of consultancy charges, etc. Rs.1.75 lakhs had been paid up to August 1980.

The Company had incurred an expenditure of Rs.1.34 lakhs on the purchase of machines and equipment during 1975-76 to 1978-79.

During the period 1975-76 to 1979-80 the Company had manufactured only 2,801 speedometers at a total cost of Rs.3.51 lakhs (excluding interest on loan and commitment charges) and realised Rs.1.08 lakhs on their sale to Scooters India Limited, Lucknow, thereby incurring a loss of Rs.2.43 lakhs.

The Management stated (August 1980) that the production of speedometers was seriously affected as the technical collaborators did not co-operate due to non-payment of the outstanding balance of consultancy and technical know-how charges.

The matter was reported to Government in May 1980 ; reply is awaited (March 1981).

4.11. *Employees' provident fund*

In accordance with the provisions of the Company's Provident Fund Rules the Company is required to pay to the Board of Trustees both employer's and employees' share of contribution not later than 15 days of the close of every month, failing which the Company has to pay interest at the rates specified in the rules. The Company, however failed to deposit the contributions within the prescribed time limit and made itself liable to pay Rs.5.58 lakhs towards interest (at rates ranging from 2 to 80 *per cent*) for the period March 1975 to February 1980.

The Management stated (August 1980) that the Company continued to suffer losses and its financial problems could not be solved. The payments of Provident Fund contributions were thus delayed for periods ranging from 1 to 6 months.

The matter was reported to Government in May 1980 ; reply is awaited (March 1981).

4.12. *Under-realisation of sales tax*

The Company, on the basis of its own assessment, deposited Rs.2.40 lakhs and Rs.1.58 lakhs as Central and State sales tax respectively realised from the customers for 1975-76. The sales tax authorities, however, assessed the Company for higher amounts and the Company had to pay Rs.0.24 lakh (1978—80) towards additional sales tax (including Rs.0.11 lakh towards interest charges at 2 *per cent* per month).

The Government/Management stated (September/August 1980) that this happened due to staff being new and not fully conversant with the chargeable rates of sales tax, and that action to realise the additional sales tax from customers had since been initiated.

UTTAR PRADESH STATE CEMENT CORPORATION LIMITED

4.13. *Loss in disposal of cylpebs/new gunny bags*

With a stock of 48 tonnes of cylpebs (a grinding medium) as on 1st April 1972 at the Dalla factory the Company purchased 120 tonnes (Rs.2.23 lakhs) of cylpebs during 1972-73 (70 tonnes : Rs.1.17 lakhs) and 1974-75 (50 tonnes : Rs.1.06 lakhs). The issues (from stock) to the mill amounted to 26 tonnes in 1972-73 and 38 tonnes in 1975-76 : there were no issues in 1973-74 and 1974-75.

6.646 tonnes of cylpebs (value : Rs.0.12 lakh) found short on physical verification (January 1977) were charged to production in 1976-77. The balance quantity (97 tonnes) was declared (March 1977) surplus as its utilisation would lead to heavy consumption of electric power and reduce the out put of the mills. Out of the quantity declared surplus, 94 tonnes were disposed of (May to October 1977) to a firm of New Delhi at Rs.1000 per tonne against the average book value of Rs.1820 per tonne, resulting in a loss of Rs.0.77 lakh. The remaining cylpebs were consumed during 1977-78.

The Management stated (March 1981) that keeping in view the inventory carrying cost, its disposal below book value was in the larger interest of the Company and that the loss in disposal was written off in November 1978.

The matter was reported to Government in September 1980 ; reply is awaited (May 1981).

UTTAR PRADESH STATE AGRO INDUSTRIAL CORPORATION LIMITED

4.14. *Unusable stock*

In April 1977 the Company decided a programme for the production of 9000 tonnes of cattle feed during 1977-78 by installing a new automatic plant at Lucknow and proceeded to procure the requisite raw materials (May 1977) at a cost of Rs.7.50 lakhs. The plant was, however, not installed and at the end of 1977-78, the Company held stocks of raw materials (grain products) valued at Rs.2.71 lakhs at the Balanced Livestock Feed Factory, Lucknow.

Samples were got tested by Pant Nagar University which reported that the materials were sub-standard or not fit for making standard livestock ration and the Company decided (April 1979) to write off the loss. The Management stated (January 1980) that raw materials were mostly purchased in 1977-78 for increased production of cattle feed which did not materialise as the automatic plant was not installed.

In November 1980 Government stated that to save the Company from a huge loss, the materials were sorted out and materials worth Rs.1.43 lakhs were used in production. It was further stated that materials of the value of Rs.0.06 lakh were found short during physical verification (March 1979) and the balance (Rs.1.22 lakhs) was held in stock for disposal/write off.

4.15. *Extraction of mentha oil*

In 1977-78 the Company set up (as a developmental activity) a mentha grass processing unit for extraction of oil. A mentha oil extraction plant capable of producing 14 kg of mentha oil per day (single shift) was set up (June 1977) at a cost of Rs. 1.13 lakhs. No soil tests were, however, conducted before the acquisition of land or setting up the oil extraction plant. Mentha grass was grown over an area of 12 acres and 33.45 quintals of grass were produced during the years 1976-77 and 1977-78. Thereafter the soil was tested (1977) and found to be unsuitable for growing mentha grass. The extraction of mentha oil amounted to 155 kg in

1977-78 and 198 kg in 1978-79 and the oil was sold for Rs.0.17 lakh each year. No oil was extracted during 1979-80. The Management stated that this was due to non-availability of grass from the farm or from local farmers. The plant (depreciated value : Rs.0.76 lakh) was lying unutilised since April 1979.

The Company had not maintained separate details of the expenditure incurred on the scheme. The loss during 1977-78 and 1978-79 was, however, estimated by the Management at Rs.0.42 lakh with a recurring loss of Rs.32,000 per annum on account of depreciation of plant and machinery and building, pay and allowances of staff, electricity and maintenance expenses, etc.

The Management stated (January 1980) that the disposal of the plant was under its active consideration.

4.16. *Unsold stock*

In paragraph 2.08 B (*d*) of the Audit Report (Commercial) for 1976-77 mention was made of the working of the Company's Talkatora Workshop. To provide durable and standard agricultural implements the Company had manufactured 33 threshers in 1971-72 out of which only 1 thresher could be sold (February 1972) and the remaining 32 threshers were lying unsold (March 1981).

The manufacture of threshers without assessing the market or demand for them had resulted in blocking of funds to the extent of Rs.0.80 lakh (32 threshers) for the last 9 years.

The matter was reported to the Company/Government in May/September 1980 ; replies are awaited (March 1981).

KUMAON MANDAL VIKAS NIGAM LIMITED

4.17. *Construction of ropeways*

In May 1978, Government decided that the Company should take up the construction of only such ropeways as would be economically viable. Consequently, the construction of Bona — Seraghat and Hartola — Ramghat ropeways, (which were taken up by the Company in November 1976 without considering their economic viability), was stopped (December 1978) resulting in an infructuous expenditure of Rs.1.87 lakhs (Bona — Seraghat ropeway : Rs.1.23 lakhs ; Hartola — Ramghat ropeway : Rs.0.64 lakh) on the survey and design of the two ropeways.

Government stated (February 1981) that the survey and design work already done could be made use of in future.

4.18. *Sale of apples*

The agreement entered into with an individual of Lucknow (October 1973) who was appointed as a wholesale distributor for apples (for Lucknow and suburbs) provided that he would pay 60 *per cent* of the price within 15 days of the receipt of the bill and the balance within 2 months. Interest at 10 *per cent* per annum was recoverable on delayed payments. The distributor had given a security deposit of Rs.0.15 lakh (September 1973) to the Company.

The Company continued to send consignments (total value: Rs.0.49 lakh) of apples to the distributor (up to January 1974) without ensuring 60 *per cent* payment which resulted in accumulation of dues amounting to Rs.0.41 lakh against the distributor. A civil suit was filed against the distributor (August 1975) for the recovery of Rs.0.31 lakh (after adjusting the security and including interest charges) which was decreed in favour of the Company (September 1976) with costs (Rs.2,888). No amount had, however, been recovered (February 1981) as the distributor had no movable or immovable property in his name. Neither had any action been taken (February 1981) against the employees concerned for continuing supplies without ensuring payments in terms of the agreement nor had the amount been written off (February 1981).

Government stated (February 1981) that as per trade practice the supply of apples to wholesale distributor was not immediately stopped due to default in payment as there was a provision for payment of interest and the commodity was perishable. It was further stated that all the concerned officials were no more in the service of the Company.

It may be stated that while defaults in payment began from 20th September 1973, the supplies were continued until 30th January 1974.

UTTAR PRADESH TYRES AND TUBES LIMITED

4.19. *Extra expenditure*

(*a*) Two orders were placed on a firm of Bombay (March 1976) for the supply of 8 mixing mills and 2 extruders for a price of Rs.22.44 lakhs. The supplies were to be completed by January and May 1977 respectively. All the machines were ready with the firm for supply (April 1977) but these were not taken delivery of by the Company in spite of a notice from the firm (December 1977) for lifting them within 2 weeks. Four mixing mills and one extruder (value: Rs.13.28 lakhs) were finally taken over during

July — October 1978 for which the firm claimed (May 1978) Rs.1.25 lakhs by way of interest and inventory charges, which were duly paid (July. 1978).

For the remaining machines (value : Rs.9.16 lakhs) received between December 1979 — March 1980 the firm claimed Rs.2.70 lakhs towards increase in prices which after negotiations (April 1979) was settled at Rs.1.60 lakhs. The incidence of extra expenditure worked out to Rs.1.83 lakhs (including excise duty and central sales tax).

The delay in taking delivery of the machines had thus resulted in an extra expenditure of Rs.3.08 lakhs. The Company attributed (November 1979) the delay to non-disbursement of term loans by the financial institutions and banks and equity contributions from the share holders.

(*b*) The Company placed an order (June 1977) on a firm of Lucknow for the supply of low/high tension cables at Rae Bareli for Rs.1.86 lakhs. The supplies were to be completed by September 1977. The Company did not accept the consignment of cables worth Rs.1.08 lakhs (supplied by the firm in September 1977) and consequently had to reimburse Rs.0.10 lakh towards freight, demurrage and wharfage charges, etc. to the supplier (October 1978).

As the cables were urgently required the Company placed a fresh order on the same firm (October 1978) involving an additional cost of Rs. 0.88 lakh.

Thus the Company incurred an extra expenditure of Rs.0.98 lakh which would have been avoided had the supplies been accepted against the earlier order. Paucity of funds (due to delay in disbursement of term loans by financial institutions) was stated by the Management (November 1979) to be the reason for not lifting the consignment.

(*c*) The company placed orders on 3 firms during February—October 1977 (value : Rs.7.64 lakhs) for the supply of air compressors (with accessories), water chilling unit (including cooling towers) and 3 roll calenders (including single let off, cooling drums, etc.) .

Due to delay in project implementation the Company either asked for postponement of the supplies or failed to make advance payments (as per the orders) or to furnish the requisite certificate from the Excise Department. In the meantime the firms increased the prices resulting in an additional expenditure of Rs. 0.44 lakh.

The Management stated (March 1981) that due to non-receipt of timely disbursement of term loans from financial institutions/ bank and contribution towards equity from the promotor companies, the consignments could not be released in time.

These cases were reported to Government in May 1980; replies are awaited (March 1981).

THE INDIAN TURPENTINE AND ROSIN COMPANY LIMITED

4.20. *Non-realisation of central sales tax*

The Company exported its products of the aggregate value of Rs. 21.66 lakhs (1974-75) through the State Trading Corporation of India (STC) without charging sales tax on such sales. The Sales Tax authorities, assessed the Company for sales tax (February 1979) on the goods at 10 *per cent* (Rs. 2.16 lakhs) which was paid by the Company in March 1979. The Company's plea for assessment at the concessional rate of 3 *per cent*, applicable to export sales, was not accepted by the Sales Tax authorities as the movement of goods was under contracts with STC and not with the foreign firms.

The Management stated (September 1980) that the Sales Tax authorities had levied sales tax merely on technical grounds, and that an appeal had been filed (April 1979) with the Sales Tax Commissioner (Appeals).

The matter was reported to Government in November 1979; reply is awaited (March 1981).

UTTAR PRADESH BUNDELKHAND VIKAS NIGAM LIMITED

4.21. *Irregularities in cash/stores*

A workcharged Supervisor whose resignation was accepted (April 1976) after he was found responsible for a shortage of *gitti* was later appointed as a regular Supervisor (January 1977) without keeping in view his past conduct while in the service of the Company and soon thereafter was promoted as an Assistant Manager (March 1977). During the period from January 1977 to April 1979 the following irregularities were noticed in the charge held by him:

	(Rupees in lakhs)
Shortage of *gitti* and soling material	0.51
Unauthorised advances to staff (incuding Rs. 2223 to self)	0.19
Unauthorised sale (on credit)	0.08
Non-accountal (Rs. 432) and double payment (Rs.200)	0.01
	0.79

His services were terminated in May 1979 and a first information report was lodged in June 1979 with the Police. The final report of the Police was awaited (March 1981).

The Management stated (March 1981) that all the records concerned with the case were with the Criminal Investigation Department (CID) and that figures and facts would be confirmed only on receipt of the report from CID.

The matter was reported to Government in September 1980; reply is awaited (March 1981).

GARHWAL MANDAL VIKAS NIGAM LIMITED

4.22. *Loss in marketing of potato*

The Company took up the marketing of potatoes during 1979-80 with a view to develop the local economy. The company purchased 1636 bags (1350 quintals) of potatoes from Harsil area, Uttar Kashi (January/February 1980) and transported them to Rishikesh, Dehra Dun and Delhi. 129 bags of potatoes got damaged due to snowfall/road blockade and 173 bags were found short at the marketing centres. The Company had incurred an expenditure of Rs.1.16 lakhs on the purchase (Rs. 0.51 lakh), packing (Rs. 0.04 lakh), transport (Rs.0.48 lakh) and sale (Rs.0.13 lakh) of the potatoes. 1334 bags of potatoes were sold for Rs.0.41 lakh, resulting in a loss of Rs.0.75 lakh. The Company received a subsidy of Rs.0.48 lakh from Government and incurred a net loss of Rs.0.27 lakh in the transaction.

Government stated (June 1981) that main reason for the loss was that the work was taken as a promotional activity.

TRANSCABLES LIMITED

4.23. *Payment for supplies not received*

In June 1979, a representative of a firm of Pune offered to supply 21 tonnes of aluminium rods at a rate of Rs.10,850 (including a commission of Rs.500) per tonne which was below the market price. The purchase was approved by the Chairman on 4th July 1979.

The Quality Control Officer and an Accounts Officer of the Company were deputed to Pune with instructions to make payment to the firm by bank draft only after the material was tested, delivered and loaded in a truck for despatch to the Company. The firm's representative, however, obtained the bank draft of Rs.217350 from the Accounts Officer at Pune (11th July 1979) before delivery/inspection and despatch of the material. Thereafter, the whereabouts of the representative could not be traced. The bank draft (in the name of the firm) was encashed on 11th July 1979. The first information report was lodged with Pune Police on 12th July 1979. The results of investigation were awaited (March 1981). The services of the Accounts Officer were terminated in March 1980.

The Government stated (January 1981) that the Company/ Government were in contact with Maharashtra Government, neither the culprit had been arrested nor any amount recovered (March 1981).

UTTAR PRADESH PASHUDHAN UDYOG NIGAM LIMITED

4.24. *Avoidable expenditure*

The Company obtained a loan of Rs.25 lakhs from the State Government (April 1976) for a period of one year for its working capital requirements at 12.5 *per cent* interest with a rebate of 3.5 *per cent* if the loan was repaid within a year. Rupees 0.94 lakh was the value of stamp duty for the execution of the deed. In accordance with the decision of the Board of Directors (April 1976), the Company invested (1st June 1976) Rs.15 lakhs in term deposit for 13 months bearing interest at 8 *per cent* per annum. The investment matured on 4th July 1977 and Rs.15 lakhs was repaid to the State Government on 18th July 1977.

The non-utilisation of Rs.15 lakhs (out of the loan of Rs.25 lakhs) resulted in an avoidable payment of interest charges of Rs.1.12 lakhs (April 1976—July 1977) besides the proportionate amount of Rs.0.56 lakh towards stamp duty.

The matter was reported to the Management in November 1979 and to Government i May 1980 ; replies are awaited (March 1981).

CHAPTER II

STATUTORY CORPORATIONS

SECTION V

5.01. *Introduction*

There were 4 Statutory Corporations as on 31st March 1980:

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

The accounts of Uttar Pradesh State Road Transport Corporation for the years 1977-78 to 1979-80 were in arrears (November 1981).

The position of arrears in the finalisation of accounts was last brought to the notice of Government in June 1980. A synoptic statement showing the summarised financial results of the Corporations based on the latest available accounts is given in Appendix 'B'.

5.02. *Uttar Pradesh State Electricity Board*

The working results and operational performance of the Uttar Pradesh State Electricity Board have been reviewed in Section VI of this Report.

5.03. *Uttar Pradesh Financial Corporation*

The working results and operational performance of the Uttar Pradesh Financial Corporation have been reviewed in Section XI of this Report.

5.04. *Uttar Pradesh State Warehousing Corporation*

5.04.01. *Introduction*

The Uttar Pradesh State Warehousing Corporation was established in March 1958 under Section 28 (1) of the Agricultural Produce (Development) and Warehousing Act, 1956, replaced by the Warehousing Corporations Act, 1962.

5.04.02. *Paid-up capital*

The paid-up capital of the State Warehousing Corporation as on 31st March 1980 was Rs.282.50 lakhs (State Government : Rs.141.25 lakhs ; Central Warehousing Corporation : Rs.141.25 lakhs) against the paid-up capital of Rs.242.50 lakhs (State Government : Rs.141.25 lakhs ; Central Warehousing Corporation : Rs.101.25 lakhs) as on 31st March 1979.

5.04.03. *Borrowings*

The Corporation has obtained loans for construction of godowns from the State Bank of India bearing interest at 11 *per cent* per annum. The loans are repayable in 27 half-yearly instalments, the first instalment being payable after 2 years of the drawal of the loan. As on 31st March 1980 a loan of Rs.1,025 lakhs was outstanding.

5.04.04. *Guarantees*

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

Particulars	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1980		
			Principal	Interest	Total
		(Rupees in lakhs)			
Loan from State Bank of India 1025.00	1977-78	350.00	325.00	27.48	352.48

5.04.05. *Financial position*

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Liabilities			
(*a*) Paid-up capital	202.50	242.50	282.50
(*b*) Reserves and surplus	503.85	636.28	724.50
(*c*) Borrowings	368.36	1025.75	1025.00
(*d*) Trade dues and other current liabilities	140.18	136.63	261.81
Total	1214.89	2041.16	2293.81

	1977-78	1978-79	1979-80
Assets		(Rupees in lakhs)	
(*a*) Gross block	651.71	1222.71	1554.54
(*b*) Less : Depreciation	25.64	58.55	124.37
(*c*) Net fixed assets	626.07	1164.16	1430.17
(*d*) Capital works-in-progress	207.47	416.41	..
(*e*) Current assets, loans and advances	381.35	460.59	857.37
(*f*) Deferred Revenue expenditure	..	..	6.27
Total	1214.89	2041.16	2293.81
Capital employed	858.83	1479.88	2025.73
Capital invested	1048.16	1896.41	2023.90

NOTE:—Capital employed represents the net fixed assets *plus* working capital.

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

5.04.06. *Working results*

The following table gives the details of the working results of the Corporation for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
1. *Income*			
(i) Warehousing charges	461.22	481.93	489.61
(ii) Other income	10.72	11.83	12.50
Total	471.94	493.76	502.11
2. *Expenses*			
(i) Establishment charges	96.15	110.72	133.23
(ii) Interest	9.79	43.88	79.74
(iii) Other expenses	177.57	190.69	176.01
Total	283.51	345.29	388.98

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
3. Profit before tax	188.43	148.47	113.13
4. Provision for tax	..	..	..
5. Other appropriations	175.40	132.50	90.31
6. Amount available for dividend	13.09	16.20	22.84
7. Dividend paid	13.00	16.20	22.60
8. Total return on capital employed	198.22	192.35	192.87
9. Total return on capital invested	198.22	192.35	192.87
10. Percentage of return on		(*Per cent*)	
(*a*) Capital employed	23.08	13.00	9.52
(*b*) Capital invested	18.91	10.14	9.53

5.04.07. *Operational performance*

The following table gives details of the storage capacity created, capacity utilised and other information about the performance of the Corporation for the three years up to 1979-80:

Particulars	1977-78	1978-79	1979-80
1. Number of stations covered	132	139	139
2. Storage capacity created up to the end of the year			
(tonnes in lakhs)			
(*a*) Owned	4.31	6.45	7.74
(*b*) Hired	9.47	8.04	6.63
Total	13.78	14.49	14.37
3. Average capacity utilised during the year (tonnes in lakhs)	13.80	14.61	14.43
4. Percentage of utilisation	100.1	100.8	100.4
5. Average revenue per tonne per year (Rs.)	34.20	33.80	34.80
6. Average expenses per tonne per year (Rs.)	20.54	23.63	26.96

5.05. *Uttar Pradesh State Road Transport Corporation*

The working results and operational performance of the Uttar Pradesh State Road Transport Corporation have been reviewed in Section XII of this Report.

SECTION VI

UTTAR PRADESH STATE ELECTRICITY BOARD

6.01. *Introduction*

The Uttar Pradesh State Electricity Board was established on 1st April 1959 under Section 5 (1) of the Electricity (Supply) Act, 1948.

6.02. *Capital*

The capital requirements of the Board are provided in the form of loans from the Government, the public, the banks and othter financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs.2138.51 crores at the end of March 1980 and represented an increase of Rs. 235.14 crores *i.e.*, Rs.12.4 *per cent* on the aggregate of long-term loans of Rs.1903.37 crores as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to March 1980 were as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	1979	1980	
	(Rupees in crores)		
State Government	1600.29	1759.24	9.9
Other sources	303.08	379.27	25.1
Total	1903.37	2138.51	12.4

6.03. *Guarantees*

Government have guaranteed the repayment of loans raised by the Board to the extent of Rs.362.28 crores and payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1980 was Rs. 243.89 crores.

6.04. *Financial position*

The financial position of the Board at the close of the 3 years up to March 1980 is given in the following table :

	1977-78	1978-79	1979-80
	(Rupees in crores)		
Liabilities			
Loans from Government	1420.21	1600.29	1759.24
Other long-term loans (including bonds)	260.92	303.08	379.27
Reserves and surplus	68.03	80.38	89.49
Current liabilities	161.10	175.40	324.46
Total	1910.26	2159.15	2552.46
Assets			
Gross fixed assets	1140.18	1238.65	1281.57
Less : Depreciation	164.17	198.04	198.29
Net fixed assets	976.01	1040.61	1083.28
Capital works-in-progress	515.35	666.22	831.77
Current assets	259.29	285.06	487.19
Miscellaneous expenditure not yet written off	6.58	7.80	8.26
Accumulated losses	153.03	159.46	141.96
Total	1910.26	2159.15	2552.46
Capital employed*	1074.20	1150.27	1246.01
Capital invested†	1749.16	1983.75	2228.00

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

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

6.05. *Working results*

The working results of the Board for the 3 years up to March 1980 are summarised below :

	1977-78	1978-79	1979-80
		(Rupees in crores)	
Revenue receipts	176.27	224.82	256.70
Subsidy from State Government	..	..	101.00
Total	176.27	224.82	357.70
Revenue Expenditure	172.90	208.38	215.48
Gross surplus for the year	3.37	16.44	142.22
Appropriations			
General reserves	4.61	..	..
Interest on			
—Government loans	0.56	..	95.91
—Other loans	20.67	21.91	27.71
Write off of intangible assets	0.67	0.96	1.10
	26.51	22.87	124.72
Net surplus (+)/deficit(—)	(—)23.14	(—)6.43	(+) 17.50
Total return on capital employed	(—)1.91	(+)15.48	(+)141.12
Total return on capital invested	(—)1.91	(+)15.48	(+)141.12
		(*Per cent*)	
Rate of return on			
—Capital employed	..	1.35	11.33
—Capital invested	..	0.78	6.33

As on 31st March 1980, the Board had a cumulative contingent liability of Rs. 370.96 crores as detailed below :

	For the year 1979-80	Cumulative as on 31st March 1980
	(Rupees in crores)	
Interest on Government loans	51.17*	334.17
Depreciation	36.79	36.79
Total	87.96	370.96

*Includes Rs.49.33 crores being interest on works-in-progress for the years 1959-60 to 1973,74 not shown as contingent liability in respective years.

6.06. *Operational performance*

The following table indicates the operational performance of the Board for the 3 years up to 31st March 1980:

Particulars	1977-78	1978-79	1979-80
Installed capacity (MW)			
—Thermal	1666.50	1981.10	2173.10
—Hydel	1068.35	1068.35	1068.35
—Others	12.50	12.50	12.50
Total	2747.35	3061.95	3253.95
Normal maximum demand (MW)	2730	2000	2571
Power generated		(Mkwh)	
—Thermal	6114.286	6441.701	6854.305
—Hydel	3174.975	3682.547	3265.797
—Others	*	5.744	3.729
Total	9289.261	10129.992	10123.831
Less : Auxiliary consumption (Mkwh)	678.044	760.912	804.752
Net power generated	8611.217	9369.080	9319.079
Power purchased	118.094	482.482	404.385
Total power available for sale	8729.311	9851.562	9723.464
Power sold—			
—Sold and billed	6919.320	7915.659	7869.089
—Sold but not billed	57.590	93.437	13.402
—Power supplied free	17.961	18.254	12.868
Total	6994.871	8027.350	7895.359
Transmission and distribution losses	1734.440	1824.212	1828.
		(*Per cent*)	
Load factor	29.0	29.9	27.6
Percentage of transmission and distribution losses	19.9	18.5	18.
Number of units generated per KW of installed capacity	3381	3308	3111

*Included in thermal.

6.07. The following table gives other details about the working of the Board as at the end of the 3 years up to 31st March 1980:

Particulars	1977-78	1978-79	1979-80
Villages/towns electrified (numbers)	1928	1272	2262
Pump-sets/wells energised (numbers)	30762	25587	37413
Number of sub-stations	119	132	142
Transmission/distribution lines (Kms)			
—High voltage	12029	12876	14453
—Medium voltage	125520	129182	*
—Low voltage	85615	92372	*
Total	223164	234430	
Connected load (MW)	4310.209†	4537.155†	4932.856†
Number of consumers	1823059	1923947	2081945
Number of employees	*	93000	*

6.08. The following table gives the details of power sold, revenue, expenses and profit per Kwh sold during the 3 years up to 1979-80:

Unit sold (Mkwh)	1977-78	1978-79	1979-80
Agriculture	2045.719	2401.106	2529.226
Industrial	3433.645	3958.022	3515.119
Commercial	82.408	75.055	61.274
Domestic	683.836	807.361	963.835
Others	691.673	692.369	812.503
Total	6937.281	7933.913	7881.957
Revenue per Kwh (paise)	25.41	28.33	45.38
Expenditure per Kwh (paise)††	24.92	26.26	32.01
Profit per Kwh (paise)	0.49	2.07	13.37

*Figures not available with the Board.

†Includes 0.25 MW load of Hindalco met through their captive generation.

††Worked out after taking into account the total depreciation but excluding interest on loans.

SECTION VII

RURAL ELECTRIFICATION PROGRAMME IN UTTAR PRADESH

7.01. Mention was made in paragraph 13 of Section II of the Audit Report (Commercial) for the year 1973-74 of the progress in rural electrification in the State up to 1973-74. Further progress is dealt with in the succeeding paragraphs.

