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REPORT

OF THE

Comptroller & Auditor General of India
for the year 1973-74

Commercial

Government of Uttar Pradesh

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PREFATORY REMARKS

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

(i) Statutory Corporations,

(ii) Government Companies, and

(iii) Departmentally managed Commercial and *quasi*-Commercial Undertakings.

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

3. The cases mentioned in the Report are those which came to notice during the year 1973-74 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1973-74 have also been included, wherever considered necessary.

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

5. In the case of Government Companies, audit is conducted by professional auditors appointed on the advice of the Comptroller and Auditor General of India but the latter is authorised under Section 619(3)(*b*) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted

by the professional auditors. The Companies Act, 1956 further empowers the Comptroller and Auditor General of India to issue directives to the auditors in regard to the performance of their functions. Such directives were issued in November 1962 to the auditors for looking into certain specific aspects of the working of Government Companies. These instructions were revised in December 1965 and again in February 1969.

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

CHAPTER I

STATUTORY CORPORATIONS

SECTION I

Introduction

1. There were four Statutory Corporations in the State as on 31st March 1974, *viz.*, U. P. State Electricity Board, U. P. State Road Transport Corporation, U. P. Financial Corporation and U. P. State Warehousing Corporation.

(i) *U. P. State Electricity Board*

A review of the working of the State Electricity Board has been included in Section II.

A synoptic statement showing the summarised financial results of the Board for 1973-74 is given in Appendix I.

(ii) *Other Satutory Corporations*

Under Section 31(10) of the Warehousing Corporation Act, 1962 the annual accounts of the U. P. State Warehousing Corporation together with the aduit report thereon are required to be placed before the annual general meeting of the Corporation by 30th September of the year. The following table shows that the accounts for the years 1969-70 to 1972-73 were placed before the annual general meetings later than the due dates; accounts for the year 1973-74 have not been compiled (March 1975).

Accounts for the year	When adopted by the Board of Directors	When placed before the general meeting of each year
1969-70	March 1971	May 1971
1970-71	June 1972	July 1972
1971-72	January 1973	May 1973
1972-73	March 1974	June 1974

U. P. Financial Corporation

2. The paid-up capital of the Corporation was Rs.2,25 lakhs as on 31st March 1974; there was no increase in the paid-up capital as compared to the previous year.

The break-up of the paid-up capital of the Corporation, according to the investments made by the Central and the State Governments and other parties as at the end of 1973-74 was as follows :—

Central Government	State Government	Private parties	Total
	(Rupees in lakhs)		
15,00	1,80,36	29,640	2,25,0

The State Government have guaranteed the repayment of principal and payment of annual dividend at the minimum rate of 3½ per cent per annum on the paid-up share capital.

Loans

The Corporation had issued eleven series of bonds (including two series amounting to Rs.1,92.50 lakhs issued during 1973-74) aggregating Rs.8,40.20 lakhs under section 7(i) of the State Financial Corporation Act, 1951. The balance of un-redeemed bonds as on 31st March 1974 was Rs.7,32.38 lakhs as against Rs.5,39.88 lakhs at the end of 1972-73.

The Corporation also borrowed from the State Government and Industrial Development Bank of India; the outstanding balance of borrowings from these sources as on 31st March 1974 stood at Rs.7,14.44 lakhs as detailed below :—

	(Rupees in lakhs)
(i) State Government	89.44
(ii) Industrial Development Bank of India	6,25.00
Total	7,14.44

Profits

According to the annual accounts, the Corporation earned a profit of Rs.52.24 lakhs during 1973-74 as against Rs.42.24 lakhs in the previous year.

U. P. State Road Transport Corporation

3. (*a*) The Uttar Pradesh State Road Transport Corporation was established by the State Government on 1st June 1972 under the Road Transport Corporation Act, 1950. Under Section 33 of the Act, the Corporation is required to maintain proper accounts and other records and prepare an annual statement of accounts including profit and loss account and balance sheet in such form as may be prescribed by the State Government in consulation with the Comptroller and Auditor General of India. Neither the form in which such accounts are to be maintained and the annual statement of accounts are to be prepared have been prescribed in the manner laid down nor such annual accounts have been prepared for the years 1972-73 and 1973-74 so far (April 1975).

(*b*) *Shortage in mobil oil*

During the period from 31st August 1969 to 24th June 1970 the Regional Workshop, Lucknow issued 1.32 lakh litres of mobil oil out of stock of 2.04 lakh litres. The balance stock on 24th June 1970 should have been 72,192 litres. Physical verification conducted on that day (24th June 1970) by the Assistant Regional Manager, however, disclosed

the actual stock of 10,619 litres. Thus 61,573 litres of mobil oil valuing Rs.1.45 lakhs (calculated at the purchase price of Rs.2.35 per litre) remained unaccounted for. Responsibility for the shortage has not been fixed by the Regional Manager to whom the verification report was submitted.