7.02. The Board had incurred a total expenditure of Rs. 288.90 crores on its rural electrification programmes up to 1979-80. The expenditure incurred, villages electrified, pumps energised, etc. during the 3 years up to 1979-80 are indicated below:

	1977-78	1978-79	1979-80
Expenditure incurred (Rupees in crores)	24.39	24.85	33.01
Total number of villages in the State	112561	112561	112561
Number of villages electrified :			
—During the year	1928	1272	2262
—To the end of the year	35026	36298	38560
Percentage of villages electrified	31.1	32.2	34.3
Harijan Bastis electrified :			
—During the year	1991	1457	1505
—To the end of the year	10996	12453	13948
Number of tubewells/pump-sets energised :			
—During the year	25725	25573	37305
—To the end of the year	293603	319176	356481
Average number of tube-wells/pump-sets energised per electrified village	8	9	9
Total sale of power within the State (in Mkwh)	6937.281	7933.913	7881.957
Consumption of power for agricultural purpose (in Mkwh)	2045.719	2401.106	2529.226
Percentage of agriculture power consumption	29.5	30.3	32.1

7.03. *Financing of the programme*

The programme of rural electrification is being carried out by the Board as Plan works under different schemes, *viz.* State (normal), Rural Electrification Corporation (REC) Limited (normal) and REC—Minimum Need Programme (MNP). The funds are provided by the State Government, the REC, the Agricultural Refinance and Development Corporation (ARDC) and the Land Development Bank (LDB). The funds received for the purpose from various sources during the 3 years up to 1979-80 are detailed below :

Particulars	1977-78 Amount	1977-78 Percentage	1978-79 Amount	1978-79 Percentage	1979-80 Amount	1979-80 Percentage
			(Rupees in crores)			
State Government	16.35	67.0	2.08	8.3	10.11	30.6
REC	6.48	26.6	14.08	56.7	16.67	50.5
ARDC and LDB	1.56	6.4	8.69	35.0	6.23	18.9
Total	24.39		24.85		33.01	

7.04. *Formulation of schemes*

Except for the schemes for electrification of harijan bastis (sanctioned on *ad hoc* basis), all other schemes were taken up on the basis of their financial viability, to secure a net return of 3.5 *per cent* on the investment (after meeting depreciation, interest and operational and maintenance expenses) after 15—25 years of their implementation.

7.05. *Schemes financed by REC*

REC advances loans (against State Government guarantee) for such economically viable schemes as would yield a return of 3.5 *per cent* after a prescribed period, *viz.* 15 years for ordinary advanced areas, 20 years for ordinary backward areas and 25 years for specially under-developed areas.

The loans are released in 3 – 5 instalments (to cover the period of implementation) and are repayable in specified number of annual instalments, with interest varying from 6.25 to 9.5 *per cent* per annum depending upon the expected yield. The first instalment of loan is released on completion of necessary legal formalities of documentation and other preliminary arrangements.

The second, third and subsequent instalments are released according to the physical progress of the implementation of schemes and utilisation of instalments already released.

The table below indicates the details of amounts sanctioned by REC, and the actual expenditure incurred by the Board up to 1979-80 :

Year of sanction	Number of schemes sanctioned	Estimated cost/loans sanctioned	Loans drawn	Actual expenditure	Percentage of utilisation (Progressive)
		(Rupees in crores)			
Up to					
1976-77	141	78.16	37.85	15.77	42
1977-78	17	9.26	5.48	13.07	65
1978-79	40	21.14	14.08	1.16	51
1979-80	68	23.59	16.67	4.71	46
Total	266	132.15	75.08	34.71	

It would be seen that as against Rs.132.15 crores sanctioned, only Rs.75.08 crores (56.9 *per cent)* were drawn. The short-drawal of Rs.57.07 crores was attributed by the Board (October 1978) to poor progress of the schemes. The REC observed (March 1979) that the short-drawal was due to under-reporting to it of the progress of works executed. According to the Additional Chief Engineer, RESPO this was due to improper maintenance of records in the field.

The shortfall in utilisation of amounts drawn was stated by the Board (October 1978) to be due to diversion of funds to other than REC schemes and lack of enthusiasm amongst the prospective consumers. As against 266 schemes sanctioned (cost : Rs.132.15 crores) up to 1979-80, only 176 schemes (cost : Rs.73.25 crores) representing 66.1 *per cent* (cost : 55.4 *per cent*) had been undertaken up to March 1980.

7.06. *Performance of schemes*

(*a*) The achievements up to 31st March 1979 in relation to the phased targets (based on the number of instalments of loans drawn up to September 1978) as reported by REC (July 1979) are tabulated below :

Particulars	Phased target	Achievement	Percentage	All India* Percentage
Electrification of new villages (Number)	8413	5745	68.3	77.3
HT lines (kms)	20276	12471	61.5	81.2
LT lines (kms)	14785	8877	60.0	84.6
Distribution transformers (capacity in KVA)	494022	330176	66.8	84.3
Services (Number)				
Pump-sets	35198	21453	60.9	75.2
Small industries	11993	1552	12.9	55.6
Domestic/commercial	144749	29985	20.7	61.2
Street lights	43908	7555	17.2	72.3
Total	235848	60545	25.7	65.3

It will be seen that while the percentage achievement for distribution transformers was 66.8 *per cent* and 60–61.5 *per cent* for HT/LT lines, the overall achievement for services was only 25.7 *per cent*.

The physical targets of sanctioned schemes and the actual achievements up to 1979-80 are indicated below :

	Target	Achievement	Percentage of achievement
Electrification of villages (Number)	22446	7563	33.7
HT lines (kms)	35486	13769	38.8
LT lines (kms)	82492	10835	13.1
Number of sub-stations	42929	12335	28.7
Energisation of private tubewells/pump-sets (Numbers)	87264	26556	30.4
Small industrial connections (Numbers)	25931	3246	12.5
Domestic connections (Numbers)	422939	40219	9.5
Street lights (Numbers)	107885	8434	7.8

*Source— 10th Annual Report 1978-79—Rural Electrification Corporation Limited.

(*b*) The year-wise programme and actual electrification of villages and energisation of tubewells/pump-sets during the 3 years up to 1979-80 were as under :

Year	Villages Target	Villages Achievement	Percentage of achievement	Tubewells/ Pump-sets Target	Tubewells/ Pump-sets Achievement	Percentage of achievement
1977-78	2000	1600	80.0	6400	4386	68.5
1978-79	1820	1020	56.0	6800	4974	73.1
1979-80	2665	1691	63.4	13600	6967	51.2

As on 31st December 1980 there were 18,242 applicants who had completed the formalities and were awaiting energisation of their tubewells.

(*c*) The table below indicates the progress of expenditure up to 1979-80 in respect of 39 out of 95 sanctioned schemes up to 1974-75 where the scheduled period of execution (3 years) had already expired :

Year of sanction	Number of schemes	Amount of loans	Loans drawn	Short-fall	Percentage of shortfall	Actual expenditure
				(Rupees in lakhs)		
1970-71	4	217.15	172.01	45.14	20.8	144.92
1971-72	5	398.61	307.87	90.74	22.8	308.45
1972-73	14	804.45	581.03	223.42	27.8	524.51
1973-74	13	689.53	289.69	399.84	58.2	252.17
1974-75	3	155.84	84.32	71.52	45.9	51.83
Total	39	2265.58	1434.92	830.66		1281.88

It would be seen that the total shortfall amounted to Rs.830.66 lakhs (36.6 *per cent*). These funds could not be drawn because of non-achievement of the physical targets within the scheduled period. Similarly there was a shortfall of Rs.153.04 lakhs in the utilisation of the loans drawn. To illustrate : for the Kanpur II scheme sanctioned in 1973-74 for Rs.46.07 lakhs, REC had advanced Rs.24.22 lakhs as the first instalment (1975) against which only Rs.9.44 lakhs could be utilised up to March 1980. Against the target of 67 villages and 563 tubewells, 7 villages were electrified and 4 tubewells energised under this scheme.

(*d*) The targets and achievements of the 39 schemes up to 1979-80 are analysed below :

Year of sanction	Villages electrified			Energisation of pump-sets			Other connections (domestic, industrial and street lights)		
	Target	Actuals	Per-centage	Target	Actuals	Per-centage	Target	Actuals	Per-centage
1970-71	417	354	84.9	2,964	829	28.0	14,490	2,233	15.4
1971-72	814	572	70.3	5,942	474	8.0	20,723	1,980	9.6
1972-73	1,846	1,201	65.1	5,494	838	15.3	54,740	11,690	21.4
1973-74	1,248	477	38.2	6,234	364	5.8	44,947	4,606	10.2
1974-75	333	141	42.3	2,230	107	4.8	9,753	509	5.2
Total	4,658	2,745	58.6	22,834	2,612	11.4	1,44,653	21,018	14.5

In this connection the following points were noticed :

(i) While the total expenditure incurred was 57 *per cent* of the loans sanctioned for the schemes, the targets for energisation of pumpsets and other connections had been achieved to the extent of only 11.4 — 14.5 *per cent*.

(ii) 1295 villages (13 schemes) electrified at a cost of Rs.597.40 lakhs had only 573 pump-sets and small industrial connections, yielding an average of 0.44 per village.

1450 villages (26 schemes) electrified at a cost of Rs.684.48 lakhs had 2942 tubewells and small industrial connections yielding an average of 2.03. Of these, 130 villages (6 disrricts) electrified at a cost of Rs.39.07 lakhs during 1975-76 to 1979-80 no connection whatsoever could be provided (March 1980) as there was no demand.

(iii) Against the estimated cost of Rs.77.29 lakhs for Nainital II A scheme (sanctioned in February 1972) the Board incurred an expenditure of Rs.122.97 lakhs — an excess of Rs.45.68 lakhs (59.1 *per cent*). However, against the target of 109 tubewells and 5102 other connections only 22 tubewells and 832 other connections could be provided. Because of rocky soil limiting the scope for further extension of tubewell connections, in November 1979 the Board decided to close the scheme ; the scheme has, however, not been closed so far (March 1981).

(iv) The Mainpuri I scheme was sanctioned (January 1974) for Rs.42.60 lakhs for the electrification of 60 villages ; only 15 villages were, however, electrified at a cost of Rs.12.84 lakhs and against the target of 500 tubewells and 120 industrial connections only 29 tubewells were energised and 5 industrial connections provided. REC observed (November 1977) that most of the villages comprised *usar* land with little demand for tubewell connections.

In the Kheri I scheme sanctioned in September 1972 for Rs.54.34 lakhs the slow progress of connections was stated by REC (November 1977) to be due to new canal network and huge length of HT line constructed without adequate network of sub-stations in the area. Against the target of electrification of 94 villages and energisation of 500 tubewells, the Board had, up to March 1980, electrified 6 villages and energised 11 tubewells by incurring an expenditure of Rs.19.92 lakhs.

(v) In November 1977 the REC suggested that the Board should revise 38 schemes (including 25 out of 39 schemes referred to earlier) which were not making much progress. In November 1979, the Additional Chief Engineer (RESPO) asked the Zonal Chief Engineers to complete the necessary formalities for the closure/revision of the schemes. However, the schemes had neither been closed nor revised (March 1981). As a result, the Board was unable to draw the balance of Rs.797.02 lakhs against the sanctioned loans for these schemes (January 1981).

7.07. *Non-execution of schemes*

Out of 130 schemes sanctioned during 1974-75 to 1978-79, in respect of 25 schemes sanctioned for Rs.1359.02 lakhs either the work had not commenced or the actual progress up to 31st March 1980 was negligible. REC had advanced Rs.545.16 lakhs as the first loan instalment for these schemes against which the actual utilisation amounted to only Rs.19.33 lakhs (3.5 *per cent*) as per details given below :

Particulars	1974-75	1975-76	1977-78	1978-79	Total
			(Rupees in lakhs)		
Number of schemes sanctioned	3	2	7	13	25
Estimated amount	173.74	126.33	352.48	706.47	1359.02
Amount drawn	76.23	43.90	151.13	273.90	545.16
Amount spent	**11.16**	**Nil**	**6.14**	**2.03**	**19.33**

Particulars	1974-75	1975-76	1977-78	1978-79	Total
Percentage of			(Per cent)		
—Amount drawn against amount sanctioned	43.8	34.8	42.9	38.8	40.1
—Amount spent against amount drawn	14.6	Nil	4.1	0.8	3.5
Villages electrified			(Numbers)		
Target	236	297	717	1246	2496
Actual	49	4	40	67	160
Tubewells energised					
Target	1390	620	544	3455	6009
Actual	84	2	72	118	276
Percentage to targets of			(Per cent)		
—Villages electrified	20.8	1.3	5.6	5.4	6.4
—Tubewells energised	6.0	0.03	13.2	3.4	4.6

As a result the Board was unable to draw the balance of Rs.813.86 lakhs against the sanctioned loans for these schemes.

The reasons for the poor achievements and the main problems/constraints in the implementation of REC projects were analysed by REC (April 1979) as under :

(i) over-optimistic projections ;

(ii) inadequate staff and transportation facilities;

(iii) lack of co-ordination among the field officers and between the State Electricity Board and State Government departments, developmental agencies and credit institutions;

(iv) inadequate management information service ;

(v) shortage of material, power supply and diesel oil ;

(vi) backwardness of areas covered (under REC/MNP schemes), general ignorance of the rural population and lack of enthusiasm among the prospective consumers ; and

(vii) diversion of funds to non-REC works.

7.08. *Excess over estimated cost*

The expenditure incurred (Rs.449.90 lakhs) up to 31st March 1980 on the following 6 schemes had exceeded the estimated cost (Rs.373.88 lakhs) by Rs.76.02 lakhs (20.3 *per cent*):

Names of the schemes	Estimated cost/loan sanctioned	Amount drawn	Actual expenditure	Excess	Percentage of excess
	(Rupees in lakhs)				
Mirzapur I (October 1970)	58.05	58.05	62.31	4.26	7.3
Ghazipur I (March 1971)	61.04	61.04	70.28	9.24	15.1
Nainital II (A) (February 1972)	77.29*	77.29	122.97	45.68	59.1
Pauri Garhwal I (July 1972)	81.22*	78.31	89.92	8.70	10.7
Gonda I (July 1972)	41.78	41.78	42.90	1.12	2.7
Almora I (August 1972)	54.50*	54.50	61.52	7.02	12.9
Total	373.88	370.97	449.90	76.02	20.3

It would be seen from the table below that these schemes sanctioned during October 1970 – August 1972 and scheduled for completion within 3 years were yet to be completed (May 1980):

Names of the schemes	Village electrification			Private tubewells/tubewells/pump-sets energisation		
	Targets	Actuals	Percentage	Targets	Actuals	Percentage
Mirzapur I	87	44	50.6	636	434	68.2
Ghazipur I	129	64	49.6	600	1000	166.7
Nainital II (A)	215	199	92.6	109	30	27.5
Pauri Garhwal I	288	218	75.7	7	2	28.6
Gonda I	56	34	60.7	325	236	72.6
Almora I	190	120	63.2	18	3	16.7
Total	965	675	69.9	1695	1682	99.2

*Includes subsidy from Government:
Nainital II (A): Rs.20.87 lakhs
Pauri-Garhwal I : Rs.21.93 lakhs
Almora I : Rs. 14.71 lakhs

In the case of Nainital scheme the excess expenditure was due to the installation of 54 (25 KVA) transformers as against 40 provided in the scheme and execution of 30 kms of LT lines (10 villages) against the provision of 5 kms based on consumer targets.

The extra works were carried out by the Divisional Officers without obtaining the approval of the Board. The reasons for the excess expenditure in the other 5 schemes were not available (March 1981).

7.09. *Excess over the amount of loan drawn*

In respect of 6 schemes the Board had spent Rs.122.20 lakhs more (95.9 *per cent*) than the amount of loan/subsidy received from REC and the State Government respectively up to 1979-80 as shown below :

Name of the scheme and date of sanction	Sanctioned amount			Amount drawn			Actual expenditure	Excess
	REC loan	Government subsidy	Total	Loans	Subsidy	Total		
				(Rupees in lakhs)				
Chamoli I (September 1972)	19.61	47.13	66.74	16.70	7.39	24.09	45.81	21.72
Moradabad II (September 1972)	57.29	..	57.29	36.41	..	36.41	44.39	7.98
Rae Bareli III (September 1972)	57.35	..	57.35	37.29	..	37.29	41.63	4.34
Pithoragarh I (March 1973)	26.92	64.72	91.64	..	1.42	1.42	56.33	54.91
Uttar Kashi I (November 1973)	17.94	43.11	61.05	15.98	0.83	16.81	42.83	26.02
Rae Bareli IV (January 1977)	20.03	..	20.03	11.29	..	11.29	18.52	7.23
Total	199.14	154.96	354.10	117.67	9.64	127.31	249.51	122.20

The REC had sanctioned Pithoragarh I scheme (August 1973) for Rs.91.64 lakhs, to be executed with Government subsidy of Rs.64.72 lakhs and REC loan of Rs.26.92 lakhs, against which Government had released only Rs.1.42 lakhs (June 1979). As a result, while the Board had incurred an expenditure of Rs.56.33 lakhs (March 1980), REC had not released the loan of Rs.26.92 lakhs. Chamoli I scheme was sanctioned by the REC

(September 1972) for Rs.66.74 lakhs to be executed with Government subsidy of Rs.47.13 lakhs and REC loan of Rs.19.61 lakhs against which Government had released only Rs.7.40 lakhs. As a result, while the Board had incurred an expenditure of Rs.45.81 lakhs (March 1981), the REC had not released the balance of Rs.2.91 lakhs. Similarly, Uttar Kashi I scheme was sanctioned by REC (November 1973) for Rs.61.05 lakhs to be executed with Government subsidy of Rs.43.11 lakhs and REC loan of Rs.17.94 lakhs against which Government had released Rs.0.83 lakh. As a result, while the Board had incurred an expenditure of Rs.42.84 lakhs (March 1980), REC had not released the balance loan of Rs.1.96 lakhs. The reasons for non-drawal of subsidy in these cases were not made available to Audit.

7.10. *Special project agriculture scheme*

The Special Project Agriculture (SPA) loan scheme was introduced by REC (February 1978) to finance projects for energisation of pump-sets for immediate production purposes in areas (high potential clusters of villages) administratively co-terminus with divisions/sub-divisions. The loan is of two categories; SPA (1) covering 8-year loans, up to Rs.30 lakhs, for projects scheduled for completion within 2 years in areas having the basic infrastructure lines and ready demand and requiring only small extensions to connect tubewells/pump-sets and SPA (2) covering 14-year loans, up to Rs.50 lakhs, for bigger projects to be executed within 4 years in areas requiring the construction of some basic infrastructure lines and sub-stations.

From the table below it will be seen that against Rs.1162.19 lakhs sanctioned, only Rs.115.33 lakhs (9.9 *per cent*) had been drawn against which the expenditure (up to March 1980) amounted to only Rs.5.34 lakhs (4.6 *per cent*) :

Year	Number of schemes	Amount of loan sanctioned	Amount drawn	Actual expenditure	Private tubewells/pump-sets energised Target	Actual
		(Rupees in lakhs)				
1977-78	2	44.94	28.47	5.34	845	183
1978-79	5	174.42	55.30	..	1643	142
1979-80	34	942.83	31.56	..	9748	..
Total	41	1162.19	115.33	5.34	12236	325

The 7 schemes sanctioned during 1977-78 and 1978-79 were to be completed within 2 years. Out of Rs.83.77 lakhs drawn against these 7 schemes (estimated cost : Rs.219.36 lakhs), an expenditure of Rs.5.34 lakhs was incurred on a single scheme and work on the other 6 schemes had not commenced. As a result, further loan instalments could not be drawn. In respect of 34 schemes sanctioned during 1979-80 the first instalment was drawn only against 10 schemes and the required formalities in respect of 24 schemes (sanctioned in March 1980) could be completed only in December 1980.

7.11. *Special transmission scheme*

The REC introduced the special transmission scheme (December 1971) for construction of HT transmission lines and connected sub-stations considered necessary for distribution of energy in rural areas. Against the estimated cost of Rs.414.41 lakhs for the construction of transmission lines and sub-stations in 5 districts, REC had sanctioned loans of Rs.373.42 lakhs (1972-73—1975-76) and the balance of Rs.41 lakhs was to be raised by the Board from its internal resources. The Board had drawn Rs.296.53 lakhs from REC (79.1 *per cent*) up to March 1980 and the total expenditure up to March 1980 amounted to Rs.336.79 lakhs as indicated below:

Name of the district and year of sanction	Particulars of work
Lucknow-Rae Bareli 1972-73	33 KV transmission lines (136 kms) and 9 sub-stations 33/11 KV 1.5 MVA
Sultanpur-Pratapgarh 1972-73	33 KV transmissin lines (220 kms) New 33/11 KV sub-station and augmentation of existing sub-station and construction of switchgear room.
Allahabad 1974-75	132 KV (DC) (Manauri) Tapping Tee 2.5 KW and 132/33 KV (Manauri) sub-station 1×2.5 MVA
Basti 1974-75	132 KV (SC) Basti-Bansi line (50 kms) and 132/33 KV Bansi sub-station 2×12.5 MVA
Unnao 1975-76	132 KV (SC) Sandila-Bangermau line 50 kms 132/33 KV Bangermau sub-station 1×12.5 MVA

Scheduled completion	Estimated cost	REC loan	Amount drawn	Actual expenditure	Remarks
	(Rupees in lakhs)				
1974-75	72.25	57.80	57.01	79.25	In progress
1974-75	84.29	67.43	66.33	56.36 (excluding civil works)	In progress
1976-77	48.42	38.74	36.12	68.75	Completed
1976-77	117.07	117.07	117.07	127.48	In progress
1977-78	92.38	92.38	20.00	4.95	In progress
Total	414.41	373.42	296.53	336.79	

It will be seen that the expenditure on 3 schemes (Lucknow-Rai Bareli, Allahabad and Basti) had exceeded the estimated cost by Rs.37.74 lakhs (15.8 *per cent*), the reasons for which were, however, not available. The Unnao scheme was to be completed by 1977-78. However, due to delayed acquisition of land (Rs.4.95 lakhs) during 1979-80, the loan of Rs.20 lakhs obtained from REC in March 1976 had remained unutilised.

It was noticed further that the Board had incurred an expenditure of Rs.64.46 lakhs on the construction of 132 KV single circuit Basti—Bansi line which was completed in July 1979. The first of the 2 (12.5 MVA) transformers was, however, energised in January 1980; and the second transformer was yet to be energised (March 1981).

7.12. *System improvement schemes*

During 1973-74 REC sanctioned 5 schemes for improvement of the system (to reduce the line losses by the installation of LT capacitors and strengthening of 33 KV lines and sub-stations) at a total cost of Rs.83.72 lakhs. The schemes were to be completed within 2 years *i.e.*, by 1975-76. However, due to poor progress in the execution of the scheme a loan of Rs.61.25 lakhs had been drawn up to March 1978 as indicated below:

Districts	Estimated cost	Actual drawals 1973-74	1974-75	1977-78	Total
	(Rupees in lakhs)				
Azamgarh	14.81	11.11	..	0.53	11.64
Bahraich	14.00	10.60	..	..	10.60
Faizabad	13.23	9.92	..	..	9.92
Moradabad	35.10	..	25.80	..	25.80
Sitapur	6.58	..	3.29	..	3.29
Total	83.72	31.63	29.09	0.53	61.25

The work of strengthening of the lines and sub-stations was completed (March 1980) at a cost of Rs.48.44 lakhs in 4 districts except for Sitapur where no work had been undertaken so far.

In April 1978, orders for 6240 LT shunt capacitors (2—7 KVAR) were placed on 3 firms (value : Rs.20.19 lakhs) for installation at the consumers' premises by March 1980. While instructions were issued to the field officers (January 1979) to instal the equipment as per the schemes, the installation work could not be undertaken (March 1981) for want of Board's decision about the rental to be charged. While the capacitors of the value of Rs.20.19 lakhs were lying in the stores since December 1978 the Board was unable to draw the subsequent instalments of the loan amounting to Rs.22.47 lakhs (March 1981).

7.13. *Development schemes not covered under REC finance*

In areas not covered by the schemes financed by REC. rural electrification works were undertaken by the Board either with its own funds or with loans sanctioned by the State Government. The programmes and actual performance in respect of such works relating to electrification of villages, and energisation of State and private tubewells/pump-sets during the 3 years up to 1979-80 are indicated below:

Year	Electrification of villages			Electrification of State and private tube wells/pump-sets		
	Target	Actual	Percentage	Target	Actual	Percentage
1977-78	1000	322	32.2	32000	21339	66.7
1978-79	2050	252	12.3	32000	20599	64.4
1979-80	1280	571	44.6	33000	30338	91.9
Total	4330	1145	26.4	97000	72276	74.5

While the Board had not maintained separate accounts of the revenue realised and percentage of return from such schemes the Board stated (July 1978) that the anticipated loads had not materialised and the gross return of 10 *per cent* prescribed for the first year had not been achieved in any case.

7.14. *Subsidy from Government against losses in Rural Electrification Programme*

In the 'Audit Report (Commercial)' for the year 1973-74 mention was made regarding non-receipt of subsidy by the Board to compensate the losses on rural electrification operations. The loss estimated by the Board on such schemes was Rs.348 crores during the period 1969-70 to 1979-80 as indicated below:

Year	Amount of loss (Rupees in crores)
Up to 1976-77	101.3
1977-78	66.1
1978-79	79.6
1979-80	101.0
Total	348.0

Reasons for the losses as identified by the Board (February 1980) were :

(i) non-achievement of physical targets of connections for light and fan, small scale industries and tubewells and other services contemplated in the schemes ;

(ii) non-availability of sufficient power and load shedding;

(iii) lack of resources with the farmers;

(iv) flat tariff on private tubewells/pump-sets which is not cost oriented;

(v) negligible demand for power in harijan bastis ;

(vi) higher initial cost and lower tariff fixed for consumers in hilly areas; and

(vii) unremunerative *janata* service connections (at a low flat tariff) introduced in June 1976 for weaker sections of society, *viz.* harijans, landless labourers and agriculturists having land of one acre or less, *ex*-servicemen and for widows of servicemen.

The State Government agreed (March 1979) to provide subsidy for the losses with effect from 1st April 1979 equivalent to the amount by which Board's operating expenses (including loan interest) in respect of rural electrification operations exceeded its revenue from such operations or such lower amount as may be required to achieve and maintain a rate of return of 9.5 *per cent* on capital employed. On the basis of this commitment the Board had worked out Rs.101 crores as the amount of subsidy recoverable from the State Government for the year 1979-80.

However, a claim for Rs.247 crores for earlier years, from 1969-70 to 1978-79, was submitted (July 1980) by the Board which was pending (May 1981) with the State Government. The claim for the payment of subsidy for 1979-80 had not been lodged (March 1981).

For working out the admissible amount of annual subsidy the actual level of losses incurred by the Board is to be determined by the State Government and the Board. The method of calculation had not yet (March 1981) been finally settled. Since no separate accounts of capital/operating expenditure, revenue realised and the percentage of return from RE schemes were maintained by the Board, the figures of loss indicated above were compiled by the Board, proforma, on *ad hoc* estimates.

7.15. *Other points of interest*

(*a*) *Construction of lines and sub-stations*

(i) Up to June 1979, the construction of 11 KV HT and LT lines for electrification of villages, harijan bastis and State tubewells was being undertaken by the divisions through muster roll labour as per the norms prescribed by respective Superintending Engineers. From July 1979 the Board prohibited the employment of muster roll labour and thereafter the works were being awarded to contractors either on work-orders (against limited quotations) or against tenders. A test check of the records of 5 divisions for 1979-80 revealed that in 2 divisions (Fatehpur and Kanpur) the works were awarded on the basis of tenders while in 3 divisions (Unnao, Pilibhit and Sitapur) the works were got executed by the Sub-divisional Officers on work-orders against limited quotations. The construction cost per km of 11 KV HT/LT lines (including the cost of construction of sub-stations and carriage of material from sub-station stores to the work site) was significantly higher (on the basis of Kanpur rates) for works awarded on limited quotations involving an extra expenditure of Rs.2.66 lakhs as indicated below :

Name of division	Cartage, erection, stringing of conductors		Percentage difference		Quantity of work done (upto January 1981)		Extra expenditure
	HT line including one sub-station	LT line (3 phase/ 5wire)	HT line	LT line	HT line	LT line	
	(Cost per km in rupees)				(in kilometres)		(Rupees)
Kanpur	1272	1200	..	..	..	..	..
Fatehpur	1720	1510	35.2	25.8	125	80	80800
Unnao	1750	2630	37.6	119.2	50	40	81100
Sitapur	1890	2660	48.6	121.7	18	55	91424
Pilibhit	2145	1925	68.6	60.4	12	3	12651
							265975

(ii) During test check of the records of 4 units it was noticed that while 152 kms of 66 KV and 33 KV lines (single circuit) were constructed during the years 1975-76 to 1977-78 at a total cost of Rs.46.87 lakhs, these could not be energised as the sub-stations (for stepping down the voltage for 11 KV rural feeders and 11 KV feeder lines) were not ready (March 1981) :

Name of district	Name of lines	Year of construction	Expenditure (Rupees in lakhs)
Sitapur	66 KV Sitapur-Wazirnagar (20 kms)	1975-66 and 1976-77	9.26
	66KV Sidhauli-Sadhna (20 kms)	15-76 and 1976-77	6. 78
Hardoi	66/33 KV Sandila-Atrauli (18 kms)	1975-76 and 1976-77	7.02
	66 KV Sandila-Hasanpur (21 kms)	1975-76 and 1976-77	4.13
	33 KV Sandi-Sewajpur (32 kms)	1975-76 and 1976-77	6.10
Unnao	33 KV Sonik-Purwa (21 kms)	1976-77 and 1977-78	5.55
Pratapgarh	33 KV Bhopia Mau-Sandwa -Chandrika (20 kms)	1976-77	8.03
		Total	46.87

(iii) Two 5 MVA transformers (value : Rs.7 lakhs) received in September 1978 for installation at the 66 KV sub-stations at Wazirnagar and Sadhna were still lying in the stores (Sitapur) as the construction work of the sub-station at Wazirnagar was taken up only in 1979-80, and the land for Sadhna sub-station was yet to be acquired (March 1981).

(iv) 20.20 kms of ACSR 'Rabbit' conductor and 4.60 kms of 'Weasel' conductor (value : Rs.0.50 lakh) transported from the main store at Sitapur to the Wazirnagar sub-station site (November 1979), where these were not required, were stolen in May 1980.

Conductors of the value of Rs.3.02 lakhs were stolen from the unenergised 66/33 KV (Sidhauli-Sadhna, Sandila-Atrauli, Sandila-Hasnapur and Sonik-Purwa) lines during 1978-79 and 1979-80, and the lines were lying in a damaged condition since then (March 1981).

(b) Thefts and damages

During test audit (June 1980) it was noticed that there were a number of instances of thefts and damage to line materials during and after construction of lines, some of which are mentioned below :

Particulars of line	Year of completion	Cost of line (Rupees in lakhs)	Remark
11 KV Sadhna-Dingara (8.8 kms) Sitapur	1974-75	1.27	Loss of 38 supports, conductor and fittings of 6.8 kms line (value : Rs. 0.76 lakh) noticed in May 1979. Matter was not reported to police. 13 kms of conductor (value: Rs. 0.26 lakh) moved to the site (July 1979) for repairs to the line also stolen (July 1979) for which a report was lodged with the police. The line was lying in damaged condition (March 1981).
11 KV Jahangirabad—Maror (6 kms) Sitapur	1974-75	0.88	The line supports tilted in 1975-76. Half the line (Jahangirabad—Sanda) energised in June 1977; the other half was lying in damaged condition (March 1981).
11 KV Pandri—Newarna (10 kms) Unnao	1973-74	1.20	While giving a private tubewell connection (April 1977), it was noticed that 22 supports and other items were damaged and the entire conductor was missing. FIR was not lodged with police. (The consumer was given power supply after carrying out special repairs of 2.53 kms line at a cost of Rs. 0.18 lakh).
11 KV Bichhiya—Targaon (4 kms) Unnao	1970-71	0.40	These lines were lying in damaged condition without conductor which was stated (June 1980) to have been stolen. FIR was not lodged with the police. The extent of loss was not determined and the lines were still lying in damaged condition (March 1981).
11 KV Bhawaniganj—Para (4 kms) Unnao	1973-74	0.40	
11 KV Bhawaniganj—Sarwan (3 kms) Unnao	1974-75	0.30	

Particulars of line	Year of completion	Cost of line (Rupees in lakhs)	Remarks
11 KV Ghatampur-Birsinghpur Sarah (21.2 kms) Kanpur	1972-73	2.10	54.8 kms of conductor valued at Rs. 1.10 lakhs was stolen during September—December 1975 which was reported to the police and the rest of the conductor (8 kms) was removed to avoid further thefts. The line was repaired/energised during 1979-80 and 1980-81 by incurring an expenditure Rs. 1.13 lakhs.
11 KV Sikandra—Veriya—Derapur (21.3 kms) Kanpur	1974-75	1.66	Conductor of half of the line was stolen during August 1974—February 1975 for which FIR was lodged (August 1974— February 1975) and the remaining conductor was removed to avoid further thefts. The line was lying abandoned.
11 KV Bhool—Maith (12.7 kms) Kanpur	1972-73	1.13	The unenergised line was handed over to the Electricity Maintenance Division, Kanpur, in August 1973 when it was noticed that there was no conductor on 11.65 kms (37 spans) of the line. No FIR was lodged with the police.
11 KV Ghatampur—Gajner (17.1 kms) Kanpur	1971-72	1.24	Conductor (value : Rs. 0.18 lakh) of 22 spans of the line was found missing (August 1974) and 6.5 kms long section of the line was incomplete; it was decided to recover the cost of providing conductor and removal of defects (Rs. 0.16 lakh) from the Junior Engineer responsible for construction of the line. However, no action for recovery had been taken so far (March 1981).

Particulars of line	Year of completion	Cost of line (Rupees in lakhs)	Remarks
11 KV Sheogarh—Bainty Feeder (6 kms) Rae Bareli	1974-75	0.53	10.8 kms of 'Weasel' conductor and 4 PCC Poles (value : Rs. 0.23 lakh) were stolen (February 1978—November 1979) on 11 occasions for which FIRs were lodged with the police.
11 KV Feeder Harrai—Satuabhar (25 kms) Gorakhpur	1973-74	2.50	The line remained unenergised in the absence of any demand. 69 kms of conductor (value : Rs. 1.04 lakhs) was stolen during 1974-75 to 1977-78 for which reports were lodged with police from time to time.

Neither were the reasons for the losses/damage to the lines investigated nor any responsibility fixed (March 1981).

(*c*) *Idle investments*

(i) Two 33 KV lines (Chhapka-Pasohi—14.26 kms and Chhapka-Ghorawal—32.2 kms) and three 33 KV sub-stations (Pasohi, Shahganj and Ghorawal) erected at a cost of Rs.21.61 lakhs and Rs.8.25 lakhs respectively (August 1972) were yet to be tested, energised and commissioned (March 1981) due to defects in construction.

(ii) In the undermentioned 11 KV lines, only supports (981) were erected at a cost of Rs.2.94 lakhs approximately :

Particulars of line	Period	Number of supports erected
Sikandra—Asva (Kanpur)	1974-75	204
Pindathu—Tera (Kanpur)	1974-75	54
Sikandra—Bhandemau	1974-75	172
Agwara—Sanihanpur (Kanpur)	1974-75	36
Pathakpur—Asoha (Unnao)	Prior to 1975-76	26
Nai Sarai—Narainpur (Unnao)	Prior to 1975-76	106

Particulars of line	Period	Number of support erected
Bangermau—Atwa (Unnao)	Prior to 1975-76	144
For Sarawan village (Unnao)	Prior to 1975-76	24
Kakarghata T—off (Sitapur)	1975-76	23
Ashapur Athgaon—Andharpur (Pratapgarh)	1975-76	126
Saifabad—Araila (Pratapgarh)	1975-76	66
	Total	981

Non-stringing of conductor on these lines was stated by the divisional officers (June 1980) to be due to non-availability of conductor and consumers and also to avoid the possibility of theft of conductor. During test check (June 1980) it was noticed, however, that applications of 15 prospective consumers were pending on Nai Sarai—Narainpur (Unnao) for over one year.

(*d*) *Delay in energisation of tubewells*

(i) According to the Central Ground Water Board, the State is bestowed with the largest ground-water potential in the country but it had lagged behind in providing power for ground water pumping. Up to 1979-80 the State was having 3.56 lakhs energised tubewells/pump-sets as against the estimated potential of 24 lakh pumpsets.

In February 1978, the Board issued instructions that the divisional officers should complete all formalities, (*viz.*, sanction of load, survey of line, preparation of estimates, settlement of terms and conditions, execution of agreements) and construction of lines within 6 months from the date of application, for timely energisation of tubewells. Since June 1978, the Board had made the prospective consumers responsible for the supply of labour, cement, sand and brick ballast required for the construction of lines and substations. During test check of records of connections in five divisions (Pilibhit, Sitapur, Fatehpur, Kanpur and Unnao) it was, however, noticed (October 1980) that 25 *per cent* consumers were given connections within 2—7 months and the rest over periods ranging from 7 months to 5 years.

As on 31st December 1980 there were 18,242 applications where the basic load forms had been deposited and the applicants were awaiting power connections under various schemes as detailed below :

Scheme		Number of applications
State normal programme		6520
Rural electrification		2048
Agriculture Refinance and Development		5158
Special project agriculture		3025
Deposit		1246
Minimum need programme		245
	Total	18,242

Delays in giving power supply were attributed by the divisional officers (June 1980) to shortage of line materials and delays by the prospective consumers in providing labour, cement, sand and ballast for the construction of lines and sub-stations.

(ii) In one division (Fatehpur), against the Board's target of 3090 tubewells for energisation during the 3 years up to 1979-80, 3419 applications were received but the actual number of tubewells energised was only 1346. The shortfall included 86 applicants who had executed agreements and deposited the Basic Load (BL) form (issued by licensed wiremen) during 1979-80. The Divisional Officer stated (June 1980) that 20 BL forms, being fake, were cancelled and the work of the remaining 66 applicants was in progress (June 1980).

In another division (Kanpur), 101 BL forms (including 75 under the State Normal Programme) were pending at the end of March 1980. Besides, 385 applications were pending for offer of terms and conditions to prospective consumers. The Divisional Officer stated (June 1980) that these pump-sets could not be energised during 1979-80 due to a low target fixed by the Board under the State Normal Programme. It was noticed, however, that the Divisional Officer had not moved the Board for a revision of the targets.

In another division (Pilibhit), 131 applicants had deposited the charges and executed agreements during 1979-80 but their installations had remained unenergised for want of BL forms and line materials.

(*e*) *Miscellaneous*

In the course of test check of records of divisions executing rural electrification works the following persisting deficiencies/shortcomings came to notice (June 1980) :

(i) non-maintenance of registers of assets indicating the lines and sub-stations constructed, dates of completion, energisation and cost thereof ;

(ii) non-preparation of completion reports in respect of completed works or analysis of excess over sanctioned estimates ; and

(iii) periodical physical verification of lines and sub-stations was not being done (March 1981).

The matter was reported to Board/Government in November 1980 ; reply is awaited (March 1981).

7.16. *Summing up*

— Only 38,560 (34.3 *per cent*) out of 1,12,561 villages in the State had been electrified and 13,948 Harijan bastis and 3,56,481 tubewells/pump-sets had been electrified/energised up to 31st March 1980.

— The percentage of agriculture power consumption to total consumption of power increased from 29.5 in 1977-78 to 32.1 in 1979-80.

— Against loans of Rs.132.15 crores (266 schemes) sanctioned by REC up to 31st March 1980, the Board had drawn Rs.75.08 crores of which Rs.34.71 crores (46.2 *per cent*) had been spent and funds had been diverted to other than REC schemes etc.

— The Board had taken up 176 out of 266 schemes sanctioned and the actual achievement of targets up to 1979-80 ranged between 7.8 *per cent* (street lights) to 38.8 *per cent* (HT lines).

— The electrification of villages and energisation of tubewells/pump-sets during the three years up to 1979-80 varied from 56 to 80 *per cent* and 51 to 73 *per cent* respectively of the targets.

— Against loans of Rs.22.66 crores sanctioned in respect of 39 schemes sanctioned up to 1974-75 the Board had drawn Rs.14.35 crores and the actual expenditure up to 31st March 1980 was

Rs.12.82 crores. The actual achievement of targets amount to 58.6 *per cent* for electrification of villages (2,745 against 4,658), 11.4 *per cent* for energisation of pump-sets (2,612 against 22,834) and 14.5 *per cent* for other connections (21,018 against 1,44,653).

— No connections had been provided in 130 villages (6 districts) electrified at a cost of Rs.39.07 lakhs during 1975-76 to 1979-80.

— In respect of Kheri I scheme sanctioned in September 1972 (estimated cost : Rs.54.34 lakhs) the Board had electrified 6 villages and energised 11 tubewells at a cost of Rs.19.92 lakhs.

— In respect of 25 (out of 130) schemes sanctioned during 1974-75 to 1978-79 for Rs.13.59 crores, either the work had not been commenced or the actual expenditure up to 31st March 1980 was negligible.

— In respect of 41 Special Project Agriculture loan schemes sanctioned by REC during 1977-78 to 1979-80 for Rs.1162.19 lakhs, the actual amount drawn was Rs.115.33 lakhs (9.9 *per cent*) against which the actual expenditure incurred was Rs.5.34 lakhs (4.6 *per cent*).

— In respect of schemes not covered under REC finance against the targets of electrification of 4,330 villages and energisation of 97,000 tubewells/pump-sets for the 3 years up to 1979-80, the Board had electrified 1,145 villages (26.4 *per cent*) and energised 72,276 tubewells/pump-sets (74.5 *per cent*).

— Up to 1979-80 the Board had incurred a loss of Rs.348 crores (including Rs.101 crores for 1979-80) on rural electrification operations. While Government had agreed (March 1979) to provide subsidy for rural electrification losses from 1st April 1979, no subsidy had been received so far.

— In 4 units, 152 kms of 66/33 KV lines (single circuit) constructed during 1975-76—1977-78 at a total cost of Rs.46.87 lakhs could not be energised as the sub-stations were not ready (March 1981).

— Two 5 MVA transformers (value : Rs.7 lakhs) received in September 1978 were lying in stores as the construction work of sub-station at Wazirnagar was in progress and the land for Sadhna sub-station was yet to be acquired.

— Conductors of the value of Rs.3.02 lakhs were stolen from the unenergised 66/33 KV lines during 1978-79 and 1979-80 and these were lying in a damaged condition since then.

— There were a number of instances of thefts and damage to line materials during and after construction of lines which had neither been investigated nor had any responsibility been fixed.

— Two 33 KV lines and three 33 KV sub-stations erected at a cost of Rs.29.86 lakhs (August 1972) were yet to be tested, energised, and commissioned due to defects in construction.

— Against the estimated potential of 24 lakh pump-sets in the State there were 3.56 lakh tubewells/pump-sets as on 31st March 1980.

—As on 31st December 1980 there were 18,242 applicants (5 divisions) awaiting power connection under various schemes.

—A test check (5 divisions) revealed that connections in 75 *per cent* cases were given after periods ranging from 7 months to 5 years.

SECTION VIII

TRANSMISSION WORKS

8.01. *Introduction*

Electricity generated in the power generating stations is transmitted to load centres through transmission lines of 132 KV and above and to distribution points through sub-transmission lines. The work relating to fabrication of towers and complete erection of lines is arranged by the Board mainly through contractors. Tenders for such contracts are invited with reference to quantum of work provided in the project estimates of transmission and transformation works and processed by the Electricity Transmission Design Circle, Lucknow (ETDC) and decided by the Central Stores Purchase Committee (CSPC). Detailed estimates and schedule of rates, to serve as a guide had not been prepared, though required by the rules of the Board, even for salient items of work like fabrication of tower, erection of towers, stringing of conductors, tower foundation, revetment and benching of tower locations, etc.

8.02. *Growth of lines*

The growth of transmission lines for evacuation of power from generating stations of the Board is shown below:

Year	Lines constructed 132 KV (Circuit kms)	220 KV	400 KV	Progressive total
1960-61	346	..	..	346
1961-66	1807	..	..	2153
1966-71	2281	1854	..	6288
1971-76	916	732	..	7936
1976-77	307	205	..	8448
1977-78	174	144	376	9142
1978-79	944	88	..	10174
1979-80	748	221	782	11925
Total	7523	3244	1158	11925

The capital expenditure incurred by the Board on transmission works during the 3 years up to 1979-80 was as under :

Particulars	1977-78	1978-79	1979-80	Total
		(Rupees in crores)		
Plan allocation	65.00	70.54	64.00	199.54
Actual expenditure	71.53	85.10	58.09	214.72
Shortfall (—)/excess (+) over Plan allocation	(+)6.53	(+)14.56	(—)5.91	(+)15.18

In the following paragraphs, points arising out of the review of some of the transmission works are discussed with particular reference to considerations of efficiency and economy in the execution of these works.

8.03. *Award and execution of contracts* — 400 *KV lines*

(*a*) On the basis of technical specifications of towers of 400 KV lines approved by the Central Water and Power Commission now Central Electricity Authority (CEA), a tender enquiry for supply of towers and erection of 400 KV single circuit Obra—Sultanpur line (250 kms) was floated by the ETDC. The lowest technically acceptable computed price of Rs.123.30 lakhs was quoted by firm 'A' of Bombay for supply of towers of guaranteed weight and foundation volumes as well as erection of the line. The computed price for the work quoted by firm 'B' (Rs.131.13 lakhs) was the fourth lowest.

As observed by the Chief Engineer (Hydel) and Member (Engineering) the tender of firm 'A' met all the technical requirements of the tender specifications. However, as decided by the CSPC the tenderers were asked (February 1970) to submit revised tenders for towers of revised design giving guaranteed weight of towers and foundation volumes. Firm 'A' was again the lowest for towers of mild steel (Rs.120.73 lakhs). Firm 'B' was the lowest (Rs.119.54 lakhs) for towers of mild and indigenous high tensile steel combination (60 : 40) as compared to the computed price of firm 'A' (Rs.121.79 lakhs) for towers of mild and high tensile steel combination of 75 : 25. The tender of firm 'B' for towers of mild and high tensile steel combination was not financially favourable to the Board on account of the following facts :

(i) Firm 'B' required the supply of steel from the Board while firm 'A' had offered to use about 4,000 tonnes of steel (against the total requirement of 5,200 tonnes) from its own stock at Joint Plant Committee rates.

Since the production of indigenous high tensile steel had then just started, its availability for the work was not certain. The Board had, therefore, to arrange for imported high tensile steel at an extra cost of Rs.49.61 lakhs at a later stage.

(ii) Firm 'B' had offered towers of provisional guaranteed weight (including fasteners) and foundation volumes as against definite guaranteed weight and volumes offered by firm 'A'. The towers finally designed by firm 'B', however, required extra use of 172 tonnes of steel (value: Rs.2.68 lakhs) and fasteners (Rs.0.91 lakh). Thus, the computed price of the firm's tender adopted for comparison was not realistic.

(iii) The unit rate quoted by firm 'B' (Rs.355 per tonne) for fabrication of towers was higher than that quoted by firm 'A' (Rs.347 per tonne), both excluding the cost of steel and zinc (total difference Rs.0.40 lakh).

(iv) Firm 'B' had not set up its workshop and had not obtained an industrial licence for undertaking tower fabrication work. The firm had no tension stringing equipment for stringing of bundle conductor on such extra high voltage lines and did not possess zinc allocations since it had no galvanising bath.

In spite of these facts, the work was awarded to firm 'B' (April 1971).

The work of supply of towers (7,578 tonnes) of mild and high tensile steel combination (60 : 40) of the same design for Obra—Kanpur section (400 kms) of 400 KV single circuit Obra—Kanpur—Muradnagar line (791 kms) was awarded to firm 'B' (July 1973) at its highest quoted rate of Rs.1,410 per tonne although the tender enquiry had been floated (January 1973) for towers only of mild steel. The first four lowest technically acceptable rates of 4 other firms including a public sector undertaking of Naini (Allahabad) were ignored for various reasons. The work of Kanpur—Muradnagar section was simultaneously awarded to firm 'A' at its lower quoted rates of Rs.1,280 per tonne.

The decision to award the work of this line to the two firms was taken on the considerations that by distributing orders for towers of their executed designs there would be saving of about two years' time taken in designing and testing of towers which would ensure timely construction of the line by December 1976 for evacuation of power from Obra Thermal Power Station and that the delay in the completion of line would cost the Board Rs.60 lakhs per annum.

Award of the work to firm 'B' for large scale supply of towers for Obra–Sultanpur and Obra–Kanpur lines resulted in delays in supply of towers as indicated below :

Particulars	Contracted delivery period	Actual delivery period
Obra—Sultanpur line	September 1973 to March 1975	January 1974 to November 1977
Obra—Kanpur line	November 1973 to May 1975	December 1973 to November 1977

The contract for Obra–Sultanpur line provided for its commissioning for commercial operation by June 1975. Firm 'B', however, completed the work in December 1977. In the case of Obra–Kanpur line firm 'B' had supplied during the contracted delivery schedule only 407 tonnes of tower parts. Due mainly to delay in supply of towers the line could not be erected by firm 'D' within the contracted time schedule (up to July 1976) under a contract simultaneously awarded to it.

Delay in supply of towers was attributed by the ETDC to delay in supply of steel by the Board to the firm in matching sections. In test audit it was, however, noticed that steel supplied to firm 'B' had been far in excess of requirement as indicated below :

(i) Against supplies of 4,049 tonnes of steel made by the Board to the firm during November 1971 to March 1974 for the towers of Obra–Sultanpur line it had supplied only 2,821 tonnes of towers up to March 1975.

(ii) The firm was paid by the Board Rs. 12.42 lakhs (December 1973) for 1,000 tonnes of steel earmarked by the firm from its own stock for the towers of Obra–Kanpur line. At that time it was holding unutilised stock of about 2,500 tonnes of steel (value : about Rs. 60 lakhs) given to it by the Board for the towers of Obra–Sultanpur line.

(iii) During April and September 1977 the firm transferred 1,306 tonnes and 77 tonnes respectively of surplus stock of the Board's steel held by it for the work of Obra–Sultanpur line to that of Obra–Kanpur line and 919 tonnes of surplus steel held by it for the work of Obra–Kanpur line to that of Obra–Sultanpur line. These transfers were resorted by the firm in April/September 1977 to complete the requirement of matching sections of steel for the work of the respective lines.

(iv) After accounting for the transfer, the quantity of steel given to the firm for the towers of Obra—Kanpur line worked out to 10,531 tonnes (value : Rs. 372.06 lakhs) as against the requirement of 9,972 tonnes for 9,066 tonnes of towers supplied by it. The surplus 559 tonnes of steel (value : Rs. 19.75 lakhs) was not returned by the firm (May 1981). It had also neither given credit for 3 *per cent* accountable wastage (272 tonnes, value : Rs. 1.36 lakhs) nor had the Board demanded return of the same in cut-lengths of above one metre in terms of the contract. Reconciliation of the account of steel and zinc given to the firm was still awaited (May 1981).

(*b*) In the case of a tender enquiry of April 1978 for supply of towers and erection of 4 lines of 400 KV, the lowest tendered cost of tower supply work was quoted by firm 'A' (quoted rates guaranteed the tower weight) as under :

Name of the line	Tendered cost	Computed cost
	(Rupees in lakhs)	
Lucknow—Sandila	73.55	101.25
Anpara—Azamgarh	250.24	345.12
Azamgarh—Sultanpur	124.84	187.45
Muradnagar—Panipat	104.41	156.94

On the basis of the computations of the tendered rates made by the ETDC the lowest computed prices of the tower supply for the 4 lines were shown as under :

Name of the line	Tendered cost	Lowest computed cost	Name of firm
	(Rupees in lakhs)		
Lucknow—Sandila	80.88	92.52	Firm 'C' of Calcutta
Anpara—Azamgarh	283.75	333.86	Firm 'H' of Bombay
Azamgarh—Sultanpur	139.12	157.62	Firm 'C' of Calcutta
Muradnagar—Panipat	120.29	133.12	Firm 'H' of Bombay

The work of Lucknow—Sandila and Anpara—Azamgarh lines was awarded (March 1979) by the CSPC to firms 'C' and 'H' on the basis of their lowest computed cost, while the work of the other 2 lines was awarded to firm 'A' on the basis of its lowest tendered cost though the computed cost of the firm's offers was higher. Thus, different standards were adopted for awarding the works to different firms instead of evolving a reliable basis for evaluation of tenders.

8.04. *Award and execution of works* – 220/132 *KV lines*

8.04.01. *Award of work to defaulting firm*

(*a*) The work for supply of 2,764 tonnes of towers for 12 lines (504 kms) was awarded to firm 'F' (January 1972) at Rs.611 per tonne as against Rs. 410 per tonne quoted (October 1970) by firm 'B' on the ground that firm 'B' was heavily loaded with earlier orders. Award of work to firm 'F' at a higher rate would result in an extra expenditure of Rs. 5.56 lakhs on the contracted quantity as compared to the lowest rate quoted by firm 'B'.

(*b*) A contract for the supply of fabricated towers for Mughalsarai–Dehri line of 220 KV (37 kms) was awarded (September 1972) to firm 'F' by extending the scope of another contract awarded (December 1969) to it for fabrication of towers without indicating the quantity of towers (demand not assessed). Up to May 1978 the firm had supplied 565 tonnes of fabricated towers with extensions and accessories out of which only 435 tonnes were used in complete erection of the line. Out of the remaining 130 tonnes of fabricated towers and extensions (value : Rs.4.94 lakhs), 82 tonnes (value : Rs. 3.11 lakhs) were utilised during June 1979 to June 1980 in construction of a part of 220 KV single circuit Mughalsarai–Azamgarh line and 48 tonnes (value : Rs. 1.83 lakhs) were lying in the division unused (May 1981).

(*c*) The ETDC invited global tenders (February 1972) for towers of 220 KV single circuit Rishikesh–Modipuram (Meerut) and Rishikesh–Uttar Kashi lines covered under the Centrally sponsored schemes. The lowest variable rate of Rs.1,570 *ex* factory (including cost of zinc, steel and fasteners) was quoted by firm 'F' (August 1972) subject to availability of steel within 6 months from the date of order under import assistance announced (May 1972) by the Government of India.

Although the offer of firm 'F' was conditional on supply of steel by the Central Government, an order was placed on the firm (December 1972) for supply of 4,600 tonnes of towers at Rs.1,570 per tonne subject to price variation within a ceiling of 5 *per cent*. Supplies were to be completed by March 1974 (finally extended up to March 1978). A test check in audit revealed (March 1979) the following facts in respect of the above work :

(i) In the case of another tender enquiry for supply of 132 KV line towers, the ETDC had pointed out (October 1971) that the Board had very bad experience of the firm's tower design, due to mismanagement in its workshop the supplies of 1,969 tonnes of towers under another contract (for 220 KV Chibro–Roorkee, Muradnagar–Shamli and Mughalsarai–Dehri lines) were very much delayed and in fact, the Board at one time was seriously considering giving the firm notice to withdraw all fabrication works awarded to it.

(ii) The firm's quoted fabrication capacity (10,000 tonnes of towers annually) was not verified before placing the order. In August 1976 the Chief Engineer (Transmission Design) observed that the firm's fabrication capacity was only about 350 to 400 tonnes per month.

(iii) The firm could arrange type test of prototype of 'A' type tower of Rishikesh-Modipuram (Meerut) line in November 1973. The prototypes of 'B' and 'C' type towers of this line and those of 'A', 'B' and 'C' type towers of Rishikesh–Uttar Kashi lines were tested between March 1974 and March 1977. No destruction tests for any of these towers were conducted.