The matter was reported to Government in August 1971; reply is awaited (April 1975).

(*c*) *Refund of road tax*

The Coroporation vehicles are liable to pay tax under the U. P. Motor Vehicles Taxation Act, 1935. Section 7 of the Act provides that if a vehicle has not been used for a continuous period of not less than three months since the tax was last paid, a refund of tax equal to 1/12th of the annual rate of tax in respect of such vehicle for each complete month of such idle period for which tax has been paid, is admissible. According to the U. P. Motor Taxation Rules, registration documents of vehicles, for which refund of road tax is to be claimed, are to be surrendered to the Taxation Officer as soon as the vehicle is taken off the road. During the period from May 1972 to November 1973 registration documents of 43 vehicles of Agra region and 18 vehicles of Gorakhpur region were surrendered late to the licensing authorities by two to fifteen months after the vehicles went off the road. As a result, the Corporation could not obtain refund of road tax amounting to Rs. 0.42 lakh.

The matter was reported to the Corporation in March 1974; reply is awaited (April 1975).

(*d*) *Purchase of chassis*

Tata Engineering and Locomotive Company Limited agreed in November 1967 to allow a rebate of Rs.200 per chassis (TMB make) to the State Road Transport Undertaking provided payment of 98 per cent of the cost was made either before or at the time of delivery and the balance was paid within 10 days of receipt of chassis at the premises of the consignee concerned.

Order for supply of 450 chassis at Rs.60,680 per unit (TMB make) was placed on the authorised dealer of the firm in July 1972 by the U.P. State Road Transport Corporation. In accordance with the terms of the order full payment towards the cost was to be made by the Corporation to the dealer at Allahabad at the time of taking delivery. During the

period from September 1972 to March 1973. 450 chassis were supplied. Even though full payment was made at the time of taking delivery, the rebate of Rs.200 per chassis allowed by the supplier was not claimed by the Corporation at the time of making full payment. This resulted in extra expenditure of Rs.0.90 lakh (at the rate of Rs.200 on 450 chassis).

The matter was reported to Government in June 1973; reply is awaited (April 1975).

(e) Short realisation of passenger tax

In accordance with orders issued by the State Government in November 1962, passengers travelling in any stage carrier operating exclusively for carriage of military personnel in Kumaon and Uttarakhand divisions were exempt from payment of passenger tax. Passenger tax was, however, not levied by the stage carriers of Government Roadways on the military personnel travelling on road warrants even though the stage carriers were not plying exclusively for the military personnel. This resulted in non-recovery of passenger tax amounting to Rs.2.34 lakhs during the period from November 1962 to September 1974 (amount of short realisation from October 1974 could not be assessed as bills for the period had not been issued by the Corporation upto March 1975).

It was stated by the Management (March 1975) that passenger tax from military personnel travelling on road warrants in stage carriers not plying exclusively for defence personnel was not being realised in accordance with the orders issued by the Transport Commissioner pending final decision by Government.

(f) Undercharge of fare during Mela

In November 1971 Government prescribed the rates for carriage of passengers in stage carriers. According to this 5.06 paise per km. per passenger was to be charged by the stage carriers run on special occasions. The Roadways/Corporation plied special buses in January 1972 and May 1973 for 'Purnamashi Mela' at Brijghat (Meerut Region) for which fare was charged at 3.80 paise per passenger per km. This resulted in under charge of Rs.0.18 lakh.

In February 1975 it was stated by Government that the special services which were run every month on the occasion of "Purnamashi" were treated as a routine feature and rates fixed for special occasion were not applied.

UTTAR PRADESH STATE ELECTRICITY BOARD

SECTION II

Introduction

4. In terms of section 5 of the Electricity (Supply) Act, 1948, the Uttar Pradesh State Electricity Board was formed by the State Government by a notification in April 1959. The functions and assets of the Electricity Department and the Kanpur Electricity Supply Administration (KESA) of the State Government, were transferred to the Board, consequent upon its formation on 1st April 1959. The hydro-electric project at Rihand was transferred to the Board after commissioning on 1st April 1965.