(iv) The firm supplied 104 tonnes of towers from February to July 1974 and 2,814 tonnes between August 1974 and March 1978. It failed to supply the remaining 1,682 tonnes of towers although it was exempted by the Board (May 1973) from the power cut which otherwise would have been applicable and was given continuous supply of electric power for its workshop.

(v) Under the contract the firm was required to supply towers in matching parts. All the matching parts for complete towers were, however, not supplied by the firm. Stock of unutilised tower parts, out of the total supplies of 2,918 tonnes made by firm 'F', was estimated (August 1979) to be 972 tonnes (value : about Rs. 40 lakhs).

(vi) Due to the firm's failure in making supplies of towers, the Board had to arrange 1,305 tonnes of towers for Rishikesh–Modipuram (Meerut) line from firm 'A' at Rs.3,936.20 per tonne and 1,285 tonnes of towers for Rishikesh–Uttar Kashi line from firm 'B' at Rs. 4,600 per tonne involving an extra expenditure of Rs. 59.65 lakhs (approximately).

(vii) Grant of extension in delivery period up to March 1978 saved the firm from a penalty of Rs. 7.29 lakhs.

(*d*) Out of 7 tenders received (December 1973) for design, fabrication, galvanising/painting and supply of towers for about

700 kms long single circuit 220 KV transmission lines, the computed prices of the 2 lowest tenderers were as under :

Particulars	Firm 'F'	Firm 'E'
	(Rupees in lakhs)	
Fully galvanised towers	381.77	379.60
Fully painted towers	309.80	311.80
Partially galvanised (40 *per cent*) and painted (60 *per cent*) towers	338.33	338.92

Although firm 'F' had then (February 1974) just started supplying towers for 220 KV lines under the contract awarded to it by the Board under the Centrally sponsored scheme, the CSPC decided (May 1974) to award the work to the firm for supply of towers having 40 *per cent* galvanised and 60 *per cent* painted parts at its following lowest quoted firm rates :

Category of towers	Rate per tonne (Rupees)
Galvanised (normal)	768.30 (excluding cost of zinc)
Galvanised (special)	968.30 (excluding cost of zinc)
Painted	880.00 (including cost of red lead paint)

An order was placed on the firm (May 1974) for supply of 7,460 tonnes of towers for six 220 KV single circuit lines (635 kms) at a cost of Rs. 63.72 lakhs.

The decision was taken although the ETDC had clearly mentioned the follownig facts in the tender recommendations :

—that the firm's performance under the earlier contracts was not satisfactory and its galvanising bath did not work well ;

—the firm did not render account for the extra steel given to it under earlier contracts ;

—the financial position of the firm was not sound.

In a test audit the following facts were noticed :

(i) The firm supplied and was paid for 4,000 tonnes of fabricated towers up to March 1980 against stipulated period of completion in June 1977. The towers supplied required more volume of concrete for their foundation than specified in the contract. The additional expenditure on this account worked out to Rs.4.97 lakhs.

(ii) The price of zinc (Rs.15 lakhs) was paid to the firm without proper verification on the basis of the indemnity bonds and on receipt of intimation from the firm that the zinc was received at its works or had been reserved for the work.

(iii) The field officers reported (October 1975 to June 1978) that the firm used poor quality paint due to which the painted towers were rusted. Besides, the holes were not properly drilled and a number of fabricated sections were bent beyond the limit of rectification. But any compensation claim for the actual quantum of such rusted and/or defective towers received was neither assessed nor lodged by the Board against the firm so far (February 1981).

(*e*) In regard to the various contracts awarded to firm 'F' the Chairman of the Board observed (July 1977) that:

(i) the Board placed a series of orders on the firm for supply of towers without consideration of the firm's limited fabrication capacity and financial resources;

(ii) the firm fabricated hardly 350 tonnes of towers per month which resulted in serious delays in execution of the Board's transmission programmes;

(iii) the tower parts were not fabricated and supplied by the firm with all the matching sections for complete towers; and

(iv) the Board was forced to yield to the firm's requests (September 1975) for higher prices and grant of other concessions one by one which included, *inter alia*, supplies of extra steel and financing of its fabrication work by grant of interest-free financial assistance and supply of materials from departmental stock.

(*f*) After examining the firm's poor performance under various contracts the ETDC also reported (July 1978) to the Member (Transmission) that the firm had been demanding from the Board steel and zinc for tower supply work in excess of the contractual quantities. Earlier the ETDC had noticed (December 1974) that the firm had drawn from the Board 766 tonnes of steel (value : Rs.8.45 lakhs) and 62 tonnes of zinc (value : Rs.3.10 lakhs) over and above the requirements for tower supply work entrusted to it under various contracts for which recovery at Rs.200 per tonne of fabricated towers was to be made from its tower supply bills submitted from 28th December 1974 onwards.

(g) According to the last assessment made by the ETDC (August 1980) a sum of Rs.87.19 lakhs was due from the firm on account of excess supplies of steel and zinc not returned by the firm (Rs.18.56 lakhs), liquidated damages (Rs.22.65 lakhs), excess over guaranteed tower weight and foundation volumes (Rs.13.61 lakhs), cost of steel fasteners supplied by the Board on behalf of the firm (Rs.9.36 lakhs), shortages and damages of tower parts (Rs.9.37 lakhs) and interest and other dues (Rs.13.64 lakhs). Out of these, as worked out by the ETDC (August 1980), recoveries of Rs.10.89 lakhs had been made from the firm's bills and its bills for Rs.6.95 lakhs were pending for payment. The balance of Rs.69.25 lakhs was outstanding against the firm. The latest position was not available with the ETDC (May 1981).

8.04.02. *Delay in execution of works*

On the basis of the lowest technically acceptable tender the Board awarded (June 1969) the work of designing and supply of complete towers (1,676 tonnes) and erection of a single circuit 220 KV line from Sultanpur to Gorakhpur (145 kms) to firm 'C'. Under the contract (value : Rs.20.87 lakhs) formally executed in August 1971, testing of prototypes of towers was to be completed in April 1971 and the erection of line by December 1972.

In view of defaults on the part of the firm the Board had to grant (February 1976) extension of time up to January 1977. Against supplies of 1,533 tonnes of steel made by the Board to the firm up to June 1973 it had supplied 714 tonnes of towers up to December 1973. The firm made supplies of 1,724 tonnes of fabricated towers by February 1977 and completed erection of the line in June 1977 (line energised on rated voltage in October 1977).

Under the contract firm 'C' was responsible for executing revetment of tower locations in low lying areas, river banks, etc. at Rs.70 per Cu m. In February 1976, the rate of this item of work was increased to Rs.140 per Cu m, but the firm refused to do the work (July 1976). Consequently, the work of 8 tower locations was awarded (February 1978) to a firm of Sultanpur at its lowest tendered cost of Rs.1.37 lakhs. The work was, however, got executed at 3 different tower locations (8, 13 and 14) at a cost of Rs.1.08 lakhs for which Rs.0.58 lakh only would have been payable to firm 'C' at the enhanced contractual rate of Rs.140 per Cu m. No action was taken to recover the extra expenditure of Rs.0.50 lakh from firm 'C', since the work was arranged without giving the necessary notice to the firm that it was being got done at its risk and cost. No revetment work was arranged on locations of other towers.

8.04.03. *Failures of a new firm*

(i) Against a tender enquiry of November 1973 firm 'I' had quoted (February 1974) for the first time for design, fabrication, galvanising and supply of 322 tonnes of towers (with galvanised fasteners) for 132 KV Bhowali-Almora single circuit line at Rs.3,410 per tonne including cost of zinc (Rs.9,630 per tonne), fasteners and steel (to be supplied by the Board at current controlled cost). The lowest technically acceptable rate was quoted by firm 'K'. On the basis of the lowest computed cost of its tender (Rs.14.45 lakhs) the work was, however, awarded to firm 'I' (May 1974). The computed cost in respect of rate quoted by firm 'K' was worked out higher (Rs.14.52 lakhs) than that of firm 'I' (Rs.14.45 lakhs) by undue loading by 2½ *per cent* of the guaranteed tower weight for zinc coating (Rs.0.13 lakh) and charges for departmental assistance in procurement of fasteners (Rs.0.07 lakh). On the other hand the computed cost of firm 'I' was not loaded by Rs.0.51 lakh on account of the cost of larger foundation volumes necessary for the tower design offered by it.

Before placing the detailed order in October 1975 the margin of 5 *per cent* steel for wastage in fabrication originally demanded by the firm was increased to 10 *per cent.*

In terms of the order, the tower supply was to be completed by the firm up to February 1976. It made the supplies between December 1976 and August 1979. No penalty was imposed on the firm on the ground that the Board could not supply steel to the firm in time, overlooking the fact that the firm could not start tower fabrication due to delay in setting up its workshop and finalisation of tower design.

Another order was placed on the firm (December 1974) for fabrication and supply of 1,500 tonnes of galvanised towers for 132 KV single circuit Lucknow-Sandila line at Rs.730 per tonne in spite of the fact that the firm had not developed its tower design to start fabrication of towers against the order of May 1974. It was, therefore, asked to fabricate towers of the design of firm 'B'.

Placement of the 2 orders on firm 'I' before it had set up its workshop resulted in delays in tower supplies. Under the order of December 1974 it had supplied 424 tonnes of towers by March 1978 against the stipulated quantity of 1,500 tonnes.

(ii) On inspection of the firm's works by an officer of the Board (April 1976) it was noticed that the firm had arranged only a small drilling machine and a gas welding set without any arrangement for galvanising of towers and its workshop building was still under construction. The officer of the Board again reported (January 1977) that the firm's galvanising bath was closed down since it was punctured twice and needed replacement. In spite of the default of the firm under the 2 contracts, the ETDC placed yet another order (November 1977) on this firm for supply of 2,500 tonnes of towers of 132 KV single circuit line at the rate of Rs.4,753 per tonne as per tower design of firm 'H' of Calcutta. It failed to make any supply (February 1981) against the order though the supplies were to be completed by January 1980. Instead it had claimed (October 1979) price escalation of Rs.38.42 lakhs (steel : Rs.20.82 lakhs, zinc : Rs.3.54 lakhs, excise duty : Rs.8.88 lakhs and excess weight of towers over ceiling limits designed by firm 'H' : Rs.5.18 lakhs) on the ground that the design and drawings of firm 'H' were supplied to it from October 1978 onwards. No decision on the firm's demand was on record (February 1981). Meanwhile, the firm had been allotted 691 tonnes of steel (value : Rs.20 lakhs) up to September 1979 from the Board's quota.

(iii) While the supplies under the 3 orders were awaited, another order was placed (November 1979) for supply of 3,000 tonnes of 132 KV line towers (contract value : Rs.137.20 lakhs) design of which had not been submitted by the firm so far (February 1981).

8.04.04. *Line erection work at varying rates*

Tender for erection of 910 kms long 132 KV single circuit transmission lines in 4 groups (A, B, C and D) on towers of the same design supplied by firm 'H' were opened in May 1978. It was decided (September 1978) to award the works of A, B, C and D groups to firm 'L' of Lucknow, firm 'J' of Allahabad (both at their lowest quoted rates) firms 'A' and 'B' (both at their third lowest quoted rates) respectively. Accordingly, orders were placed (October 1978) as under :

	Groups of work			
	A Faizabad and Varanasi	B Kanpur and Jhansi	C Bareilly and Moradabad	D Agra and Meerut
Name of firm	L	J	A	B
Length of lines (in kms)	200	260	200	250
Computed price accepted (Rupees in lakhs)	41.94	80.18	73.96	90.19
Average computed price per km (Rupees in lakhs)	0.21	0.31	0.37	0.36

The lowest offers of another firm of Bombay for group C (Rs.71.29 lakhs) and group D (Rs.83.02 lakhs) works were passed over on the ground that "the firm had done some erection work in the past but had not done any erection of transmission lines for many years".

Widely varying rates for the same items of work were provided in these contracts for erection of the lines on towers of the same design and in the same topographical conditions.

The possibility of obtaining the lowest technically acceptable rates of group A works for the lines of the other 3 groups on towers of the same design was not examined by the Board. Instead higher rates were allowed for the works of groups B, C and D. As compared with the corresponding rates for various items of works in group A. award of work of groups B. C and D at higher rates would result in an extra expenditure of Rs.95.44 lakhs.

8.05. *Grant of undue and extra benefits*

8.05.01. *Obra–Sultanpur 400 KV line*

The firm 'B' accepted the order for Obra-Sultanpur line (May 1971) but refused (May 1972) to execute formal contract documents pending settlement of a number of contract conditions and was allowed by the Board the following financial benefits before it executed the contract documents in September 1977 :

(i) The firm was granted (December 1974) price increase to cover the escalation in prices during March 1970 to November 1972 by withdrawal of rebate of 13 *per cent* in erection charges and Rs.39 per tonne in tower fabrication charges stipulated in the firm's tender. This involved an extra expenditure of Rs.5.27 lahks.

(ii) Although the tendered rates were 'firm' the firm claimed (August 1975) increase in rates on the ground that there was price escalation of 25 *per cent* in 1973 and 35 *per cent* in 1974. With the approval of the CSPC the firm was allowed increase in rates of tower fabrication charges from Rs.355 to Rs.600 and Rs.552 to Rs.797 per tonne of normal and special towers respectively. The line erection rates were also simultaneously increased by 25 *per cent*, 35 *per cent*, 45 *per cent* and 60 *per cent* for work done in 1975 (from April). 1976. 1977 and 1978 respectively. An additional expenditure of Rs.14.65 lakhs had to be incurred due to the increase in the rates for fabrication (2,021 tonnes : Rs.4.95 lakhs) and erection of lines (Rs.9.70 lakhs). These increases were allowed on the condition that the fabrication work would be completed by March 1976 and the line erection work would also be executed expeditiously. The firm 'B', however, completed the work of tower supply in November 1977.

(iii) The firm used 650 tonnes higher sections of mild steel in place of 409 tonnes of high tensile steel of lower sections. This resulted in an extra cost of Rs.6.50 lakhs on account of 253 tonnes extra steel (including 5 *per cent* wastage in fabrication).

(iv) Supplies of 389 tonnes of zinc made to the firm for galvanising of the towers included 40 tonnes provided by the firm itself for which payment of Rs.7.57 lakhs was made to it by the Board in December 1974 despite knowledge of the fact that the price charged by the firm (Rs.16,660 per tonne excluding taxes, freight, etc.) was higher than price ruling in October—December 1974 quarter (Rs.15,475 per tonne excluding taxes, freight, etc.) and this zinc was then not needed for the towers of the line. This involved an extra payment of Rs.0.54 lakh to the firm.

The firm was liable to return 135 tonnes of steel (value : Rs.3.37 lakhs approximately) and 9 kms 'Moose' conductor (value : Rs.2.35 lakhs). No recovery had been made so far (May 1981). Recoveries of Rs.0.67 lakh were also due from the firm on various accounts including conductor rewinding charges (Rs.0.47 lakh).

8.05.02. *Obra — Kanpur* 400 *KV line*

(a) Contract for supply of towers

(i) In February 1974, the ETDC accepted the firm's proposal to fabricate 688 tonnes of 12 double circuit towers alongwith 6 extensions of Obra—Sultanpur line under this contract at Rs.1,123 per tonne as against the then enhanced rate of Rs.797 per tonne for special towers provided in the earlier contract for Obra — Sultanpur line which were to be fabricated by the firm under the contract as per the requirements of the Board. This resulted in the grant of financial benefit of Rs.3.35 lakhs in fabrication charges of 688 tonnes (Rs.2.24 lakhs) and towards additional 5 *per cent* wastage of 34.4 tonnes steel (Rs.1.11 lakhs).

(ii) The rates quoted by the firm were inclusive of the cost of zinc (base price : Rs.5,800 per tonne). Variations in the price of zinc were to be reimbursed to the firm by the Board. In August 1974 the CSPC accepted the firm's request for payment of 100 *per cent* price of zinc against proof of zinc supplier's invoices or on intimation from the firm that zinc had been procured from its own sources accompanied with its own invoice and Directors' indemnity bond. Between October 1974 and May 1977 payments of Rs.84.21 lakhs were made by the Board to the firm towards 100 *per cent* price of 559 tonnes of zinc on the basis of the firm's own bills without deducting the element of price to be borne by the firm. This price element was later adjusted in the fabrication charges. As a result the firm received advance payments to the extent of Rs.32.42 lakhs towards cost of zinc.

It was observed in audit that procurement of zinc, actual prices paid for it by the firm and its utilisation in galvanising the towers of the line were never verified by the Board.

(iii) The firm was permitted to use jointed angle pieces. As reported by the firm (November 1979) this necessitated extra use of 7 tonnes of steel fasteners (value : Rs.0.82 lakh) for which payment was made by the Board.

(b) Contract for erection of line

(i) In accordance with the contracted schedule for erection of the line awarded to firm 'D' the firm had arranged erection-*cum*-storage insurance of the line materials for a period of 3 years from 27th December 1974 to 26th December 1977 against payment of insurance premium of Rs.6.22 lakhs by the Board in 4 instalments. The prolonged period of line erection cost the Board Rs.4.78 lakhs extra on insurance premia paid to the firm for the period 27th December 1977 to 31st January 1981. Recovery of Rs.1.31 lakhs for the losses and damages of line materials from the firm's bills was awaited (May 1981).

(ii) In December 1979, the conductor on tower locations 13 to 15 gave way on account of failure of insulator due to which tower number 14 collapsed. The responsibility for loss (Rs.2.04 lakhs including the loss of line materials : Rs.1.56 lakhs) had not been fixed (May 1981). Since the loss was attributed to failure of insulator no claim was lodged with the firm 'D' under performance guarantee clause of the contract.

8.05.03. *Centrally sponsored IDA scheme lines*

(i) Due to lack of finances the firm 'F' could lift only 2,733 tonnes of steel up to April 1975 out of the quantity of 4,540 tonnes imported steel allotted to it by the Government of India. The Board had, therefore, to supply to the firm from departmental stock 3,854 tonnes of steel (value : Rs.44.32 lakhs). This amounted to grant of interest free financial assistance of Rs.44.32 lakhs to the firm.

(ii) The firm's requests (May 1975 and May 1976) for reimbursement of octroi duty and sales tax on raw materials amounting to Rs.4 lakhs were accepted by the Board, though such reimbursement was not covered under the terms of the contract. The amount was paid to the firm without obtaining any proof of the payments actually made by it (sales tax on finished product was paid extra as per terms of the contract).

(iii) The order placed on the firm provided for 90 *per cent* payment on presentation of despatch documents and 10 *per cent* after receipt and check of material at site upon furnishing by the firm a bank guarantee for 10 *per cent* of the contract value. As decided by the CSPC (March 1976) the firm was, however, allowed 100 *per cent* payments against performance guarantee for 5 *per cent* value of the contract.

(iv) The cash assistance of 25 *per cent* of f.o.r. destination price of towers payable by the Government of India was admissible to the firm up to 31st March 1973. The rate of assistance for 1973-74 was reduced by the Government of India (June 1973) on a sliding scale and was completely withdrawn from April 1974 to September 1975. Thereafter 10 *per cent* assistance was again made admissible up to Spetember 1977. At the request of the firm, the CSPC decided (September 1975) to reimburse the firm 25 *per cent* cash assistance on the condition that if the firm received the assistance from the Government of India, in full or part, it would refund the amount to the Board. The details of the reimbursements, made by various Divisions were not available. However, according to an assessment made by ETDC in July 1975 the total amount of the cash assistance liability taken over by the Board was about Rs.20 lakhs. No refund was made by the firm for the reimbursements, if any, received by it from the Government of India. Since the firm did not adhere to the scheduled timings for supply it would not be eligible for the full assistance under the Government of India scheme.

(v) The firm's request for payment of price escalation on steel fasteners was accepted by the CSPC (September 1976) by deleting these items from the scope of the contract. This resulted in an extra expenditure of Rs.9.36 lakhs in departmental purchase of 126 tonnes of galvanised steel fasteners.

The foregoing concessions granted to the firm by ETDC with the approval of CSPC were not approved by the Board on the ground that the whole matter was referred by the State Government to a High Power Committee consisting of the representatives from Government and the Board. The account of the firm's liability under the contract had not been finalised by the Board so far (May 1981).

8.05.04. *Haldwani–Almora* 132 *KV line*

Under the contract awarded to firm 'I' the firm was given the following benefits :

(i) The rate payable to the firm (Rs.1,292.80 per tonne subject to rebate of Rs.175 per tonne) as provided in the detailed order was derived from the firm's quoted rate of Rs.3,410 per tonne (inclusive of cost of steel, zinc and fasteners). Though the Board agreed to provide steel, zinc and fasteners departmentally the consequential deductions from the rate on account of the value of 5 *per cent* accountable and 5 *per cent* unaccountable wastage of steel (Rs.97 per tonne), inter-State sales tax on zinc (Rs.64 per tonne), cost of fasteners (Rs.23 per tonne) and 2.5 *per cent* wastage of fasteners during tower erection (Rs. 9 per tonne) were not made. This resulted in the grant of unintended financial benefit of Rs.1.24 lakhs to the firm at the rate of Rs.193 per tonne.

(ii) Recoveries of Rs.3.11 lakhs due from the firm on account of excess issues of steel (Rs.2.51 lakhs), zinc and fasteners (Rs.0.31 lakh) and excess tower weight and foundation volume over the guaranteed weight and volume (Rs.0.29 lakh) had not yet been made from the firm (May 1981).

8.05.06. *Sultanpur – Gorakhpur* 220 *KV line*

In spite of delay in the execution of works on the part of firm 'C', the Board granted to it (February/April 1976) the following financial benefit to cover the price rise which had taken place after the award of the work :

(i) Increase in the rates of fabrication charges from Rs.323 to Rs.600 per tonne for 484 tonnes of normal towers and from Rs.523 to Rs.800 per tonne for 67 tonnes of special towers fabricated and supplied by the firm from April 1975 onwards.

(ii) The rates of erection charges were also raised by 25, 35, 45 and 60 *per cent* for the work done by the firm in 1975 (from April), 1976, 1977 and 1978 respectively.

(iii) The overall rebate of Rs.0.50 lakh offered by the firm was also permitted to be withdrawn.

The financial benefits so granted to the firm resulted in an additional payment of Rs.4.02 lakhs.

8.06. *Extra expenditure on account of excessive rate and defective construction*

In respect of contract for the supply of towers and erection of 220 KV Rishikesh-Roorkee-Modipuram (Meerut) line (152 kms) awarded to firm 'A' payment of Rs.4.82 lakhs for shoring of 12,045 sq m tower pits with shuttering was made at Rs.40 per sq m being the unit rate stipulated in the contract for this item of work which was treated as an extra item and did not form part of the total contract value of the work. As against this the Electricity Transmission Division, Roorkee arranged similar work of shoring with shuttering at Rs.4.90 and Rs.3 per sq m against a work order of November 1977 and a contract (February 1978) awarded to local contractors for construction of 132 KV line from Chilla (Rishikesh) to Roorkee respectively.

In a test check in audit it was also noticed that normal towers of 'A' type (three) and 'B' type (one) were used in the beds of two rivers near Roorkee on ordinary foundations instead of well type foundations which are necessary for towers located in or in the proximity to the beds of the rivers to prevent any damage due to a possible change of the course of the rivers in such areas. During August 1977 to September 1978 emergent temporary protection work had to be provided on these tower locations at a cost of Rs.1.50 lakhs (approximately). One of the towers fell down in August 1978 due to which the line remained inoperative for over a month. The expenditure on providing well type foundations for 4 alternative tower locations (March – September 1978) and the cost of re-erection of the tower as well as the damaged section of the line amounted to Rs.6.03 lakhs and Rs.1.60 lakhs respectively. No claim for compensation was lodged against the firm since the tower locations had been approved by the Superintending Engineer, Electricity Transmission Circle, Roorkee before the work was taken up.

8.07. *Fabrication of towers for the Fifth Plan lines*

Under a contract awarded by the Board to firm 'B' for supply of 6,300 tonnes of towers (subsequently increased to 10,700 tonnes) for 132 KV lines to be constructed during the Fifth 5-Year Plan period the Board supplied to the firm 12,840 tonnes of steel (value : Rs.2.85 crores) between August 1976 and November 1978 which included 874 tonnes of steel arranged by the firm against payments of Rs.16.58 lakhs made by the Board in May/August 1977. The firm, however, supplied 11,221 tonnes tower parts up to December 1979 including free of charge replacement of shortages and damages (58 tonnes). For this work 12,280 tonnes of steel was necessary including 10 *per cent* margin for wastages in fabrication. Neither the account of the remaining 560 tonnes of steel (value : Rs.14 lakhs) had been settled nor had the firm given the Board credit for the 5 *per cent* accountable wastage of 558 tonnes of steel at Rs.600 per tonne (Rs.3.35 lakhs) so far (May 1981).

In terms of the tender specifications the price of zinc was to be reimbursed by the Board to the firm. Payments of Rs.95.29 lakhs were, however, made by the Board to the firm from August 1976 to July 1978 for 720 tonnes of zinc without obtaining proof of its procurement. The firm refused to produce copies of zinc supplier's invoices in support of having procured the zinc on the ground that no such stipulation was made in the contract documents. Verification of the zinc stock held by the firm was also not arranged by the Board during the period the towers were fabricated and galvanised by the firm.

8.08. *Fabrication of defective lattice poles*

Against an order of March 1972 for design, fabrication and supply of 4,400 tonnes of lattice poles (A type : 4,250 : B type : 4,750 and C type : 5,600) suitable for 11 KV lines in hill districts, firm 'F' started mass fabrication of the parts without ensuring fabrication of matching parts for complete poles.

The parts supplied by the firm were complete for only 1,563 lattice poles (A type : 500, B type : 251 and C type : 812) and the rest of the parts supplied could not be used for want of matching parts of various sizes weighing 204 tonnes. The B and C type lattice poles supplied by the firm were unfit for use since their footings required too much ground area which was difficult in hilly areas. Moreover, the cost of retaining wall required for the poles was high as two legs of the poles did not fall on the level ground and the labour charges for erection of the poles were also high.

The papers relating to the award of this contract and performance of the firm thereunder were stated to have been handed over to the State Vigilance Department for enquiry. The extent of blocking of fuds in fabrication of the lattice poles under the contract could not, therefore, be ascertained in audit (March 1981).

8.09. *Other points*

8.09.01. *Wastage of steel in tower fabrication*

The State Public Works Department schedule of rates provides for 2.5 *per cent* wastage of steel in fabrication of structural steel for trusses, gates, racks, etc. In departmental fabrication of towers at Naini (Allahabad) the wastage of steel in the form of small cut lengths was about 2.4 *per cent* weight of the fabricated towers and such cut pieces were either utilised for small fabrication items or were sold. In its tender specifications providing for departmental supply of steel free of charge the Board had been allowing 5 *per cent* extra steel for wastage in fabrication of towers. During test check in audit, it was, however, noticed (October 1980) that in 6 cases 10 *per cent* margin for wastage of steel in tower fabrication was demanded by certain fabricators and allowed by the Board, although fabrication of jointed tower members was also permitted by the Board (July 1977). The value of 5 *per cent* extra steel given to various tower fabricators in such cases after allowing for wastages accounted for by them works out to Rs.51.07 lakhs as under :

Tender enquiry	Class of tower	Name of firm	Quantity of tower (in tonnes)	Accountable wastage (percentage)	Value of extra wastage (Rupees in lakhs)
February 1972	220 KV	F	4600	Nil	4.60
April 1972	220 KV	A	1997	Nil	1.00
January 1973	400 KV	B	9066	3 (at Rs.500 per tonne)	14.65
		A	8134	3	8.93
November 1976	400 KV	A	4320	Nil	4.32
		B	3332	Nil	3.33
January 1974	132 KV	B	11221	5 (at Rs. 600 per tonne)	9.72
		E	1000	5 (at Rs. 600 per tonne)	0.88
		I	1500	5 (at Rs. 600 per tonne)	1.30
April 1976	220 KV	B	1358	Nil	2.34
					51.07

The accountable wastage of 3—5 *per cent* comprised steel in cut lengths of above one metre which could be utilised in various other works or sold for re-rolling. No effort was, however, made by the Board to get back such cut pieces of steel even in the case of contracts which provided for return of the accountable cut lengths nor was the estimated value of accountable wastage deducted from payments made to the firms.

The position was reviewed by the Chairman of the Board in June 1977 and it was ordered that in future contracts the margin of wastage of steel allowed to the fabricators should not exceed 5 *per cent* of the weight of the fabricated material.

8.09.02. *Extra expenditure on zinc consumption*

In an estimate for departmental galvanising of towers submitted by the Electricity Fabrication Unit, Naini (Allahabad) to the Chief Engineer (Transmission Design) in March 1978, provision for zinc consumption in hot-dip galvanising of tower parts (as per standards laid down in ISS : 728—1956) was made at 5 *per cent* of the black weight of the fabricated towers. The contract awarded by the Board to firm 'C' for towers of 220 KV single circuit Sultanpur-Gorakhpur line (145 kms), however, provided for zinc consumption at 6 *per cent* of the black weight. In other contracts the consumption of this item as demanded by various firms and allowed by the Board, varied from 6.5 to 7 *per cent*. Compared with the lowest proportion of 6 *per cent* allowed by the Board in the contract for towers of 220 KV Sultanpur-Gorakhpur line, the higher proportions of zinc consumption allowed by the Board at its cost in other contracts resulted in an additional expenditure of Rs.30.33 lakhs on account of extra zinc allowed to the fabricators (296 tonnes) as shown in the following table :

Particulars	Name of firm	Quantity of towers (in tonnes)	Percentage of zinc	Extra zinc (tonnes)	Value of extra zinc (Rupees in lakhs)
(*a*) *400 KV lines*					
Obra-Sultanpur	B	4825	6.5	12.1	1.21
Obra-Kanpur	B	9066	6.5	45.3	6.80
Rishikesh-Moradabad	B	3332	6.5	16.6	2.49
Kanpur-Muradnagar	A	8134	6.5	40.7	6.10
Rishikesh-Muradnagar	A	4320	6.5	21.6	3.24
Sultanpur-Lucknow	A	2866	6.5	14.3	1.85
		32543			

Particulars	Name of firm	Quantity of towers (in tonnes)	Percentage of zinc	Extra zinc (tonnes)	Value of extra zinc (Rupees in lakhs)
(*b*) 220 *KV lines*					
Mughalsarai-Dehri	F	565	6.5	2.3	0.12
Chhibro-Roorkee and Muradnagar-Shamli	F	1660	6.5	8.3	1.25
Rishikesh-Modipuram	A	2888	6.5	14.4	1.44
Harduaganj-Moradabad	A	1270	6.5	6.4	0.95
		6383			
(*c*) 132 *KV lines*					
Two orders of January and December 1974	B	14518	6.5	72.6	10.07
Two orders of December 1974 and October 1975	I	2140	7.0	21,4	3.21
One order of May 1968	F	2000	7.0	20.0	0.60
		18658		296.0	39.33

8.09.03. *Testing and inspection*

The contracts awarded by the Board to various firms for tower fabrication work stipulated use of standard quality steel conforming to the requirements of ISS 226—1950 (revised in 1975) and hot-dip galvanising of tower parts as per ISS 2629—1966. During test check in audit it was noticed (October 1980) that tensile, bend, dimensions and tolerance tests of the fabricated tower parts supplied under various contracts were not arranged by the Board in accordance with the methods laid down in ISS 226—1950 (revised in 1975) to ensure that the standard quality steel supplied by the Board or procured by the fabricators at the cost of the Board was actually used in fabrication of the towers supplied by them under various contracts. Similarly, the quality of hot-dip galvanising of the tower parts was not tested by the Board in accordance with the methods laid down in the ISS-2629—1966 to verify the quality of galvanising and full use of zinc therein.

Concrete cube tests on sample basis from each lot of cement concrete mix used in tower foundation work were also not arranged as per ISS-456 (revised in 1978). The quality of concrete used in the tower foundations and full use of cement supplied by the Board for the same thus remained unchecked.

8.09.04. *Non-revision of tower design*

The contracts awarded by the Board to various firms under different tender enquiries stipulated that the towers would be fabricated in accordance with the standards laid down in the ISS : 802—1969. The standard was revised by the Indian Standard Institute in 1973 (ISS : 802) providing for 30 *per cent* increase in the wind load of towers which resulted in the reduction in the weight of towers. The revised standard resulted in the reduction of about 15 *per cent* in the weight of the towers supplied by the firm 'H' to the design of firm 'B' (as per the revised standard) against a tender enquiry of November 1977. The revised standard was, however, incorporated by the Board in the tender enquiries floated only from 1976 onwards. The design of the weighty 132 KV towers of firm 'B' tested in Italy during 1969 formed the basis of placing orders on firms 'B', 'E' and 'I' against the tender enquiries up to January 1974. Due to delay in adopting the revised standards the Board incurred an avoidable expenditure of about Rs.103 lakhs in respect of 13,721 tonnes of towers supplied by firms 'B', 'E' and 'I' against the orders placed on them in December 1974, due to excessive weight of towers (2,058 tonnes).

8.09.05. *Excessive rates for tower foundation work*

The unit rates for foundation work stipulated in various contracts for line erection works were decided by ETDC on the basis of tenders without framing or adopting any schedule of rates for similar items fixed by the State Public Works Department. This resulted in award of tower foundation work at comparatively high rates as detailed below :

Item of work	Per cubic metre rates as per PWD Schedule for 1979-80	Per cubic metre rates at which contracts were awarded (1973-74 to 1979-80)
		(In Rupees)
Excavation work (per Cu m)		
Normal soil	4	6 to 40
Wet soil	5	8 to 45
Soft rock	11*	30 to 63
Hard rock	19*	60 to 118

*Awarded by the Board to Uttar Pradesh Rajkiya Nirman Nigam Limited in November 1975.

Item of work	per cubic metre rates as per PWD Schedule for 1979-80	Per cubic metre rates at which contracts were awarded (1973-74 to 1979-80) (In Rupees)
Cement concrete excluding cost of cement at 1:2:4	260	400 to 1450
Revetment work of random rubble masonary per Cu m	200	300 to 480
Provision of shuttering for foundation per Sq m	8	40 to 65

Illustrative cases of such high rates noticed in test audit were as under :

(i) 132 *KV Rishikesh-Srinagar line* (80 *kms*)

Contract for erection of this single circuit line awarded (June 1977) to firm 'M' of Meerut (value : Rs.37.99 lakhs) included erection of 260 towers with 10,304 Cu m of foundation excavation and 1,166 Cu m cement concrete work as per ceiling volumes stipulated in the contract for these items of work. The line work done by the firm included execution of 34,632 Cu m of foundation excavation and 1,281 Cu m concrete work in respect of 208 towers. The payment made to the firm for the extra quantity of these items of work amounted to Rs.28.79 lakhs. Besides, the firm was paid Rs.7.36 lakhs for 1,901 Cu m revetment work of random rubbles with cement mortar (1635 Cu m) at Rs.450 per Cu m and cement concrete (266 Cu m) at Rs.760 per Cu m on 22 towers as against 250 Cu m of total revetment work stipulated in the tender specifications of the work of the whole of the line. The estimate as sanctioned by the Additional Chief Engineer, Meerut (June 1980) for Rs.184.53 lakhs, however, provided for expenditure of only Rs.10 lakhs for the revetment and Rs.3.50 lakhs for the benching work at Rs.0.20 lakh and Rs.0.02 lakh per location respectively.

(ii) 132 *KV Haldwani-Almora line* (54 *kms*)

A contract for erection of this line awarded to firm 'M' for completion in a year from June 1977 (contract value : Rs.19.04 lakhs) provided for payment at Rs.420 per Cu m of revetment work of random rubble masonary. The quantity of the revetment work was neither specified in the contract nor was it estimated by the Electricity Transmission Division, Nainital on the basis of tower locations. The firm was, however, paid Rs.23.79 lakhs for 5,471 Cu m revetment work in respect of 40 out of 161 towers in addition to Rs.0.72 lakh for 1,803 Cu m earth filling work. Besides, payments of Rs.5.98 lakhs were made to the firm for benching and site levelling work of 3,582 Cu m in soft rock and 5,688 Cu m in hard rock for which no provision was made in the contract. Such payments for extra items of work increased the contract cost of the erection work from Rs.19.04 lakhs to Rs.50.44 lakhs.

8.09.06. *Varying tower weight and foundation volumes*

The Board does not indicate in its tender specifications the design of towers and fundation volumes. Designs of varying tower weights and foundation volumes of the same capacity transmission lines submitted by the contractors are approved by ETDC from time to time. This had resulted in procurement of towers of varying weights and foundation volumes for the lines of the same capacity.

Although such wide variations were noticed by ETDC from time to time the financial impact of such variations was not examined by the Board for evolving a most economical tower foundation design.

8.09.07. *Purchase of 'Moose' conductor*

An order for supply of 500 kms ACSR 'Moose' conductor by November 1976 for 400 KV Sultanpur–Lucknow single circuit line at Rs.20,000 per km f.o.r. destination was placed on a firm of Bangalore in August 1974. The firm's capacity to manufacture and supply such large size conductor was not verified although the Board knew that the firm was new in the field of manufacture of ACSR conductor. The first lot of 20 kms offered by the firm for inspection (August 1974) was not passed for despatch but after re-inspection (May 1975) and removal of the damaged upper layers 19 kms were accepted by the Board (July 1975).

By May 1976 the firm made further supplies of 212 kms of conductor without any inspection at its workshop. Bulging and overlapping of the conductor strands were noticed (November 1976) during stringing of the conductor in the line (40 kms). The Executive Engineer Electricity Transmission Division, Sultanpur thereafter inspected the conductor (November 1976) in the presence of the firm's representatives and found it to be totally unfit for 400 KV line.

During test check in audit the following points were noticed (May 1978) :

(i) Out of the total supplies of 231 kms, 121.5 kms of conductor (value : Rs.32.81 lakhs) was defective against which free of charge replacement of only 49.6 kms of conductor was made by the firm. The CSPC, however, decided (May 1978) to use 71.9 kms of defective conductor in the bus bars of sub-stations on price reduction of Rs.4,000 per km and to allow the firm to resume supplies of the balance 269 kms of conductor at Rs.27,500 per km (f.o.r. destination) on terms and conditions of another order placed on the firm under a subsequent tender enquiry. Thus, in spite of the firm's failure to supply conductor as per the Board's specifications and as per the prescribed time schedule it was granted price increase of Rs.20.18 lakhs.

(ii) For manufacture of 500 kms of conductor the firm was allotted 1,059 tonnes of aluminium from the Board's quota as against the requirement of 731.50 tonnes. A subsidy at Rs.3,130 per tonne was allowed by the Government of India on the quota of aluminium allotted to the Board. Though the contract with the firm provided that the firm should return the unused aluminium to the Board (and it was claimed by the Board in other cases), the Board did not claim the balance of aluminium from this firm ; this resulted in an unintended financial benefit of Rs.10.28 lakhs, being the amount of subsidy availed of by the firm in purchase of unused quantity (328.50 tonnes) of aluminium.

(iii) Only 78 kms of conductor was used in the line and the remaining 153 kms (including 71.9 kms of unreplaced defective conductor) had to be transferred to other units of the Board. The expenditure incurred in shifting of 71.8 tonnes of conductor after rewinding of the conductor on drums amounted to Rs.0.37 lakh. The expenditure incurred in re-transportation of the remaining 71.2 kms was not available.

The matter was reported to the Government/Board in December 1980; replies were awaited (March 1981).

8.10. *Summing up*

(i) Schedule of rates for salient items of transmission works to serve as a guide and the detailed estimates of cost of individual works had not been prepared though required by the rules of the Board.

(ii) While the tenders of established firms were passed over undue preference was granted to 3 firms in awarding work of tower supply in spite of their failure in certain contracts. One of the firms made defaults in almost all the contracts and recoveries of Rs.69.25 lakhs were outstanding against the firm under four contracts.

(iii) (*a*) The work of tower supply and erection of 400 KV Obra–Sultanpur line was entrusted to firm 'B' which had neither set up its tower fabrication workshop nor had obtained industrial licence for fabricating towers. Its tender was not financially favourable due to which the Board incurred an extra expenditure of Rs.53.60 lakhs in the course of execution of the work.

(*b*) The work of supply of towers for 400 KV Obra–Kanpur line was awarded to firm 'B' to save about 2 years' time taken in tower designing. The firm, however, delayed the work by about 2½ years.

(*c*) Instead of evolving a realistic basis for evaluation of the tenders two different standards were adopted by the Board in awarding the work of four lines of 400 KV against the same tender enquiry.

(iv) Award of tower supply work to a defaulting firm under a centrally sponsored scheme resulted in an extra expenditure of Rs.59.65 lakhs and accumulation of unmatching tower parts valuing Rs.40 lakhs.

(v) The work of erection of certain 132 KV lines on towers of the same design was awarded to different firms against a tender enquiry at widely varying rates in almost similar topographical condition which involved extra expenditure of Rs.95.44 lakhs.

(vi) In spite of defaults made by certain firms they were given undue and extra benefits in the following cases:

(*a*) Rupees 26.96 lakhs in the case of 400 KV Obra–Sultanpur line and Rs.4.17 lakhs in the case of 400 KV Obra–Kanpur line to firm 'B' in addition to advance payments for procurement of zinc (Rs.32.42 lakhs).

(*b*) Rupees 33.36 lakhs to firm 'F' in the case of centrally sponsored 220 KV lines besides financial assistance of Rs.44.32 lakhs given to the firm for procurement of steel.

(*c*) Rupees 4.20 lakhs to firm 'C' in the case of 220 KV Sultanpur–Gorakhpur line.

(vii) Due to defective location of towers of 220 KV Rishikesh—Modipuram (Meerut) line in the bed of two rivers the Board incurred an extra expenditure of Rs.9.13 lakhs.

(viii) Under certain contracts extra wastage of steel was allowed in tower fabrication work (value : Rs.51.07 lakhs).

(ix) Under some contracts for tower supply two firms were allowed consumption of zinc at higher rate involving extra consumption of 296 tonnes of zinc worth Rs.39.33 lakhs.

(x) Non-revision of the design of the towers in conformity with the relevant Indian Standard Specifications (revised in 1973) resulted in procurement of weighty towers (conforming to old specifications) against orders placed in December 1974 involving an extra expenditure of about Rs.103 lakhs.

(xi) Widely varying rates for the works of tower foundation, revetment and shoring of tower pits with shutterings were provided in various contracts which were much higher than the then current Public Works Schedule of rates.

(xii) In spite of failure of a firm in supply of conductor it was granted undue price increase of Rs.20.18 lakhs and financial benefit of Rs.10.28 lakhs for procurement of aluminium against the Board's quota in excess of the requirements for the conductor supplied.

SECTION IX

LOSS OF REVENUE

9.01. *Incorrect application of tariff*

(*a*) Prior to 1st June 1979, rate schedule—HV-2B (Heavy Power) was applicable to all the consumers with a contracted demand of over 200 KW (235 KVA) for industrial and/or processing purposes and for State lift irrigation. The supply of electricity to the Railways, All India Radio (Television) and for water works was not covered under this rate schedule and was to be billed under rate schedule HV-1B (mixed load above 100 KW). The Lucknow Electric Supply Undertaking, however, charged for supply of power to All India Radio (Television) and Water Works Department under the rate shedule HV—2B, which resulted in a short recovery of revenue to the extent of Rs.37.48 lakhs (March 1977—May 1979).

The matter was reported to the Board/Government in May 1980; replies were awaited (March 1981).

(*b*) At the request (February 1967) of a consumer who was sanctioned a load of 112.5 KW (December 1966), a connection for 56.25 KW load was released (November 1967) for the first working season by the Electricity Distribution Division I, Ballia. This connection was continued without obtaining the Board's approval for a reduction in the sanctioned load and the consumer was billed up to February 1978 at the rates applicable to a connected load of up to 75 KW. The connected load of the motors installed was not verified. During physical verification by an Assistant Engineer (April 1978) the connected load of the consumer was found to be 110.6 KW for which higher rates were applicable. Billing at an incorrect lower rate resulted in an undercharge of Rs.0.35 lakh during the period from April 1975 to February 1978 (the records for the earlier period were not available).

The matter was reported to the Board in November 1979 and to Government in September 1980; replies were awaited (March 1981).

9.02. *Power cut*

(*a*) During 1979-80, (effective from 21st August 1979) due to power shortage in the State, the State Government imposed power cuts ranging from 33.33 to 66.66 *per cent* on the highest demand recorded in any month during the 12 months from August 1978 to July 1979 or the contracted demand, whichever was less, in respect of heavy, medium and continuous process industries. Any excess over the permissible demand was liable to a penalty of Rs.100/200/300 per KVA for the first, second and subsequent defaults respectively apart from disconnection.

A test check in audit (March/April 1980) disclosed that 4 consumers (one each in 4 divisions) had rendered themselves liable to penalties aggregating Rs.12.30 lakhs which had, however, not been levied : the reasons for not levying penalties were not on record.

The matter was reported to the Board/Government in May and August/September 1980; replies were awaited (March 1981).

(*b*) Under the Uttar Pradesh Electricity (Regulation of Supply, Distribution, Consumption and Use) Order, 1977 (effective from 7th April 1977 and applicable for 1977-78), the Government imposed power cuts during 1977-78 for regulating the supply, distribution, consumption and use of electric energy. The order, *inter alia*, provided that an industrial consumer with his own source of generation, should observe the power cut to the extent of the installed capacity of such source of generation. It was also provided that the State Government might, in public interest, relax (in respect of any consumer) these restrictions to such an extent and for such period as it thought fit. Every excess drawal by the consumer over and above this limit was subject to a penalty of Rs.50 per KVA per month.

A consumer of Electricity Commercial Division, Allahabad with a contracted load of 600 KW had his own source of generation (1,108 KW) but was allowed by Government in April 1977 (in relaxation of the restrictions) to draw energy up to 400 KW from the Board. During test audit (October 1979) it was noticed that the consumer had been regularly drawing power (1977-78) in excess of the permitted limit of 400 KW, but the penalty of Rs.50 per KVA per month was not levied. The amount of penalty not imposed worked out to Rs.0.38 lakh (1977-78).

The matter was reported to the Board/ (Government in November 1979/September 1980; replies were awaited (March 1981).

9.03. *Non-segregation of circuits*

When the energy supplied to a large and heavy power consumer for a factory is also utilised for domestic consumption such consumption is required to be metered and charged for separately failing which the entire consumption is required to be charged at the higher rate applicable to the mixed load.

A test check in audit (March 1980) revealed that one consumer of Electricity Distribution Division I, Aligarh had not been billed at the higher rates for mixed loads as applicable resulting in a non-recovery of Rs.0.95 lakh (August 1977—August 1979).

On this being pointed out in audit the division raised the bill for the undercharge (April 1980); recovery was awaited (March 1981).

The matter was reported to the Board/Government in January and May/September 1980; replies were awaited (March 1981).

9.04. *Jammed/stopped meters*

As per the Board's orders (October 1976) if the meter of a consumer is found jammed/stopped the assessment is to be based on the maximum demand and consumption recorded during the preceding 3 months.

It was noticed that in the case of 14 consumers, 5 distribution divisions had billed the consumers, whose meters were found jammed/stopped, on the basis of minimum charges/average consumption (instead of on the basis provided in Board's order) resulting in an undercharge of revenue of Rs.5.32 lakhs (November 1976—March 1980).

On being pointed out by Audit (April 1980) one of the division stated that the consumers would be billed in accordance with the Board's orders after replacement of the meters by the Test Division. Subsequently this division raised bills for the undercharge for Rs.2.17 lakhs against 6 consumers for the period from March 1977 to November 1980; the meter of one consumer was reported to be not in use. Out of the amount billed Rs.1.18 lakhs was recovered (February 1981). No reply was received from other divisions (March 1981).

The matter was reported to the Board/Government in March, May and September 1980; replies were awaited (March 1981).

9.05. *Non-levy of additional charge*

(*a*) According to tariff applicable to licensees, heavy and large power and mixed load (above 100 KW) consumers, if the monthly bill is not paid by the due date, the consumer is liable to pay an additional charge of 7 paise per Rs.100 or part thereof, per day of delay, on the unpaid amount.

In test audit it was noticed (June—November 1979/February 1980) that the divisions had not recovered the additional charge in respect of 18 consumers (7 divisions) resulting in an undercharge of Rs.4.95 lakhs (October 1974—December 1979).

On being pointed out by Audit (July 1980) Electricity Distribution Division, Kanpur billed (August to December 1980) the consumers for additional charge of Rs.0.95 lakh out of which Rs.0.56 lakh had been recovered (February 1981).

(*b*) One of these consumers was also having a sanctioned load of 50 KW for light and fan in addition to the factory load, and was billed for the light and fan consumption along with the bill for factory consumption. According to the tariff, a rebate of 5 paise per Kwh is admissible in respect of light and fan consumption on timely payment of the bill. It was noticed that a rebate of Rs.0.32 lakh had been allowed during the period from December 1976 to March 1979 even though the consumer had not made timely payments.

The matter was reported to the Board during July 1979 to August 1980 and to Government in May and September 1980; replies were awaited (March 1981).

9.06. *Non-levy of surcharge*

According to the tariffs applicable to small/medium power consumers (effective from 12th October 1974) and to private tube-wells/pump-sets for irrigation purposes (effective from 1st November 1974), in the event of monthly bills not being paid by the due date the consumer is liable to pay a surcharge of 12 *per cent* on the amount of the bill, excluding arrears, if any. In case the payment is delayed beyond 6 months (reckoned from the first day of the month following the due date of payment), the consumer is also liable to pay an additional surcharge of 2 *per cent* per month or part thereof for the period of such delay.

It was noticed in test audit (August 1978 to November 1979) that in 6 divisions the surcharge of 2 *per cent* per month for delayed payments was not levied resulting in an undercharge aggregating Rs.1.75 lakhs in respect of 149 consumers.

On this being pointed out in audit the Board stated (August 1980) that in 3 of the divisions bills had been raised (December 1979/March to May 1980).

The matter was reported to the Board in October 1978/March 1979/May 1980 and to Government in May/September 1980; replies of the Board (in respect of the other 3 divisions) and replies from Government were awaited (March 1981).

9.07. *Non-recovery of instalments*

Under the Commercial scheme for giving connections for private tubewells and pump-sets on priority basis (introduced with effect from July 1972), if the expenditure to be incurred by the Board to provide the connection is up to Rs.4,000, an amount of Rs.700 is to be recovered from the consumer. For an expenditure in excess of Rs.4,000 but up to Rs.6,000, an amount of Rs.1,050 is to be recovered from the consumer. The recoveries are to be effected in 10 equal annual instalments, the first instalment being recoverable before energising the pump-sets. If the expenditure is in excess of Rs.6,000, the entire amount in excess of Rs.6,000 is recoverable in lump sum.

A test check in audit (October/November 1979) revealed that the instalments falling due from April 1973 to March 1979 involving Rs.3.67 lakhs in Electricity Distribution Division I, Jaunpur (481 consumers : Rs.0.95 lakh), Electricity Distribution Division I, Ghazipur (500 consumers : Rs.1.64 lakhs) and Electricity Distribution Division II, Ghazipur (325 consumers : Rs.1.08 lakhs) had not been recovered so far (March 1981).

The matter was reported to the Board in December 1979 and to Government in May 1980 ; replies were awaited (March 1981).

9.08. *Reduction in load*

The agreements entered into with 6 industrial power consumers (January—November 1975), receiving supply of electricity from Electricity Distribution Division I, Rae Bareli, were valid for an initial period of 2 years (from the date of supply) and were extendable on an annual basis thereafter. Either party could determine the agreement after the expiry of the initial period of supply with 12 months' notice in writing. At the request of 6 consumers (August 1976), the Chairman of the Board ordered (May 1977) a reduction in the contracted loads of these consumers (by 50 *per cent* in the aggregate) from the date of commencement of supply (January—November 1975).

The irregular reduction in load before the expiry of the initial period of supply had resulted in a loss of revenue of Rs.2.21 lakhs. Further, the recovery of reduction charges amounting to Rs.0.16 lakh were also waived, the reasons for which were not on record.

The matter was reported to the Board in October 1979 and to Government in September 1980; replies were awaited (March 1981).

9.09. *Irregular concession*

According to the tariff applicable to heavy power consumers, a separate meter is required to be arranged by the consumer for any power to be used for other purposes which is to be charged for according to the applicable rate schedule. In the absence of a separate meter the entire consumption is to be charged at the higher rate.

In Electricity Distribution Division I, Rae Bareli, a heavy power consumer utilised the factory load for other purposes and was billed at higher rates up to June 1977 when a separate meter was installed. However, in August 1977, on the basis of instructions issued by the Additional Chief Engineer (Commercial), the Division allowed a reduction (in contravention of the provisions of the rate schedule) of Rs.1.34 lakhs for the period from September 1975 to June 1977 on the basis of lower tariff applicable to heavy power consumers. This had resulted in a loss of Rs.1.34 lakhs to the Board.

The matter was reported to the Board in October 1979 and to Government in September 1980; replies were awaited (March 1981).

9.10. *Non-recovery of fuel cost variation charges*

With a view to providing an incentive to the mini-steel plants, rolling and re-rolling mills and induction furnaces in the State, the Board decided (February/June 1977) that consumers covered under the rate schedules applicable to heavy and large power consumers and drawing power between 21.00 hours and 09.00 hours would, from May 1977, get the supply at a concessional rate of 16 paise per unit *plus* electricity duty as applicable from time to time. This rate was based on the prices of coal, fuel, oil and wages of staff prevalent in February 1977 and was subject to increase from time to time with the increase in wages and prices of fuel. In April 1979 the Board revised the chargeable rate upwards with retrospective effect from May 1977. The Lucknow Electric Supply Undertaking, however, did not recover the charges at the revised rates from 2 consumers (May 1977—March 1978), resulting in an under recovery of Rs.1.25 lakhs.

On this being pointed out in audit, the unit issued the bills in October 1979 but the recovery was awaited (March 1981).

The matter was reported to the Board/Government in May 1980 : replies were awaited (March 1981).

9.11. *Non-recovery of dues*

A consumer of the Lucknow Electric Supply Undertaking stopped paying electricity dues from February 1974 but the supply of power was disconnected in May 1975 when the dues had accumulated to Rs.0.70 lakh, though under the rules, the supply should have been disconnected within 30 days of default in payment. A demand notice under section 3 of Uttar Pradesh Government Electrical Undertakings (Dues Recovery) Act, 1958 for Rs.1.10 lakhs (up to April 1976) was served in July 1976. A recovery certificate issued under Section 5 *ibid* (September 1976) was received back through the Collector, Lucknow, with the remark that the business of the consumer had gone into liquidation.

The matter was reported to the Board in November 1979 and to Government in May 1980; replies were awaited (March 1981).

9.12. *Non-levy of extra charge*

According to the rate schedule applicable to heavy and large power consumers, an extra charge of 7.5 *per cent* was leviable for 400-Volt supplies with effect from June 1979. In the case of 2 consumers of Pratapgarh division, the extra charge of 7.5 *per cent* amounting to Rs.0.26 lakh, (June 1979—January 1980) had not been levied.

The matter was reported to the Board/Government in May/September 1980 ; replies were awaited (March 1981).

9.13. *Under recovery of electricity duty*

Energy sold to a consumer is subject to electricity duty at such rate as may be fixed by Government from time to time. In the case of mixed load such duty is to be levied on the total rate including fuel price variation adjustment. A mixed load consumer with connected load of 1900 KW under Electricity Distribution Division I, Aligarh was, however, charged electricity duty on the rate of energy charges without taking into account the addition towards fuel cost variation from April 1974 to June 1978. This resulted in an under-recovery of electricity duty amounting to Rs.1.02 lakhs.

The matter was reported to the Board/Government in May/ September 1980; replies were awaited **(March 1981)**.

SECTION X

OTHER TOPICS OF INTEREST

10.01. *Rejection of claim*

Two consignments of mica insulated bricks despatched (June and July 1975) by rail by the Thermal Power Station, Obra to the Mechanical Plant Division, Harduaganj were received at Harduaganj (March 1976) in a badly damaged and unserviceable condition. Claims for Rs.3.16 lakhs lodged (January 1977) with the Railways were rejected (February 1977) as time-barred because they were not preferred within 6 months from the date of delivery. Responsibility for the delayed lodging of claim had not been fixed so far (March 1981).

The matter was reported to the Board/Government in May/September 1980; replies were awaited (March 1981).

10.02. *Extra expenditure*

(*a*) The work of painting of steel structures was awarded by the Superintending Engineer, Thermal Civil Construction Circle I, Obra (May 1976) to a contractor at his tendered rate of Rs.14.23 per tonne. The order to start the work was, however, not issued and in the meantime (January 1977) the contractor demanded Rs.20.50 per tonne mainly due to increase in labour and material costs. The increased rate was not accepted and the Superintending Engineer decided (March 1977) to allot the work (without inviting fresh tenders) at Rs.40 per tonne to a public sector undertaking engaged in the field of fabrication and erection of steel structures.

The allotment of work at higher rate (Rs.40 against Rs.14.23 per tonne) resulted in an extra expenditure of Rs.1.80 lakhs on the painting of 7,000 tonnes (up to December 1979). Had the work been allotted at Rs.20.50 per tonne demanded by the contractor in January 1977 the Board would have avoided the extra expenditure to the extent of Rs.1.37 lakhs.

The matter was reported to the Board in January 1979 and to Government in August 1979; replies were awaited (January 1981).

(*b*) The Boiler Maintenance Division of 'B' Thermal Power Station, Obra placed 7 work orders (April/May 1979) for maintenance works (value : Rs.0.40 lakh) without ascertaining the reasonableness of rates offered by contractors against limited enquiry. Tenders for annual maintenance and repair subsequently invited (June 1979) by the division and finalised in July 1979 indicated that the rates paid against work orders were abnormally high. Had the work orders been allotted at price accepted in July 1979 the costs would have been Rs.0.13 lakh against Rs.0.40 lakh.

The matter was reported to the Board/Government in February/September 1980 ; replies were awaited (March 1981).

10.03. *Excess payment*

(*a*) As per the terms and conditions of the purchase orders issued by the Store Procurement Circle (October 1971—March 1973) on a firm of Kanpur for supply of transformers by March 1974, 90 *per cent* advance had to be paid with the orders and the balance 10 *per cent* payments were to be released by 70 consignee divisions after acceptance of the material supplied.

In respect of materials supplied to the Electricity Distribution Division, Kanpur (36 bills) between May 1972 and December 1973, 10 *per cent* payments, amounting to Rs.1.04 lakhs were made by the Chief Accounts Officer directly (December 1975) without getting the bills verified by the consignee. On receipt of the debit advice (January 1976) from the Chief Accounts Officer, the division found that only a sum of Rs.0.50 lakh was payable against these 36 bills and accepted the debit advice (September 1979) to the full extent.

On being pointed out in audit, the division adjusted the excess payment (Rs.0.54 lakh) in February 1981 out of the pending bills.

The matter was reported to the Board/Government in March/September 1980 ; replies were awaited (March 1981).

(*b*) Orders placed (September 1978) by the Stores Procurement Circle II, Lucknow on 3 firms for supply of conductors provided for variation in rates depending upon the base price of raw materials (aluminium and steel wire) prevailing 1 month prior to the date on which the suppliers offered the conductors for inspection. The base price of aluminium was reduced from Rs.13,705.25 to Rs.12,875.14 per tonne by the Government of India with effect from 18th October 1978. Payment for supply of 306.947 kms of conductor offered for inspection by the firms on 20th November 1978 was, however, made without reducing the rate on the basis of the reduced base price of aluminium. This resulted in an excess payment of Rs.0.26 lakh to the firms. On being pointed out (April 1979) by Audit a sum of Rs.0.19 lakh was claimed from two firms in September/October 1981 ; recovery was awaited. Amount due from one firm was not claimed (October 1981).

The matter was reported to the Board/Government in January/September 1980 ; replies were awaited (March 1981).

10.04. *Loss of money*

Three cheques amounting to Rs.0.46 lakh were endorsed (September 1979) by the Sub-divisional Officer, Kunda in favour of his Sub-divisional clerk who encashed these cheques on 5th September 1979 at Pratapgarh and disbursed Rs.0.08 lakh to the Sub-divisional staff at Pratapgarh. The balance amount of Rs.0.38 lakh was stated to have been lost while the Sub-divisional clerk and his guard were in transit between Kunda and Pratapgarh for which a report was lodged with the Police on 5th September 1979. It was noticed that the cheques were wrongly endorsed in favour of the Sub-divisional clerk, who was not authorised to handle the cash. The claim lodged with the insurance company (September 1979) was pending with the company.

The matter was reported to the Board/Government in May/September 1980 ; replies were awaited (March 1981).

10.05. *Excess payment of sales tax*

Under the Uttar Pradesh Sales Tax Act, 1948 (as amended with effect from 26th May 1975) the Board was eligible for a concessional rate of sales tax (3 *per cent* up to 30th January 1975 and 4 *per cent* thereafter) on goods purchased for its own use. To obtain the concession the Board had to furnish a declaration in the prescribed form.

The Electricity Transmission Design Circle, Lucknow had made purchases aggregating Rs.68.58 lakhs from a firm of Allahabad (August 1978—February 1979) without furnishing the prescribed declaration resulting in an avoidable payment of Rs.2.06 lakh by way of sales tax.

The matter was reported to the Board/Government in March/September 1980 ; replies were awaited (March 1981).

10.06. *Non-utilisation of micro hydel sets*

It was noticed that 8 micro hydel sets purchased in 1963 at a cost of Rs.1.18 lakhs (for use in micro hydel stations in Chamoli District) had neither been utilised nor disposed of (March 1981). The Board had stated (September 1972) that the sets could not be utilised because hydel stations of higher capacity had been constructed in view of the expected load.

The matter was reported to the Board in December 1979 and to Government in September 1980 ; replies were awaited (March 1981).

SECTION XI

UTTAR PRADESH FINANCIAL CORPORATION

11.01. *Introduction*

The Corporation was established at Kanpur on 1st November 1954 under Section 3 (1) of the State Financial Corporations Act, 1951.

11.02. *Functions*

The Corporation is primarily intended to provide term loan assistance to small and medium scale industrial concerns in the State for the acquisition of block assets such as land, factory building and machinery to set up new units and/or renovation, expansion, modernisation, etc. of existing units. Loans are not granted for working capital and repayment of prior debts.

The Corporation is authorised to grant term loans to the extent of Rs.30 lakhs each to private and public limited companies and registered co-operative societies and up to of Rs.15 lakhs each in other cases.

The Corporation is also empowered to perform other functions like giving guarantees against loans raised by industrial concerns in the open market or from scheduled banks etc. for purchase of capital goods; subscribing to the stocks, shares, bonds and debentures of individual concerns ; underwriting the issue of shares, bonds and debentures of industrial concerns ; acting as an agent of the Central Government or the State Government or other financial institutions in respect of loans and advances granted by them.

The Corporation is at present engaged in the following main activities :

- sanction and disbursement of term loans ;
- assistance to technical entrepreneurs by way of reduced margins, technical guidance in formulation of projects ;
- acting as the agent of the State/Central Governments for the administration and disbursement of loans/subsidy for various schemes like self employment of educated unemployed, provision of margin money loans for industrial complexes and educated unemployed, capital subsidies, and of interest subsidy to small scale units ; and

—setting up of 4 industrial complexes at Dehradun, Roorkee, Jhansi and Atarra (Banda) and providing package assistance to entrepreneurs selected for running units at these complexes.

11.03. *Management*

The overall management of the Corporation is vested in a Board of Directors consisting of 12 directors including the (part-time) Chairman and the Managing Director. Four of the directors are nominated by the State Government; one by the Reserve Bank of India (RBI) and two by the Industrial Development Bank of India (IDBI) ; four are elected by shareholders to represent scheduled banks, co-operative banks, insurance companies and other shareholders. The Managing Director is appointed by the State Government in consultation with IDBI. The Commissioner-Secretary, Industries Department of the State Government is the present Chairman of the Board. The Managing Director looks after the day-to-day management of the Corporation and is assisted by the General Manager, Secretary and Chief Accounts Officer. In the discharge of its functions the Board is guided by such directions on questions of policy as may be issued to it by the State Government in consultation with the IDBI as required under Section 39 (1) of the State Financial Corporations Act, 1951.

To speed up the work of sanction and disbursement of loans the Corporation has established 13 Regional Offices and 2 Branch Offices under Regional/Branch Managers.

11.04. *Capital structure*

(*a*) The authorised capital of the Corporation as on 31st March 1980 was Rs.10 crores consisting of 10 lakh shares of Rs.100 each. The break-up of the paid-up capital which increased from Rs.6.45 crores as on 31st March 1979 to Rs.7.45 crores was as follows :

Particulars	Number of shares	Amount (Rupees in lakhs)	Percentage of shares
State Government	407860	407.86	54.75
Industrial Development Bank of India (IDBI)	307500	307.50	41.27
Scheduled/Co-operative Banks, LIC and other financial institutions	27096	27.10	3.64
Others	2544	2.54	0.34
Total	745000	745.00	100.00

(*b*) In terms of Section 6 (1) of the Act, the State Government has guaranteed the repayment of the principal and payment of minimum annual dividend at 3.5 *per cent* except in respect of the special class shares issued under Section 4A of the Act. No dividend had been paid on the special class shares so far (March 1981).

(*c*) During 1975-76, the Corporation raised special share capital of Rs.35 lakhs (under Section 4A of the Act), contributed equally by the State Government and IDBI. The object of raising this capital is to provide assistance, on soft terms, to technicians/entrepreneurs/craftsmen for new projects to be set up in the small scale sector. The maximum amount of loan that could be granted was limited to 20 *per cent* of the project cost or Rs.2.00 lakhs whichever was less. The scheme had not made any headway as approval of the State Government to the guidelines of IDBI in this respect (submitted in May 1976), was received only in December 1980. The Management stated (January 1981) that the scheme was now expected to be implemented early.

11.05. *Borrowings*

The Corporation also raised funds by the issue of bonds and other borrowings. The borrowings outstanding as on 31st March 1980 amounted to Rs.5,690.66 lakhs as under :

Particulars	Amount (Rupees in lakhs)
(*a*) Bonds at 6-6.75 *per cent* repayable between 1981 and 1990 guaranteed by the State Government under Section 7(1) of the Act	2,722.38
(*b*) From the State Government under Section 7(3) of the Act	22.09
(*c*) From IDBI (Refinance scheme) under Section 7(4) of the Act	2,946.19
Total	5,690.66

11.06. *Financial position and working results*

(*a*) *Financial position*

The table below summarises the financial position of the Corporation, under broad headings, for the 3 years up to 1979-80 :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Capital and liabilities			
Paid-up capital	495.00	645.00	745.00
Reserves and surplus	306.72	385.84	465.13

	1977-78	1978-1979	1979-80
		(Rupees in lakhs)	
Borrowings			
Bonds and debentures	1,974.88	2,337.38	2,722.38
Others (including subventions and funds under specific schemes)	1,509.30	2,123.72	3,252.00
Other liabilities and provisions	195.13	208.62	261.98
Total	4,481.03	5,700.56	7,446.49
Assets			
Cash and bank balances	216.75	352.15	495.45
Investment	29.81	30.10	32.57
Loans and advances	3,974.16	5,036.19	6,591.50
Debentures, shares etc. acquired under underwriting agreement	0. 47	..	..
Net fixed assets	22.60	27.53	29.42
Dividend deficit account	13.50	13.50	13.50
Other assets	223.74	241.09	284.05
Total	4,481.03	5,700.56	7,446.49
Capital employed	3,815.59	4,844.71	6,086.25
Net worth	788.22	1,017.34	1,196.63

Notes: Capital employed represents the mean of the opening and closing balances of paid up capital, bonds, free reserves and borrowings.

Net worth represents paid-up capital *plus* reserves *less* miscellaneous expenses and losses

(*b*) *Working results*

The working results of the Corporation for the three years up to 1979-80 are indicated below :

Particulars	1977-78	1978-79	1979-8
		(Rupees in lakhs)	
Income	394.40*	485.27	572.15£
Expenditure (including provision for gratuity and bad debts)	288.91	357.65	439.34
Profit (before tax and provisions for reserve)	105.49	127.62	132.81

*Includes Rs. 5.71 lakhs being the provision for gratuity written back.
£Includes Rs. 2.40 lakhs, being the provision for interest on Provident Fund, etc. written back.

Particulars	1977—78	1978—79 (Rupees in lakhs)	1979—80
Provision for tax	37.43	47.08	51.57*
Provision for reserve	55.25	62.89	59.37
Profit available for dividend	12.81	17.65	21.87
Dividend liability (under minimum guarantee)	12.78	17.63	21.93
Capital employed	3815.59	4844.71	6086.25
Total return on capital employed (profit *plus* interest on loans)	298.03	369.39	439.63
		(*Per cent*)	
Rate of return on capital employed	7.8	7.6	7.2

The percentage of return on capital employed decreased from 7.8 in 1977-78 to 7.2 in 1979-80.

The position regarding the resources available and the pattern of utilisation of funds for the 3 years up to 1979-80 is indicated below :

Sources	1977-78	1978-79 (Rupees in lakhs)	1979-80
Paid-up capital (Additional raising)	120.00	150.00	100.00
Reserves	68.50	79.09	79.36
Borrowings (gross) from			
Reserve Bank of India (against securities pledged)	..	..	25.00
Reserve Bank of India (*ad hoc* bonds)	150.00	171.00	..
IDBI	392.60	825.28	1,301.47
Issue of bonds and debentures	495.00	412.50	385.00
Sale/redemption of Government securities	10.00	..	..
Repayment of loans and advances (principal) by loanees	176.73	185.27	236.60
Others (including cash and bank balances)	170.80	330.01	569.72
Total	1583.63	2153.15	2697.15

*Includes Rs. 1.62 lakhs as payment of Income Tax.

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Utilisation			
Loans and advances disbursed	749.22	1088.60	1668.18
Investment in Government securities (face value)	10.00	..	2.50
Repayment of loans to			
State Government	11.09	7.84	8.10
RBI (*ad hoc* bonds)	150.00	171.00	..
RBI (against Government securities pledged)	..	..	25.00
IDBI	193.63	231.26	301.82
Overdraft from bank discharged	..	67.17	27.53
Redemption of bonds	50.00	50.00	..
Cash and bank deposits	216.75	352.15	495.45
Others (increase in assets)	202.94	185.13	168.57
Total	1583.63	2153.15	2697.15

11.07. *Loan operations*

11.07.01. *Introduction*

The main function of the Corporation is to grant loans to industrial concerns. Loan applications on prescribed forms received from the parties are processed in technical and legal sections of the Corporation's regional offices. Loans up to Rs.2 lakhs are sanctioned by the Regional Committees. Loans over Rs.2 lakhs are sanctioned at headquarters; loans for Rs.2 lakhs to Rs.5 lakhs are sanctioned by an Interal Committee; loans for Rs.5 lakhs to Rs.10 lakhs are sanctioned by the Executive Committee set-up under Section 18 of the Act and loans exceeding Rs.10 lakhs are sanctioned by the Board. The loans are disbursed after inspection of the premises of applicants by the officers of the Corporation and verification of the security available at site and after ensuring (on the basis of Chartered Accountants' certificate) that the required margin amounts are available with the borrowers.

11.07.02. *Sanctions and disbursements*

The table below indicates the loan applications received, loans sanctioned amounts disbursed, etc. during the 3 years up to 1979-80:

	1977-78		1978-79		1979-80		Cummulative (since inception)	
	Number	Amount (Rupees (in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
Applications pending at the beginning of the year	108	426.33	181	721.36	163	730.21		..
Applications received	978	3387.76	1210	4350.37	4268	6239.00	12635	33417.47
Total	1086	3814.09	1391	5071.73	4431	6969.21	12635	33417.47
Applications rejected/withdrawn/cancelled, etc.	299	880.09	500	1609.30	1349	2349.97	4765	12437.66
Applications sanctioned	606	2017.04	728	2848.77	2745	3320.02	7568	16856.03
Applications pending at the end of the year	181	721.36	163	730.21	337	947.19	337	947.19
Applications cancelled/reduced after sanction	235	508.91	285	773.72	356	1538.28	2169	5188.85
Effective commitments		4469.55		5431.31		6124.52		11667.18
Loans disbursed	324	749.22	427	1088.60	774	1668.18	3059	7210.83
Percentage of loans disbursed to effective commitments	..	16.8		20.0		27.2		61.8

Note—The difference between the figures under the amuont column (3) and the aggregate of the amonnts against (4), (5) and (6) represents the differnce between the amounts of loan applied for and those actually sanctioned.

Discrepancy of 35 applications in respect of cumulative figures is yet to be reconciled by Management.

The gap between the effective sanctions and actual disbursements was largely due to inadequate follow-up. The Management stated (June 1980) that delays in the completion of legal formalities and in the execution of projects, requests for diversions/changes in the schemes and the apathy of many applicants were the main hurdles in ensuring timely disbursements of loans.

The Corporation stated further (September 1980) that the position would have been better but for certain factors beyond the control of the Corporation such as power shortage, non-availability of building and essential raw materials coupled with escalations of cost, uncertain market conditions, etc.

11.07.03. *Size of loans*

Magnitude of loans sanctioned (effective) under the Corporation loan scheme at the end of 3 years up to 1979-80 was as under :

Amount	1977-78		1978-79		1979-80	
(Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
Upto 0.50	373	110.84	431	124.72	2568	563.38
0.50 to 1.00	274	202.91	343	243.35	446	352.12
1.00 to 2.00	727	1081.45	862	1267.11	999	1626.83
2.00 to 5.00	830	2721.80	915	2998.99	813	2965.07
5.00 to 10.00	229	1770.09	267	2015.68	328	2226.56
10.00 to 20.00	109	1661.89	155	2273.29	193	2579.35
20.00 to 30.00	25	624.40	37	962.29	52	1353.86
Total	2567	8173.38	3010	9885.43	5399	11667.17

Loans of Rs. 5 lakhs or more constituted about 49.6 to 53.1 *per cent* of the total loans sanctioned (effective) during the 3 years up to 1979-80.

11.07.04. *Interest on loans*

The rates of interest per annum on loans advanced by the Corporation ranged from 12—16 *per cent* per annum in the case of backward districts, 13.5—17 *per cent* per annum in the case of other districts, with a rebate of 2.5 *per cent* for timely payments. When the loans are covered by refinance, 0.5—1.0 *per cent* reduction in interest for certain categories of loans is allowed.

Prior to 1st January 1979, a penal interest at 1 *per cent* per annum was charged for delayed repayments of loan instalments. According to the Corporation the levy of penal interest did not prove an effective deterrent to delays in repayments besides contributing to an increase in the accrued income of the Corporation with increased tax liability. The levy of the penal interest was dispensed with from 1st January 1979.

11.07.05. *Recovery of loans*

Loans are generally granted for 10 years with a moratorium of 2 years. Interest is payable half-yearly (June/December). Under the provisions of the loan agreement all dues in connection with the loans advanced by the Corporation can, at the option of the Corporation, be realised as arrears of land revenue.

The Corporation had not laid down any procedures or issued any instructions/guidelines for a systematic follow-up of cases of default, the repayment of the principal or the payment of interest. The general practice followed by the Regional Offices was, however, as follows:

- advance notices for half-yearly instalments were issued a fortnight before the due date;
- these are followed by reminders (where necessary) within 3 months;
- thereafter, personal contacts were made through inspection;
- thereafter, preliminary recall notices were issued;
- after 3 successive defaults of dues these cases were reported by the Regional offices to the head office which then issued a recall notice in respect of entire amount (loan and interest) outstanding;
- this was followed 3 months later by a recovery certificate (by the Managing Director) under the U. P. Public Money (Recovery of Dues) Act, 1972.

It was noted that no centralised control records were being maintained for a periodical review and effective follow-up for the recovery of overdues.

The Corporation/Government stated (January/March 1981) that while the failure of the Corporation in some cases to undertake timely inspections of the units and prompt action in the issue of reminders, recall notices and recovery certificates had aggravated the position of overdues and increased the incidence of bad and doubtful debts, in most cases the defaults were due to many other factors, *viz*. shortage of raw material, non-availability of continuous power supply, paucity of funds, etc.

While the borrowers were required (as per the mortgage deeds) to furnish copies of their audited annual accounts to the Corporation it was noticed that in most cases these were not being furnished thus depriving the Corporation of a vital and reliable source of information regarding the financial position of the assisted units. It was noticed further that there was no procedure or machinery with the Corporation for a critical appraisal of the accounts received.

The Management stated (September 1980) that orders had been issued (May 1980) to all the field officers to obtain the audited annual accounts of the assisted units and to ensure an annual inspection of the units.

11.07.06. *Post disbursement supervision*

(i). The post disbursement inspection and follow-up in case of disbursed loans was a neglected area of operation of the Corporation. While all assisted units were required to be inspected at least once a year, it was noticed that no particular department or official was specifically assigned this responsibility nor did the Corporation have any information about the number of follow-up inspections conducted from year to year.

The Corporation/Government stated (January/March 1981) that while the Corporation tried to have each unit inspected at least once a year, detailed inspection reports might not have been submitted because of limited time and staff at the regional offices.

11.08. The salient features of a few cases noticed during test audit (August — October 1980) are given below :

11.08.01. A firm of Lucknow owned by a mechanical engineer was sanctioned loans for setting up an oxalic acid plant amounting to Rs.13.63 lakhs as under:

Year of sanction	Amount sanctioned	Amount drawn (March 1980)	Purpose
	(Rupees in lakhs)		
1970-71	5.40	5.40	Land, building and plant and machinery
1971-72	0.30	0.29	Transformer
1975-76	2.00	1.98	Balancing equipment
1978-79	5.93	5.40	Additional plant due to change in the project
Total	13.63	13.07	

Two margin money loans of Rs.1.18 lakhs were also sanctioned against which Rs.1.15 lakhs were disbursed up to March 1980.

The firm commenced production in 1976-77 but did not make any payment (except for Rs.0.19 lakh adjusted from the second loan of Rs.0.30 lakh) and a sum of Rs.20.47 lakhs towards principal (Rs.14.03 lakhs) and interest (Rs.6.44 lakhs) was outstanding as on 31st December 1980.

As the unit suffered losses and was unable to repay the instalments of loans and interest, the repayment of loans was rescheduled deferring the repayments of Rs.7.70 lakhs by 4 – 8 years.

The Industrial Adviser to the State Government to whom the proposal was referred before granting the first loan had pointed out (September 1970) that the proprietor of the firm was neither a chemical engineer nor had he any experience of any oxalic acid plant and that the scheme would be technically sound provided arrangements were made for recovering nitric acid in the process. The Corporation, however, disbursed the loans without verifying the arrangements, if any, for the recovery of nitrict acid and the Industrial Adviser was not consulted on the proposals for balancing and additional plant for which 2 loans aggregating Rs.7.93 lakhs were subsequently sanctioned.

The unit suffered losses of Rs.30.96 lakhs in the first 4 years of its operation up to 31st December 1980. The value of the security as on 31st March 1980 amounted to Rs.12.82 lakhs as against the dues of Rs.20.47 lakhs (December 1980). According to a technical assessment by the Corporation, the paying capacity of the firm did not correspond with the repayment programme as rescheduled.

11.08.02. A partnership firm of New Delhi applied for a loan of Rs.2 lakhs after securing a contract (October 1969) from the U. P. State Electricity Board for the supply of prestressed cement concrete (PCC) poles. The Corporation sanctioned (November 1969) the loan for an increased amount of Rs.3.50 lakhs (without any fresh application for enhanced loan) for a better debt-equity ratio and a sum of Rs.3.33 lakhs was released during December 1969–September 1970. The loan was to be repaid in 8 annual instalments from December 1971. The firm failed to pay the loan instalments from the very beginning and attributed the default to delay in commencing production and losses incurred in the supply of PCC poles to the Uttar Pradesh State Electricity Board. An inspection of the unit (July 1972) revealed that the factory was lying closed since January 1972. Routine demand notices were issued up to November 1972. In October 1973 the Executive Committee decided to recover the dues by auctioning the mortgaged assets of the firm. The auction, scheduled for January 1974 was, however, cancelled as the firm promised to pay Rs.0.50 lakh immediately and the balance in monthly instalments of Rs.0.08 lakh each. The firm, however, failed to fulfil its promise. The recovery certificate for Rs.5.50 lakhs (including Rs.2.17 lakhs being the interest and expenses up to January 1976) was issued in March 1976. At the instance of the State Government, however, the recovery proceedings were stayed (October 1977) for 6 months and the firm was asked to submit a scheme for the revival of the unit. Instead, the firm submitted a proposal for an additional loan of Rs.1.50 lakhs for setting up a unit for manufacture of nuts and bolts. This proposal was not accepted by the Corporation and recovery certificate for Rs.7.68 lakhs (including interest and expenses up to May 1978 : Rs.4.35 lakhs) was issued in June 1978. Again, at the instance of the State Government, the Corporation stayed the recovery proceedings (October 1978) and the matter was still under correspondence with the State Government (March 1981).

11.08.03. A public limited company was sanctioned loans of Rs.12 lakhs (April 1968) and Rs.0.75 lakh (April 1969) for setting up a unit to manufacture drilling equipment at Ghaziabad. Some of the terms and conditions on which the first loan was sanctioned were partially modified (at the company's request) by the Managing Director (May 1969) in respect of allocations to be utilised for building and plant and machinery, repayment schedule, mode of disbursement, etc. The last two instalments of Rs.0.19 lakh (Rs.0.10 lakh in November 1971 and Rs.0.09 lakh in March 1972) of the second loan were disbursed after lowering the margin and without obtaining a certificate from the chartered accountants in support of capital having been raised and verifying vouchers in support of advance payments claimed to have been made to the suppliers.

The loan (Rs.12.00 lakhs) was repayable in 9 annual instalments commencing from June 1972 but no payments were made by the company. The amount due on 31st March 1975 was Rs.18.86 lakhs (including interest : Rs.6.11 lakhs) and the Corporation issued a notice (April 1975) for recall of the loan.

The Corporation had not made any efforts to obtain the balance sheeets, progress reports, etc. from the company and no report was received from the Corporation's nominee on the Board about any deterioration in the financial position of the company.

In May 1975, serious allegations came to light against the company's Managing Director and the company's bankers also informed the Corporation telegraphically (May 1975) about the freezing of the sanctioned credit facility due to gross mismanagement of the companys' affairs and funds. The findings of the inspection conducted by the Corporation (June 1975) to assess the situation were based on an incomplete verification of machinery. The company had gone into liquidation and the official liquidator had taken possession of the assets of the company (April 1977). The amount due as on 31st March 1980 was Rs.18.96 lakhs (including interest : Rs.6.11 lakhs up to 31st March 1975. other charges : Rs.0.10 lakh) and no recoveries had so far been effected (October 1980).

11.08.04. The Corporation sanctioned a loan to a private limited company of New Delhi of Rs.8.40 lakhs, (November 1970) subsequently raised to Rs.9.55 lakhs (September 1971) for the setting up of a brewery plant at Ghaziabad without ascertaining whether the company had been granted a brewery licence by the Government of India and had been registered with the State Directorate of Industries. The first instalment of the loan (Rs.0.62 lakh) was released in November 1971 subject to the condition that further disbursements would be made after the licence for setting up the brewery plant was produced and sanction for power was obtained from the State Government. The Corporation, however, released subsequent loan instalments aggregating Rs.8.70 lakhs (January 1972 to May 1973) without any verification of the licence and sanction for power load.

The loan was repayable in 8 annual instalments commencing from November 1973 but the unit did not go into production and defaulted in repayment of instalments of the loan and payment of interest. The Corporation issued a recovery certificate to the Collector (April 1978) for dues amounting to Rs.16.87 lakhs (including interest up to December 1977 : Rs.7.39 lakhs and expenses : Rs.0.16 lakh). The unit was put to auction 6 times (August 1978—January 1979) but due to inadequate bids (in the absence of a brewery licence) the assets could not be sold and the recovery certificate was returned by the Collector (January 1979). No further action had been taken (January 1981) to recover the dues (Rs.16.87 lakhs including interest Rs.7.39 lakhs up to December 1977).

11.08.05. A sole proprietory firm of Kanpur was sanctioned a loan of Rs.3.45 lakhs for the setting up of a bifurcated rivets unit at Kanpur. The Corporation released Rs.3.35 lakhs (October 1971—April 1972) and the repayment was to be made in 7 annual instalments commencing from October 1972. The firm did not make any payment. The recovery proceedings, held over by the Corporation in January 1974 (at the request of the party), were resumed in October 1978 for an amount of Rs.7.45 lakhs (including interest up to September 1978 : Rs.4.06 lakhs and expenses : Rs.0.04 lakh). The Corporation had been able to recover Rs.0.30 lakh only up to September 1980.

While sanctioning the loan, the Corporation did not enquire into the financial resources of the proprietor and/or obtain the history of the concerns in which he was a partner. The post-disbursement inspection by the technical officers of the Corporation (July 1972) revealed that the machinery installed (out of loan amount of Rs.2.66 lakhs) in the unit was not new and the genuineness of the invoices of machinery suppliers of Bombay and Amritsar was also doubtful. No action was, however, taken on this report.

The proprietor and his father were partners in another firm 'A' (engaged in similar line of activity) located in an adjacent plot and the entire machinery installed in the unit had been shifted from the premises of that firm in violation of the conditions of mortgage deed. Firm 'A' was also assisted by the Corporation in 1964-65 and had defaulted to the extent of Rs.1.54 lakhs (including interest up to February 1976 : Rs.0.61 lakh). Recovery proceedings against firm 'A' were initiated in March 1976 but the matter was not pursued by the Corporation with the Collector.

11.08.06. A Lucknow firm was sanctioned a loan of Rs.10 lakhs (February 1971) for the setting up of a new unit for the manufacture of mild steel ingots/billets and the amount released during April—November 1971 was repayable in 9 annual instalments from April 1973. The loan was disbursed on the basis of a chartered accountant's certificate that the borrower had invested Rs.9.35 lakhs. The value of security offered by the firm was assessed by the technical officer of the Corporation at Rs.17.98 lakhs (including old machinery : Rs.13.11 lakhs) without obtaining any details or verifying whether the machinery was in working condition. Post-disbursement inspection (December 1971) disclosed, however, that investment of the borrower was only Rs.0.64 lakh as against Rs.9.35 lakhs indicated in the chartered accountant's certificate. Papers connected with purchase/procurement of plant and machinery were not shown to the officers of the Corporation as the loanee's internal auditor was out on every occasion the unit was inspected by them. The firm defaulted after repaying the first instalment (Rs.0.80 lakh) in April 1973 and the amount due on 31st March 1980 was Rs.9.13 lakhs (principal : Rs.8.05 lakhs, interest : Rs.1.08 lakhs). No action had, however, been taken by the Corporation for its recovery so far (March 1981).

The Corporation had a security of Rs.0.64 lakh only against the outstanding amount of Rs.9.13 lakhs.

11.08.07. A company of New Delhi was sanctioned a loan of Rs.20 lakhs (November 1971) for the manufacture of dry battery cells at Ghaziabad. The break-up of the loan, asked for by the firm was as follows :

- factory building : Rs.10 lakhs ;
- imported machines : Rs.5 lakhs;
- indigenous machines : Rs.3.25 lakhs; and
- lease premium payable to Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC) for the land : Rs.1.75 lakhs.

During test check in audit (October 1980) it was noticed that after a pre-disbursement inspection in July 1973 the amount which could be disbursed was worked out at Rs.6.32 lakhs by reducing the borrower's margin from the bsual 50 *per cent* to 34 *per cent*. However, after a telephonic conversation with the borrower the amount to be disbursed was raised to Rs.17.35 lakhs (by accepting the version of the party that additional assets for Rs. 16.35 lakhs had been created) and a sum of Rs.16 lakhs was released in July 1973. The State Bank of India had intimated (July 1973) the Corporation that the company's raw materials, etc. were pledged with the Bank and as such the clause in the mortgage deed regarding the charge on the company's stocks did not hold good. In spite of this, the lease premium of Rs.1.75 lakhs was paid to UPSIDC in March 1974 and further instalments of Rs.2 lakhs were disbursed in May 1974 without obtaining an additional security in lieu.

The Factory went into commercial production from January 1974 and was closed down in December 1975.

The loan was repayable in 8 annual instalments (Rs.2.50 lakhs) from July 1975. The company, however, made no payments and a recovery certificate was issued only in January 1979 for Rs.36.87 lakhs (including interest : Rs.15.52 lakhs and other expenses : Rs.1.60 lakhs) which was subsequently stayed (August 1979) for 6 months as a revival programme was under consideration of other financial institutions. Recovery proceedings had not yet been resumed (January 1981).

11.08.08. An industrial unit of Kanpur (with its place of business at Magarwara, Unnao) was sanctioned a loan of Rs.1.27 lakhs (January 1972) for the purchase of plant and machinery for the manufacture of low density polythene tubes, bags and sheets. A sum of Rs.1.22 lakhs was disbursed in March 1972 and the unit started production in June 1972.

The loan was repayable in 9 annual instalments from March 1974, but the borrower defaulted from the very beginning. During an inspection visit in October 1974 the unit was found to be closed. In February 1975 the borrower shifted the plant and machinery to rented premises at Kanpur (without the required permission of the Corporation). The Corporation neither took serious notice of this nor took any effective steps to get fresh mortgage documents executed. After inspection of the unit (April 1975) the Corporation's officers reported that (*a*) the machinery had not been installed at the new site, (*b*) the unit was facing difficulties in meeting working capital requirements and (c) the security available was insufficient to cover the dues. No action was, however, taken on this report. Recovery proceedings were started in August 1975 through the Collector, Unnao who returned the notice as neither the factory nor any assets were available at the site. The recovery certificate was thereafter issued (October 1976) to the Collector, Kanpur who also returned it with the remark that the borrower was not traceable and the existence of the assets was not known. The amount recoverable as on 31st March 1980 aggregated Rs.2.35 lakhs including interest : Rs.1.13 lakhs. The Corporation stated (September 1980) that Rs. 1.09 lakhs had been received (August 1980) from the RBI under the credit guarantee scheme.

11.08.09. A Kanpur concern with a factory at Magarwara (Unnao) was sanctioned a loan of Rs.1.19 lakhs (February 1971) for the purchase of land (Rs.0.15 lakh), construction of factory building (Rs.0.54 lakh) and purchase of plant and machinery (Rs.0.50 lakh) for manufacturing agricultural implements. The loan was disbursed in February 1972. A second loan of Rs.0.22 lakh was sanctioned (July 1973) and disbursed (November 1973) for meeting the cost overruns. The factory started production in March 1973 but worked irregularly up to December 1974 and was closed down in January 1975. However, in February 1975 another loan of Rs.0.83 lakh was sanctioned for the purchase of a generator and a sum of Rs.0.77 lakh was disbursed in May 1975. The factory did not, however, restart production. The borrower did not make any payments. Recovery proceedings were commenced in January 1977 and a recovery certificate for Rs.3.16 lakhs (including interest : Rs.0.97 lakh and expenses : Rs.0.01 lakh) was issued in March 1978 which could not, however, be enforced as the business had been closed down since July 1977. When the unit was inspected in the context of its revival in November 1978 it was noticed that the generator had not been installed, the machines purchased against the loans were either missing or lying as junk. The amount due for recovery as on 31st March 1980 was Rs.3.16 lakhs (including interest : Rs.0.97 lakh up to March 1978) and no recovery has been effected so far (March 1981).

11.08.10. A company of New Delhi was sanctioned a loan of Rs.25.69 lakhs (March 1974) (including import of machinery against IDA credit of Rs.12.07 lakhs) for setting up a precast fabricated supports plant at Ghaziabad. A sum of Rs.24.58 lakhs was disbursed (August 1975 to June 1977) and the balance of the loan (Rs.1.10 lakhs) was cancelled (January 1979). The loan was to be repaid in 8 annual instalments commencing from August 1977. The company was awarded (November 1976) a contract (Rs.25.94 lakhs) by the Corporation for the construction of sheds and 3 instalments of interest were recoverable from sums due to the company against this contract. No instalment of principal was, however, recovered although contract payments amounting to Rs.3.40 lakhs were released after August 1977. Recovery proceedings were started in March 1979 and auctions were held on 7 occasions during August 1979 – October 1980 but no bidder turned up at the auctions. The amount due as on 31st March 1980 was Rs.37.70 lakhs (including interest and expenses : Rs.13.12 lakhs).

11.09. *Nominee Directors*

In exercise of powers conferred under Section 27 (2) of the State Financial Corporations Act, the Board of Directors has authorised the Chairman (November 1973) to appoint one director (either an officer of the Corporation or an outside expert) on the boards of the concerns availing themselves of loans of Rs.10 lakhs and above.

There were 96 nominee directors on the boards of assisted concerns (July 1980) and information regarding the number of companies to which nominee directors were yet to be appointed was not readily available (March 1981).

There was no systematic procedure for reports from the nominee directors on the working of the concerns until (December 1978) when the Corporation issued guidelines for the nominee directors and required them to furnish reports on matters affecting the interests of the Corporation. These reports were required to be placed before the Board.

A review by IDBI of the role of the nominee directors revealed that nominees of the Corporation were not attending all the Board meetings of the assisted concerns, the required reports were not being submitted regularly and the points brought out in the reports were not actively pursued by the Corporation. The Corporation/Government stated (March 1981) that the nominee directors could not attend the meetings in several cases due to lack of time and pressure of other urgent and important work.

11.10. *Defaults in repayments*

The table below shows the position of the outstandings and of defaults as at the end of the 3 years up to 1979-80 :

Years	Amount outstanding			Amount overdue			Percentage of the amount overdue	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
	(Rupees in lakhs)							
1977-78	3411.20	562.95	3974.15	395.09	291.88	686.97	11.6	51.8
1978-79	4316.15	720.04	5036.19	422.44	354.55	776.99	9.8	49.2
1979-80	5749.04	842.46	6591.50	514.21	418.66	932.87	8.9	49.7

The figures in the above table are exclusive of interest in respect of cases where recovery certificates had been issued or for which civil suits had been filed or where he period of default was 3 years or more.

The total overdues taking into account the cases covered by recovery certificates and law suits at the end of the three years up to 1979-80 were as follows :

	Overdues	Recovery certificate cases	Suit filed cases	Total	Percentage to total outstanding
	(Rupees in lakhs)				
1977-78	686.97	486.95	15.74	1189.66	34.9
1978-79	776.99	846.19	15.75	1638.93	38.0
979-80	932.87	1224.89	21.63	2179.39	38.0

Agewise analysis of overdues as on 31st March 1980 was as under :

Period	Amount of overdues Principal	Interest
	(Rupees in lakhs)	
Up to 3 months	33.84	9.73
3-6 months	33.35	88.22
6 months—1 Year	64.39	51.52
1-2 years	85.75	48.41
Over 2 years	296.88	220.78
Total	514.21	418.66

Considering the total balance due from the loanees against whom legal action has been initiated (Rs.1246.52 lakhs) the provision for bad and doubtful debts (Rs.54.95 lakhs) would appear to be inadequate with a consequential overstatement of profits.

While the Corporation is authorised in terms of Sections 29, 30 and 31 of the State Financial Corporations Act to take over the management of the concerns, recall the entire loan before the agreed period and sell the mortgaged property in case of default it has not been invoking these provisions of the Act on the ground that the procedures were found to be costly and time consuming.

In October 1979 the Board formed a Recovery Review Committee for studying the major cases of default and evolving a strategy for better recovery. The Committee in its first meeting held in March 1980, decided (i) to strengthen the follow-up arrangements at Regional office level, (ii) that there should be a detailed annual inspection of each unit, and (iii) that all cases of overdues of Rs.5 lakhs or above should be reported to the Committee. Action taken and result thereof were awaited from the Corporation (March 1981).

The details of the total amount which fell due during the 3 years up to 1979-80 and the maximum amount of default at any time during the year are given below :

Year	Amount due Principal	Interest	Total	Maximum amount of default during the year	Percentage of default
	(Rupees in lakhs)				
1977-78	355.91	351.90	707.81	466.07	65.8
1978-79	256.22	382.80	639.02	495.70	77.6
1979-80	351.41	491.86	843.27	508.57	60.8

The Corporation withdraws the recovery certificates from the Collectors as and when some arrangement for the recovery of dues is arrived at with the assisted units. It was noticed that no amounts had since inception been written off as bad debts although in a number of cases the whereabouts of the borrowers/their assets were not known. The Corporation stated (December 1979) that the amounts would be written off only after exhausting all avenues of recovery and getting a certificate from the Collector concerned that the amounts could not be recovered and that such certificates were not easily forthcoming. In the meanwhile the Corporation continues to show all the overdue amounts in its accounts as recoverable regardless of the time elapsed or the actual prospects of recoveries.

According to the Corporation (December 1979) the main reasons for the increase in overdues were (i) uneconomic working of the units due to constraints of power supply (particularly electric arc furnaces and mini-steel and re-rolling plants); (ii) recession in the engineering industry ; (iii) glut in the textile market ; (iv) non-availability of scarce and imported raw materials ; and (v) managerial incompetence of the borrowers, etc. The IDBI in a report which was considered by the Board in December 1979, opined, however, that the organisational difficulties of the Corporation were the major factors responsible for the overdues.

11.11. *Refinance scheme*

The Corporation avails itself of the refinance facility from the IDBI which allows full refinance against loans up to Rs.5 lakhs and up to 80 *per cent* against loans exceeding Rs.5 lakhs. However, full refinance is allowed in respect of loans disbursed in the backward districts. Commitment charges are payable at 1 *per cent* per annum on the refinance sanctioned by IDBI but not availed of by the Corporation.

The position of the refinance sanctioned and availed of and commitment charges paid during the 3 years up to 1979-80 was as under :

Year	Refinance sanctioned		Refinance availed of		Amount not availed of during the year	Percentage of amount not availed to the sanctioned amount	Commitment charges paid (Rupees in lakhs)
	During the year	Progressive	During the year	Progressive			
	(Rupees in lakhs)						
1977-78	1097.77	4979.76	392.60	2094.62	705.17	64. 2	6.21
1978-79	2100.88	7080.64	825.28	2919.90	1275.60	60.7	6.03
1979-80	2784.67	9865.31	1301.47	4221.37	1483.20	53.3	9.38

No effective steps had been taken by the Corporation to review the refinance not available from time to time with a view to reduce the payment of commitment charges.

11.12. *Credit guarantee scheme*

The Corporation joined the Credit Guarantee scheme (July 1970) sponsored by the Central Government for a degree of protection against losses on loans advanced to small scale industries. Accordingly, the Corporation was entitled to recover, from the Reserve Bank of India (RBI), 75 *per cent* of the amount in default (90 *per cent* from 1st April 1974) or the amount guaranteed, whichever was less. For the guarantee, the Corporation had to pay a charge of 0.25 *per cent* per annum on the maximum amount advanced against the guarantee.

As per the scheme, the claims were to be settled by RBI within 30 days of their being preferred. The Corporation had not, however, prescribed any time limit and the stage at which the claims were to be preferred with the RBI. The Management stated (June 1980) that they were taking action to streamline the procedures for obtaining the maximum advantage of the facilities available under the scheme. During the period from April 1973 to March 1980, the Corporation had preferred 74 claims aggregating Rs.123.18 lakhs against which only 11 claims amounting to Rs.13.34 lakhs (10.8 *per cent*) were paid, 12 cases amounting to Rs.22.87 lakhs were withdrawn because of re-scheduling of loans and one case amounting to Rs.1.08 lakhs was rejected by the RBI as not being covered under the scheme. The remaining 50 claims aggregating Rs.85.89 lakhs (year-wise break-up given below) were pending with RBI (March 1980):

Year	Number	Amount (Rupees in lakhs)
1973-74	4	5. 99
1975-76	1	1. 34
1976-77	7	12.61
1977-78	10	19.82
1978-79	26	42.81
1979-80	2	3.32
Total	50	85.89

The Management/Government stated (March 1981) that procedural difficulties in the process were the main reasons for delayed settlement.

11.13. *Government loan schemes*

The Corporation also acts as an agent of the State/Central Government for the disbursement, administration, etc. of loans/ subsidies under the State/Central Government's loan schemes.

The State/Central Government placed funds at the disposal of the Corporation from 1972-73 onwards for special schemes for disbursement as subsidies/loans for the industrial development of the State. No agency commission was payable to the Corporation for this service. The funds received were merged with the working funds of the Corporation. The State Government decided (July 1976) to charge interest at 9 *per cent* per annum on the unspent balance of these special funds since inception of the schemes and the Corporation was to create a separate fund for meeting its expenses on the development activities. The Corporation had, however, made a provision on this account at 6 *per cent* per annum from 1976-77. The unspent amounts were transferred in March 1979 to a Personal Ledger Account opened in the Government treasury. The Corporation did not set up the interest fund for meeting the administrative expenses which were being met out of its own funds from 1979-80.

Amounts received by the Corporation, amounts disbursed and amounts remaining unutilised up to 1979-80 are detailed below :

Particulars	Period	Amount received	Amount disbursed	Amount refunded/ transferred	Balance (progressive)
			(Rupees in lakhs)		
(*a*) Grant/ subsidy schemes	Up to March 1977	426.78	375.98	38.52	12.28
	1977-78	181.20	155.81	..	37.67
	1978-79	133.38	90.29	..	80.76
	1979-80	187.65	58.15	9.00	201.26
		929.01	680.23	47.52	
(*b*) Loan schemes	Up to March 1977	170.98	26.53	93.33	51.12
	1977-78	25.00	9.01	..	67.11

Particulars	Period	Amount received	Amount disbursed	Amount refunded/ transferred	Balance (progressive)
		(Rupees in lakhs)			
	1978-79	7.00	21.94	..	52.73
	1979-80	43.00	24.68	1.52	68.97
		245.98	82.16	94.85	

It would be seen that against the total amount of Rs.1,174.99 lakhs received, an amount of Rs.270.23 lakhs (23 *per cent*) had remained unutilised.

To illustrate–

(*a*) Out of an amount of Rs.20.78 lakhs advanced by Government in 1976-77 for margin money loans for industrial complexes, loans amounting to Rs.6.97 lakhs (33 *per cent*) were disbursed to the end of 1979-80.

(*b*) In another case, out of funds aggregating Rs.20.80 lakhs received from Government for providing margin money loans for a Handloom complex, the actual disbursement amounted to Rs.3.31 lakhs (15.9 *per cent*):

Year	Amount received	Amount disbursed
	(Rupees in lakhs)	
1976-77	6.80	..
1977-78	7.00	0.31
1978-79	7.00	1.53
1979-80	..	1.47
Total	20.80	3.31

11.14. *Schemes not implemented*

The following schemes which the Corporation decided to take up in 1975-76 had not been implemented so far (March 1981):

–participation in the equity of small industries,

– scheme for margin money loans on soft terms.

The Management stated (January 1981) that the schemes had since been finalised.

11.15. *Establishment of industrial complexes*

The State Government decided in 1976 to launch a scheme of developing industrial complexes for a number of units of a single type of industry by providing all necessary facilities such as financial assistance, consultancy services for survey and project reports, assistance in acquisition and development of land, construction of factory sheds, power and water supply, purchase of machines and equipment, provision of working capital, supply of raw materials, export licence, marketing, etc.

The Corporation was to serve as the co-ordinating agency for financial assistance and was entitled to a Government subsidy of up to 2 *per cent* of the total project cost.

The entrepreneurs were required to invest 10 *per cent* of the total project cost of which up to 5 *per cent* was to be made available by Government as soft loan. The remaining 90 *per cent* cost was to be made available by the Corporation and by the banks in the shape of term loans.

The State Government entrusted (March 1976) the work of establishing the following 4 complexes to the Corporation :

—Woollen hosiery complex, Dehradun
—Drawing instruments complex, Roorkee
—Hand and cutting tools complex, Jhansi
—Paddy-based complex, Atarra (Banda).

The table below indicates the number of units planned and the estimated project cost of each of the complexes :

Name of the complex	Number of units	Project estimates on Land	Building	Machinery and miscellaneous	Working capital	Total
		(Rupees in lakhs)				
Woollen hosiery, Dehradun	16	1.52	11.00	46.97	42.95	102.44
Drawing instruments, Roorkee	30	2.03	12.60	62.50	35.00	112.13
Hand and cutting tools Jhansi	16	1.40	12.50	52.92	35.00	101.82
Paddy-based complex Atarra (Banda)	7	2.00	18.00	105.00	10.00	135.00
Total	69	6.95	54.10	267.39	122.95	451.39

(a) *Woollen hosiery complex*

The complex was to be established on plots already reserved for this purpose by the Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC). The Industries Department informed the Corporation (August 1976) that the cost of land (Rs.0.83 lakh) for 16 plots at the rate of Re.1 per sft was to be paid to the Dehradun Industrial Co-operative Estate Limited. After considering their technical, managerial and financial capacity, out of 91 applicants the Corporation selected 21 entrepreneurs (September 1976) for this complex. Eleven applicants deposited their share of the contribution for the project.

For early implementation of the project, the Corporation took up the construction of the sheds with its own funds and the expenditure was to be reimbursed by the entrepreneurs out of the loans sanctioned to them. The construction of 15 sheds was entrusted (November 1976) to a firm of New Delhi (one of the assisted units of the Corporation) at the negotiated rates of Rs.1.73 lakhs (against the project estimate of Rs.0.70 lakh) per shed and Rs.0.15 lakh per plot for site development. The work was started without taking formal possession of the land. As per the agreement, the firm was to complete the construction of all the sheds by April 1977 against which only 6 sheds had been completed up to October 1977 and the remaining sheds were still incomplete (March 1981). An amount of Rs.25.94 lakhs being the cost of construction of sheds was paid to the firm (December 1976—September 1977) besides, Rs.1.40 lakhs towards site development (November 1977/August 1978). The balance of Rs.0.85 lakh for site development had not been paid as the Industrial Co-operative Estate Authorities had claimed (July 1979) the cost of site development (Rs.2.25 lakhs) from the Corporation on the ground that site development had been done by them.

The 6 sheds were allotted to 5 entrepreneurs (November 1977) for Rs.1.88 lakhs each. While fixing the rate the Corporation had not taken into account the interest liability of Rs.1.35 lakhs (15 sheds) on account of funds advanced to the contractor. The remaining 9 sheds, construction work held over since November 1977, were not allotted because of disputes over the cost of land which had not been settled so far (January 1981).

The test audit (October 1980) revealed the following points :

(i) While 6 sheds were handed over to the entrepreneurs in November 1977, mortgage deeds in respect of 5 sheds (against the loan sanctioned and disbursed) had not been executed because of the entrepreneurs' contention from 1978 onwards that the cost of the sheds was very high and the construction work was substandard. (The cost of one shed, for which a mortgage deed was executed in October 1978 was treated as a loan by the Corporation).

(ii) One shed was constructed over a plot belonging to a member of the Industrial Co-operative Estate Limited who had filed a suit (July 1977) against the Corporation and the contractor and the matter was pending in Court (March 1981).

(iii) The Corporation had not so far (September 1980) paid the cost of land for 9 plots (including one under dispute) to the Industrial Co-operative Estate Limited. The payment for 2 plots (March 1979) at the rate of Re.1 per sft was not accepted by the Estate authorities as they had fixed the cost of land at Rs.3 per sft (March 1979) and subsequently levied interest (August 1979) at 12 *per cent* per annum from 1st August 1979.

(iv) It would be seen that the project for the construction of sheds had resulted in blocking up of funds to the extent of Rs.25.46 lakhs (March 1981).

(b) *Drawing and Instruments complex, Roorkee*

It was proposed (March 1976) to set up 20 units in this complex on developed land to be provided by UPSIDC. The units were expected to start production by December 1977 and investment was estimated at Rs.119.15 lakhs (including working capital) with an annual turnover of Rs.324 lakhs. Of the 18 entrepreneurs selected only 14 had deposited the margin money. Loans (Rs.7.85 lakhs) were disbursed to 7 units of which 5 units had gone into production (January 1981). Production could not start in 1 unit due to non-availability of working capital loan from banks; construction work could not start on 1 plot for want of cement. In other cases formalities for sanction of loans were in progress (January 1981).

(c) *Hand and cutting tools complex, Jhansi*

Six units including one mother unit were proposed to be set up on land provided by UPSIDC. The units were to start production in April 1978 and investment was estimated at Rs.188.32 lakhs (including working capital) with an annual turnover of

Rs.393.32 lakhs. Out of 17 entrepreneurs selected for the complex only 3 had deposited the margin money (November 1976 to March 1978) and were sanctioned loans (November 1977 to July 1978). However, 2 of them later withdrew from the scheme. Construction of only one shed had been taken up so far (March 1981).

The Corporation had appointed a firm of New Delhi as consultants (July 1976) for the preparation of the feasibility report for the complex at a total fee of Rs.1.20 lakhs. The fee, up to the stage of submission of feasibility report, was later determined at Rs.0.78 lakh and the amount was paid in November 1976 (Rs.0.30 lakh) and July 1977 (Rs.0.48 lakh). The feasibility report for the mother unit (July 1977) envisaged an investment of Rs.86 lakhs. The consultants declined (December 1978) the Corporation's offer to set up the mother unit of the complex either independently or as a joint venture with the Corporation. Another company offered to set up the mother unit (January 1979) but the Government of India did not agree to the transfer of the licence for the mother unit as the manufacture of forged hand tools was reserved for the small scale units. Due to water scarcity in the area, the U. P. Jal Nigam was not agreeable to supply water to the complex during summer. Besides, the power transmission line passing through the complex site had yet to be shifted (June 1980).

The committee set up in April 1980 (under the Chairmanship of the Commissioner-cum-Director of Industries to review the progress of all the industrial complexes) approved the proposal of the Corporation for dropping the scheme (April 1980) and suggested that the plots be allotted to other prospective industrial units.

(*d*) *Paddy Based Industrial complex, Atarra (Banda)*

It was proposed (May 1976) to set up 7 units for the manufacture of activated carbon, rice bran oil, straw boards, rice mills, etc. The investment and the annual turnover were estimated at Rs.135 lakhs (including working capital) and Rs.235 lakhs respectively. None of the 7 entrepreneurs selected for the complex deposited the margin money though loans were sanctioned in 4 cases. One shed was stated to be under construction (January 1981).

The land at Atarra complex was proposed to be given by UPSIDC at rates ranging between Rs.1.55 to Rs.1.65 per sft. Due to high cost of land the entrepreneurs were not forthcoming and the project had not made any head way. The committee reviewing the progress of the industrial complexes decided (April 1980) that the plots at Atarra may be allotted to other entrepreneurs and in the event of there being no response the scheme should be dropped.

11.16. *Summing up*

(i) The Corporation raised Rs.35 lakhs by way of special share capital during 1975-76 for providing assistance on soft terms for new projects to be set up by technicians/craftsmen in the small scale sector but no such loans had been granted.

(ii) Up to 31st March 1980, the Corporation had received 12,635 applications (Rs.334.17 crores), sanctioned loans to 7,568 applicants (Rs.168.56 crores), disbursed loans to 3,059 loanees (Rs.72.11 crores) and loan sanctioned had been cancelled/reduced in 2,169 cases (Rs.51.89 crores).

(iii) Inability of the prospective borrowers to complete legal formalities and delays in the execution of projects, requests for diversion/changes in the schemes and the apathy of many applicants were stated by the Corporation to be main hurdles in ensuring timely disbursements of loans.

(iv) The nominees of the Corporation on the Board of Directors of assisted units were not attending all the Board meetings, the required reports were not being submitted regularly and the points brought out in the reports were not actively pursued by the Corporation.

(v) Without ascertaining whether a company had been granted brewery licence by the Government of India, a loan of Rs.9.32 lakhs was disbursed to it (November 1971—May 1973) for setting up a brewery. The unit did not go into production and defaulted in the payment of the dues of the Corporation. The unit was put to auction for the realisation of the dues but in the absence of a brewery licence the assets of the unit could not be sold. The amount recoverable was Rs.16.87 lakhs (including interest: Rs.7.39 lakhs up to December 1977)

(vi) The amount recoverable as on 31st March 1980 (Rs.65.92 crores including interest: Rs.8.42 crores) from the loanees included Rs.9.33 crores overdue for recovery of principal (Rs.5.14 crores) and interest (Rs.4.19 crores) and represented 8.9 and 49.7 *per cent* respectively of the amount due.

(vii) The overdue amount of Rs. 9.33 crores excludes Rs. 12.25 crores where recovery certificates had been issued and Rs. 0.22 crore for which suits have been filed.

(viii) The percentage of maximum amount defaulted to total amount due during the year varied from 60.8 to 77.6 during the 3 years up to 1979-80.

(ix) Against the refinance of Rs.98.65 crores sanctioned upto 1979-80 the Corporation had availed of refinance of Rs. 42.21 crores and the percentage of shortfall varied from 53.3 to 64.2 during the 3 years up to 1979-80.

(x) For the refinance not availed of, the Corporation had paid Rs.21.62 lakhs towards commitment charges during the 3 years up to 1979-80.

(xi) 50 reimbursement claims amounting to Rs.85.89 lakhs pertaining to the last 7 years were pending with the Reserve Bank of India under Credit Guarantee Scheme. The claims were to be settled within 30 days of preferment.

(xii) Disbursement of subsidy/loans under the special schemes was slow.

(xiii) The Corporation was entrusted with the establishment of 4 industrial complexes in 1976, consisting of 69 units at an estimated project cost of Rs.451.39 lakhs, only 9 units had gone into production. Funds to the extent of Rs. 25.46 lakhs spent on development of land and construction of sheds for the Woollen Hosiery Complex at Dehradun remained blocked.

(xiv) The Committee set up in April 1980 to review the progress of all the industrial complexes approved the proposal of the Corporation for dropping the scheme for the setting up of hand and cutting tool complex, Jhansi and paddy based industrial complex, Atarra.

SECTION XII

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

12.01. *Introduction*

The Uttar Pradesh State Road Transport Corporation was established on 1st June 1972 under the Road Transport Corporations Act, 1950. Accounts for the years 1977-78 to 1979-80 are in arrears. The delay in finalisation of accounts was last brought to notice of the State Government in May 1981.

12.02. *Capital*

Under Section 23 (i) of the Act, the capital contribution by the Central Government and State Government as on 31st March 1977 and 31st March 1978 was as under :

	As on 31st March 1977	As on 31st March 1978	Percentage of increase
	(Rupees in lakhs)		
Central Government	375.00	495.10	32.0
State Government	1,350.00	1,650.00	22.2
Total	1,725.00	2,145.10	24.4

Interest is payable at 6.25 *per cent* per annum on the capital contribution.

12.03. *Guarantees*

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

Particulars	Year in which guaranteed	Amount guaranteed	Amount outstanding as on 31st March 1980		
			Principal	Interest	Total
			(Rupees in lakhs)		
Banks	1972-73, 1973-74 and 1975-76	1325.00	264.25	4.04	268.29
IDBI (bill discounting scheme)	1975-76 to 1977-78	1300.00	108.55	91.76	200.31
		2625.00	372.80	95.80	468.60*

*Figure as per Finance Account 1979-80 is Rs. 635.12 lakhs ; difference is under reconciliation.

12.04. *Financial position*

The table below summarises the financial position of the Corporation under the broad headings for the 3 years up to 1977-78 :

	1975-76	1976-77	1977-78 (Provisional)
	(Rupees in lakhs)		
Liabilities			
Capital	1,500.00	1,725.00	2,145.10
Reserves and surplus	48.95	58.60	68.95
Borrowings	2,908.39	3,467.92	2,927.90
Trade dues and other current liabilities	2,726.80	3,074.41	3,168.42
Total	7,184.14	8,325.93	8,310.37
Assets			
Gross block	6,461.80	8,039.95	8,651.47
Less : Depreciation	3,037.07	3,513.94	4,180.70
Net fixed assets	3,424.73	4,526.01	4,470.77
Capital works-in-progress	5.32	7.65	..
Investment	92.08	92.08	92.08
Current assets, loans and advances	3,443.42	3,605.72	3,613.18
Accumulated losses	218.59	94.47	134.34
Total	7,184.14	8,325.93	8,310.37
Capital employed	4,141.35	5,057.32	4,915.53
Capital invested	4,308.39	5,192.92	5,073.00

NOTE :

Capital employed represents the net fixed assets *plus* working capital. Capital invested represents the paid-up capital *plus* long-term loans and free reserves.

12.05. *Working results*

The following table gives details of the working results of the Corporation for the 3 years up to 1977-78 :

Particulars	1975-76	1976-77	1977-78 (Provisional)
		(Rupees in lakhs)	
(*a*) Operating			
Revenue	5,082.85	5,653.98	6,018.27
Expenditure	4,878.23	5,429.83	5,922.93
Surplus	204.62	224.15	95.34
(*b*) Non-operating			
Revenue	150.44	204.89	218.70
Expenditure	274.31	308.09	354.95
Deficit	123.87	103.20	136.25
(*c*) Total			
Revenue	5,233.29	5,858.87	6,236.97
Expenditure	5,152.54	5,737.92	6,277.88
(*d*) Net Profit (+)/Loss (—)	(+)80.75	(+) 120.95	(—)40.91
Interest on capital and long-term loans	309.34	353.45	383.64
Interest on short-term loan	13.68	18.21	34.88
Total return on capital employed	403.77	492.61	377.61
Total return on capital invested	394.27	492.61	377.61
Rate of return on		(*Per cent*)	
Capital employed	9.31	9.58	7.68
Capital invested	9.15	9.49	7.44

12.06. *Operational performance*

The table below indicates the operational performance of the Corporation for the 3 years up to 1979-80 :

	1977-78	1978-79	1979-80*
Route kilometers	1,84,263	2,17,806	2,63,178
Number of operating depots	72	72	75

*Figures for the years 1977-78 to 1979-80 are provisional.

	1977-78	1978-79	1979-80*
Average number of vehicles held**	5,631	5,524	5,713
Average number of vehicles on road	4,362	4,269	4,513
Percentage of utilisation	77	77	79
Kms covered (in lakhs)			
Gross	3,284.00	3,541.00	4,063.00
Effective	3,185.00	3,434.00	3,972.00
Dead (including departmental)	99.00	107.00	91.00
Percentage of dead kms to gross kms	3	3	2
Average kms per vehicle per day	267	294	321
Passenger kms scheduled (in lakhs)	3,366.11	3,772.16	4,209.45
Passenger kms operated (in lakhs)	3,184.79	3,378.6	3,653.59
Occupancy ratio	94.6	89.6	86.8
Average number of break-downs per lakh kms	0.072	0.086	0.101
Average number of accidents per lakh kms	0.31	0.28	0·28
Average revenue per effective km (Paise)	196	204	209
Average expenditure per effective km (Paise)	197	201	206
Profit (+)/Loss (—) per km (Paise)	(—)1	(+)3	(+)3

12.07. *Cash management*

12.07.01. Effective cash management involves meticulous forecasting and periodical review of cash flow and ways and means with a view to ensure an optimal use of cash resources.

12.07.02 *Accounts with treasuries*

When the Corporation was set up (1st June 1972) as an interim arrangement (up to May 1975), the State Government allowed the Corporation to continue to deposit its receipts into the district treasuries and sub-treasuries to the credit of the "State Corporation Fund". Withdrawals were restricted to the extent of the balances in the Fund.

*Figures for the years 1977-78 to 1979-80 are provisional.

**Vehicles include buses, taxis and trucks.

In June 1975, the Corporation switched over to the banking system and directed its units (June 1976), hitherto depositing and withdrawing funds from the treasuries, to withdraw the balances' from the treasuries by 15th August 1976 and deposit them in the bank accounts. The process of withdrawal of balances from treasuries had not been completed so far (March 1981).

According to the latest available acocunts of the Corporation, the cash balance lying with the treasuries was Rs.193.79 lakhs on 31st March 1977 (balance amount payable as per treasury records was not ascertainable). This amount could not be withdrawn by the Corporation from the treasuries because the Corporation figures of balances had not been reconciled with the treasuries' figures (March 1981). Further, in test check (October 1980), it was noticed that a sum of Rs.92.08 lakhs (Depreciation Reserve Fund : Rs.80.17 lakhs and Insurance Reserve Fund : Rs.11.91 lakhs) deposited by the Corporation in treasuries prior to June 1975 could not be recovered (April 1981) due to non-reconciliation of the Corporation's figures with treasury figures.

The Corporation has not explained why the amount equivalent to the minimum agreed figures, i.e. between the treasury and the Corporation figures, has not been withdrawn from the treasury as the Corporation is paying interest at the rate of 14 to 17 *per cent* on its overdrafts with the banks. The drawal of this amount would have saved cost to that extent.

12.07.03. *Banking procedure*

The various units open cash collection accounts at branches of the Central Bank/State Bank of India. The cash collections are required to be deposited in that account daily. Required funds are drawn from such accounts. Funds are transferred to meet the requirements of headquarters from time to time from the surpluses lying in the unit accounts.

As on 31st March 1980 the Corporation was operating 248 bank accounts inclusive of cash credit account. While instructions were issued for periodical reconciliation with the bank accounts it was found that headquarters office had carried out reconciliation of bank transactions of 1979-80 with one bank only while reconciliation in respect of other banks was yet in progress (April 1981).

12.07.04. *Bank reconciliation*

Illustrative cases noticed as a result of reconciliation have been listed in para 12.07.06 (*b*). In the absence of timely reconciliation, failure of the bank to transfer funds, etc. would remain undetected.

12.07.05 ***Budgetary control***

In terms of Section 32 of the Road Transport Corporations Act, the Corporation prepares in December, each year, a budget for the subsequent financial year along with the revised estimates for the current financial year, in the form prescribed by the State Government.

Cash flow statement which is a crucial instrument of cash planning is, however, not prepared by the Corporation either for controlling cash flows or for making cash management decisions. Estimates of cash flows are, however, occasionally prepared by the headquarters of the Corporation to comply with the requirements of the financial institutions and banks and other controlling authorities like, Sarvajanik Udyog Bureau, Uttar Pradesh and the State Government. The Corporation had also not developed any system to monitor cash flows.

12.07.06 *Delays in tranfer of funds*

(*a*) *Depot collection accounts to regional collection accounts*

(i) A review in audit in respect of 2 Regions (Varanasi and Ghaziabad) of the actual transfers from the depot collection accounts to the regional collection accounts by the banks during 1978-79 and 1979-80 revealed the following position :

—For 12 depots/units of Ghaziabad Region in 1978-79 actual transfers (506) were on an average 60.2 *per cent* of transfers due (840) with actual transfers of individual depots ranging from 12.9 *per cent* to 85.7 *per cent* of transfers due. For 1979-80 actual transfers (548) were, on an average, 47.6 *per cent* of transfers due (1152) with actual transfers of individual depots ranging from 14.6 *per cent* to 74 *per cent* of transfers due.

—For 5 depots/units of Varanasi Region actual transfers from an individual depot were as low as 15.6 *per cent* (in 1978-79) and 14.6 *per cent* (in 1979-80) of transfers due : on an average only 55 *per cent* (in 1978-79), and 49 *per cent* (in 1979-80) of transfers due were made.

(ii) At the Kaisarbagh bus depot, Lucknow, special arrangements were made (April 1979) with local branch of a scheduled bank for deposit of daily collections during evening hours. The collections so deposited were to be transferred to the credit of the local regional collection account at Lucknow twice a week. It was noticed in audit that amounts aggregating Rs.87.79 lakhs (1979-80) were transferred after 8—18 days.

(iii) Even in case of local transfers from the depot/bus station collection accounts to the regional collection account the time lag ranged from 2 to 15 days in Kaisarbagh and Sitapur depots.

(*b*) *Regions to headquarters*

The headquarters of the Corporation has no procedure to acknowledge the remittances received from regions and or to ensure that these are credited to Corporation's accounts at Lucknow promptly. The amounts actually received and accounted for by the banks are not reconciled periodically with the remittances made from the regions resulting in large amounts remaining out of Corporation's account for long periods.

A test check in audit of 4 regions revealed that in 24 cases (1979-80) involving Rs.64.59 lakhs there has been delay ranging from 31 to 669 days (after allowing 3 days for transfers) on the part of the banks in affording credit to the Comporation's account at Lucknow resulting in loss of interest of Rs.7.61 lakhs (at 17 *per cent* paid on cash credit balances).

It was further noticed that in 10 cases involving Rs.3.36 lakhs in 2 regions the moneys transferred between July 1979—February 1980 had yet to be credited (January 1981) by the banks to the Corporation's account at Lucknow. The loss of interest in these cases (January 1981) worked out to Rs. 0.69 lakh.

12.07.07 *Premature repayment of loan to Industrial Development Bank of India* (IDBI)

The repayment of instalments of principal and payment of interest charges in respect of the loan obtained from IDBI is to be made by discharging the promissory notes executed therefor on the date of maturity.

It was, however, observed that during 1975-76 and 1976-77 promissory notes drawn for amount inclusive of interest charges up to the date of their maturity were discharged 3 to 29 days before the due dates (by paying interest for full period) involving a loss of Rs.0.49 lakh by way of interest in the cases listed below :

Payments made before the due dates

Number of days		Number of cases	Amount (Rupees in lakhs)
3—5		3	7.04
6—10		35	153.71
11—20		13	33.51
21—29		4	12.53
	Total	55	206.79

12.07.08 *Cash credit*

(i) Since 1975-76, the Corporation had made cash credit arrangements with a nationalised bank up to the limit of Rs.300 lakhs, increased to Rs.450 lakhs in 1976-77. In April 1978, 25 *per cent* of the cash credit was allocated to 14 units. The allocation of cash credit was revised from time to time and as per latest revision (June 1979) Rs.111 lakhs was allocated to 16 regions, Rs. 15 lakhs each to 2 workshops and Deputy General Manager (Stores) and Rs.294 lakhs was retained by the headquarters. The allocation of cash credit to the units was, however, discontinued from November 1980 except in case of Central Workshop (Rs.15 lakhs) and Allen Forest Workshop (Rs.10 lakhs). In December 1980, this facility was withdrawn from these workshops also.

During test check in audit of the accounts of the Corporation it was noticed (October 1980) that the headquarters had been availing cash credit and paying interest charges at 14 to 17 *per cent* per annum eventhough substantial balance of cash was lying in the collection and operation accounts of the units. The interest paid during the three years up to 1979-80 is indicated below :

Year	Interest charges paid to bank on cash credit
	(Rupees in lakhs)
1977-78	34.88
1978-79	0.43
1979-80	2.66
	37.97

The extent of cash credit availed by the headquarters and the balance available in collection and operation account of the units at the end of certain months (test checked in audit) is indicated in the following table :

Month	Cash credit availed	Balance in Collection account	Balance in Operation account	Total balance
	(Rupees in lakhs)			
August 1977	120.19	89.16	153.67	242.83
September 1977	106.91	125.07	132.89	257.96

Month	Cash credit availed	Balance in Collection account	Operation account	Total balance
		(Rupees in lakhs)		
October 1977	214.97	139.79	137.05	276.84
November 1977	152.43	99.78	158.73	258.51
December 1977	117.27	174.47	144.08	318.55
January 1978	18.41	30.89	Not available	30.89
February 1978	23.82	31.00	259.45	290.54
March 1978	65.62	71.72	137.37	209.09
April 1978	82.03	109.98	187.52	297.50
October 1978	1.32	103.71	68.62	172.33
December 1978	1.65	162.58	105.96	268.54
June 1979	15.84	216.80	151.31	368.11
December 1979	23.26	80.02	35.32	115.34
January 1980	90.60	73.15	70.50	143.65

(ii) During 1979-80, Lucknow region availed of cash credit (against the cash credit limit allocated by the headquarters) bearing interest at 17 *per cent* per annum while funds were available in its current account with other banks at Lucknow. The table below shows the extent of each credit limit utilised by the Lucknow region at the end of each month and the funds available in the other bank accounts at Lucknow:

Month	Cash credit availed of	Balance available in other bank accounts		
		Bank 'A'	Bank 'B'	Total
		(Rupees in lakhs)		
September 1979	3.65	5.90	0.91	6.81
October 1979	3.63	3.34	3.23	6.57
November 1979	3.51	5.99	4.78	10.77
December 1979	5.27	5.14	1.49	6.63
January 1980	12.80	6.61	4.57	11.18
February 1980	7.55	5.25	3.39	8.64
March 1980	1.93	5.57	1.28	6.85

This had resulted in an avoidable payment of Rs.0.18 lakh by way of interest.

(iii) Similar was the position in the Roadways Central Workshop, Kanpur as would be evident from the details given below:

Date	Cash credit availed of	Balance in operation account
	(Rupees in lakhs)	
5th March 1979	2.00	4.11
21st March 1979	5.00	6.51
3rd April 1979	8.00	11.90
15th May 1979	2.00	12.22
13th June 1979	2.00	9.05
29th December 1979	15.00	20.25
17th January 1980	3.16	3.16
19th January 1980	0.24	0.40

This had resulted in an avoidable payment of Rs. 1.27 lakhs by way of interest for the period from March 1979 to January 1980.

12.07.09. *Short-term deposits*

(i) During 1978-79 and 1979-80 the Corporation invested its funds in term deposits for periods ranging from 15—365 days bearing interest at 2.5 to 6 *per cent* per annum.

(ii) While the headquarters was availing cash credit at interest rates of 14—17 *per cent*, its units were investing funds in short-term deposits with banks at interest rates of 4—6 *per cent*. Illustrative cases noticed during test check are given below:

Meerut region of the Corporation deposited Rs.12 lakhs (Rs.8 lakhs on 14th June 1980 and Rs.4 lakhs on 28th July 1980) at 4 *per cent* per annum for 91 days and Ghaziabad region deposited (August 1979) Rs.10 lakhs at 6 *per cent* per annum for a year in short-term deposit with a nationalised bank. During this period, the minimum and maximum balances under cash credit availed of by the headquarters varied from Rs.0.62 lakh to Rs.282.40 lakhs.

Had the Corporation, instead of investing in short-term deposits utilised the amount in reducing the cash credit balance, the Corporation would have saved Rs.2.12 lakhs by way of interest paid on cash credit.

(iii) Against a limit of Rs.2 crores sanctioned by a nationalised bank in July 1978 the Corporation took a loan of Rs.37.53 lakhs on 1st September 1978 for the purchase of new chassis at 12.5 *per cent* per annum. The next day an amount of Rs.37 lakhs was deposited with the same bank at 3 *per cent* per annum for 46 days resulting in an avoidable payment of interest amounting to Rs.0.44 lakh.

(iv) In another case, against a limit of Rs.90 lakhs sanctioned by a nationalised bank in November 1978 the Corporation took a loan of Rs.28.31 lakhs in February 1979. During the same month, an amount of Rs.30.17 lakhs was placed in deposit for 31 days with 2 banks at 2.5 and 2.75 *per cent* per annum respectively resulting in an avoidable payment of interest amounting to Rs.0.24 lakh.

12.07.10. *Delays in realisation of cash receivable*

An important aspect of cash management is to ensure prompt recovery of receivable cash. As on 31st March 1980 an amount of Rs.172.90 lakhs was due to the Corporation (for services rendered) from the Central Government departments (Rs.72.63 lakhs), State Government departments (Rs.80.58 lakhs), State Corporations (Rs.13.32 lakhs) and others (Rs.6.37 lakhs).

The Board of the Corporation had in August 1973 resolved that credit facilities should be withdrawn from the departments not paying the Corporation's bills within 2 months (due to delays in payment by State and Central Government departments).

The Board's orders were, however, not implemented in respect of Defence, Post and Telegraphs, Railways and Commissioners and Deputy Commissioners for visits of V.I.P.s resulting in an increase in the outstanding from year to year.

The table below shows the position of sundry debtors at the end of the 3 years up to 1979-80 :

Particulars	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Central Government departments	67.56	69.20	72.63
State Government departments	76.61	79.27	80.58
State Corporations	16.61	14.35	13.32
Private parties	3.61	3.61	6.30
Others	0.02	0.07	0.07
	164.41	166.50	172.90

The year-wise analysis of debtors was not available with the Corporation.

Notable cases of outstanding dues are given below :

Name of the region	Name of the party	Amount (Rupees in lakhs)	Period	Remarks
Lucknow	A Government of India undertaking	1.74	March 1973 to March 1976	Dispute regarding payment of detention charges
Tanakpur	Defence Department	13.00	Up to March 1976	For want of transport indent, warrant number, etc.
Varanasi	District Magistrate, Varanasi	2.33	Rs. 0.47 lakh since May 1973	Visit of VIPs
Nainital	U. P. State Electricity Board	0.89	1948 to 1972	For supply of petrol, details demanded by the Board
Nainital and Tanakpur	Posts and Telegraphs Department	18.00	Prior to March 1979	For mail services; dispute in rates payable

12.07.11. *Summing up*

(i) Balances amounting to Rs.285.87 lakhs towards cash balances (Rs.193.79 lakhs), Depreciation Reserve Fund (Rs.80.17 lakhs) and Insurance Reserve Fund (Rs.11.91 lakhs) deposited in treasuries prior to June 1975 could not be received back by the Corporation due to non-reconciliation of Corporation figures with treasuries' figures.

(ii) As on 31st March 1980, the Corporation was operating 248 bank accounts.

(iii) The reconciliation of the bank accounts maintained at headquarters was in arrears.

(iv) There was no system of preparation of cash flow statements either for controlling cash flows or for making management decisions. The Corporation had also not developed any system to monitor cash flows.

(v) In 2 regions, the actual transfer of funds from depot collection accounts to regional collection accounts during 1978-79 and 1979-80 was 60.2 *per cent* and 47.6 *per cent* respectively of the transfers due.

(vi) At Kaisarbagh depot of Lucknow region where special arrangements for remitting the depot collections were made, the transfer of funds aggregating Rs.87.79 lakhs to the regional collection account took 8—18 days during 1979-80 against the prescribed bi-weekly transfers.

(vii) Even in the case of local transfers from the depots/bus station collection accounts to the regional collection account the time lag ranged from 2 to 15 days in Kaisarbagh and Sitapur depots.

(viii) There is no procedure to reconcile the remittances sent by the regions to the headquarters with the amounts credited by the banks to the headquarters account resulting in large amounts of the Corporation remaining out of account for long periods. In 24 cases (4 regions) involving Rs.64.59 lakhs there was delay (after allowing 3 days for transfer) ranging from 31 days to 669 days in getting the credit to the Corporation's account at Lucknow. The delay in getting the amount credited resulted in a loss of interest of Rs.7.61 lakhs. In 10 cases (2 regions) involving Rs.3.36 lakhs transferred between July 1979—February 1980, the credits had not been received so far (January 1981). The loss of interest in these cases works out to Rs.0.69 lakh.

(ix) In 55 cases involving Rs.206.79 lakhs premature repayment (ranging from 3—29 days) of loans from Industrial Development Bank of India were made.

(x) The Corporation had availed of cash credit during the years 1977-78 to 1979-80, its headquarters office alone having paid Rs.37.97 lakhs as interest charges on such cash credit. However, during the period at times the balances had been lying in operation and collection accounts of its different units which could be utilised for the reduction of cash credit balances.

(xi) At Central Workshop, Kanpur interest of Rs.1.27 lakhs paid to the bank for the period from March 1979 to January 1980, could have been avoided by utilising the balance available in the current account of the unit.

(xii) The Meerut and Ghaziabad regions invested the surplus funds in short-term deposits while the headquarters office had availed of cash credit. Had the Corporation, instead of investing in short-term deposits, utilised the amount in reducing cash credit balance, it could have saved Rs.2.21 lakhs.

(xiii) The headquarters office of the Corporation took (September 1978) a loan of Rs.37.53 lakhs from a nationalised bank at 12.5 *per cent* per annum while Rs.37 lakhs were invested in the same bank in the same month at 3 *per cent* per annum. Again a loan of Rs.28.31 lakhs was taken at 12.5 *per cent* per annum in February 1979 while Rs.30.17 lakhs were invested in the same month for a period of 31 days bearing interest at 2.5 to 2.75 *per cent* per annum. This had resulted in an avoidable expenditure of Rs.0.68 lakh.

(xiv) The amount recoverable from sundry debtors increased from Rs.164.41 lakhs as on 31st March 1978 to Rs.172.90 lakhs as on 31st March 1980. The year-wise break-up of debtors was not available.

12.08. *Other topics of interest*

12.08.01. *Refund of road tax*

Road tax in respect of vehicles is required to be paid in advance quarterly, but tax relating to vehicles remaining off-road for a minimum period of 3 months (reduced to one month with effect from May 1977) is refundable provided timely intimation is given to the Regional Transport Officer (RTO). The registration certificates issued by the RTO are also required to be surrendered while sending intimation regarding the vehicles to be kept off-road. It was, however, noticed that in most of the cases timely intimattion about vehicles to be kept off-road was not sent and registration certificates were either not surrendered or surrendered very late to the RTO. As a result, the Corporation could not get refund of road tax aggregating Rs.1.47 lakhs in respect of Jhansi (50 cases: January 1978—July 1979), Gorakhpur (47 cases: April 1977 to February 1979) and Moradabad (25 cases: April 1977 to November 1978) regions.

The matter was reported to the Corporation/Government in May 1980; replies were awaited (March 1981).

12.08.02. *Construction of shops*

Six shops (for letting out as canteen, betel shops, etc.) were constructed (September 1969) at Sarai Aquil bus station (Allahabad region) at a total cost of Rs.0.50 lakh with a view to provide refreshment facilities to the passengers. The shops were so located that the passengers could not watch their buses while taking refreshment and could not be let out despite auctions held during November 1969 to August 1979 and had been lying vacant (March 1981).

The matter was brought to the notice of Corporation/Government in May 1980 ; replies were awaited (March 1981).

12.08.03. *Non-availment of concession in sales tax*

Under the Uttar Pradesh Sales Tax Act, 1948 (as amended from 26th May 1975) all the offices of a Company, Corporation or undertaking owned or controlled by Government, located in the State could purchase 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 facility was to be available only if the concerned undertaking furnished to the supplier, a declaration in the prescribed form obtainable from the Sales Tax Department.

During test audit (May and July 1979) it was noticed that the benefit of concessional rate of sales tax to the extent of Rs.0.45 lakh against purchase mainly comprising spare parts, gear oil and lubricants, etc. was not availed of by two regional offices of the Corporation at Etawah (January–July 1979: Rs.0.26 lakh) and Agra (July 1978–March 1979 : Rs.0.19 lakh).

The matter was reported to Corporation/Government in August and September 1979 ; replies were awaited (March 1981).

K. Subramaniam

(K. SUBRAMANIAM)
Accountant General, Uttar Pradesh-II

ALLAHABAD :
THE 24 APR 1982

Countersigned

Prakash

(GIAN PRAKASH)
Comptroller and Auditor General of India

NEW DELHI :
THE 29 APR 1982