At the time of the formation of the Board there were thirty two private licensees operating in the State. Section 6 of the Indian Electricity Act, 1910 confers the right of first option to the Board to purchase the private licensees' undertakings on the expiry of the existing periods of licences. To the end of March 1974, the licences of eighteen private licensees expired and in all these cases the private licensees, undertakings were purchased by the Board by exercising the option. The licences of the remaining fourteen licensees are to expire during the period from February 1975 to November 1985. The Board has also taken over the undertaking of the Municipal Board, Kasganj.

Objectives

5. (1) Under section 18 of the Act, the Board is responsible for promoting the coordinated development of generation, supply and distribution of electricity within the State in the most efficient and economical manner, with particular reference to under-developed areas. The Board has also to prepare and implement schemes for generation, transmission and distribution of electricity.

(2) Section 59 of the Act lays down that the Board shall, as far as practicable, carry on its operations in such a manner as not to run at a loss and towards that end, adjust its charges from time to time.

Organisational set up

6. (1) At present the Board has five full time members, viz., Chairman, Member (Commercial), Member (Generation), Member (Transmission and Distribution), Member (Accounts and Finance) and two ex-officio members, viz., the Secretaries to Government, Finance Department and

Law Department. The Board functions collectively and no specific powers, financial or otherwise, have been delegated to individual members. The Central Stores Purchase Committee consisting of the Chairman, Member (Commercial) and Member (Accounts and Finance) is, however, authorised to finalise tenders for procurement of stores, where the value does not exceed Rs.50 lakhs. The committee also makes recommendations to the Board in respect of purchases exceeding Rs.50 lakhs.

(2) The Board's organisation in the field is divided into (i) the Hydel Wing and (ii) the KESA. While the KESA headed by a General Manager looks after the generation and distribution of electricity in the Kanpur area, the Chief Engineer, Hydel looks after the remaining work in the State.

The Chief Engineer, Hydel and the General Manager, KESA have wide administrative and financial powers, including powers to purchase stores which are further sub-delegated to Superintending Engineers, Executive Engineers and Sub-Divisional Officers, generally on the lines of the State Government's rules, which have been adopted by the Board pending formulation of its own rules. The distribution and allocation of funds are, however, centrally controlled by the accounts wing in the Board's Office working under the control of the Member (Accounts). The receipts originating in a division/circle are credited to accounts in banks from where withdrawals are not permitted and funds required for disbursements are remitted by the Board into separate drawing accounts. It was noticed that field formations were often not being able to honour in time financial commitments causing loss or inconvenience, e.g., failure to take delivery of stores involving payment of demurrage and wharfage charges, delay in depositing in the Government account electricity duty collected from consumers and income tax deducted from the contractors.

Capital structure and utilisation of finances

7. (1) *Sources*—The Board's sources of funds for capital expenditure comprise loans as indicated below :—

(i) Amounts deemed as loan from the State Government under Section 60(2) of the Act being the declared expenditure on capital account in connection with the assets transferred to the Board. The interest charges on the portion of the loan capital representing investments on works-in-progress are not being paid by the Board to the State

Government from 1971-72, and are being capitalised. These have been declared by the State Government as loans to the Board (Rs.32.16 crores on 31st March 1974). The terms and conditions of these loans have not been decided by the Government (April 1975). No interest charges are also being paid on the capitalised interest charges treated as loans.

(ii) Loans obtained from Government under Section 64 of the Act.

(iii) Loans raised under Section 65 of the Act with the previous sanction of Government.

(iv) The Board is also availing of short-term loans from commercial banks and medium term loans through discounting facilities from the Industrial Development Bank of India.

In respect of loans raised from other sources, the maximum borrowing limit fixed by Government under Section 65(3) of the Act is Rs.200 crores against which Rs.156·21 crores had been raised upto 31st March 1974.

(2) *Borrowings*—The balance of loans from non-Government agencies as on 31st March 1974 is indicated below :—

(In crores of rupees)

Source	Amount of loan drawn	Terms and conditions of loans	Amount repaid	Amount of loan outstanding
Public issue of bonds	48·17	(i) Repayable after 12 years, i.e., during November 1976, to December 1985 (ii) At interest rates of 5 to 6 per cent per annum	Nil	48·17
Rural Electrification Corporation Limited	14·76	(i) Loans in respect of backward areas are repayable in 25 yearly instalments and for other areas in 20 instalments with a moratorium of five years (ii) At interest rates of 6½ to 9 per cent per annum for backward areas and 7¼ to 9 per cent per annum for other areas	0.02	14.74

(*In crores of rupees*)

Source	Amount of loan drawn	Terms and conditions of loans	Amount repaid	Amount of loan out-standing
Agricultural Finance Corporation	18·78	(i) Loan of Rs.1·96 crores is repayable after the expiry of 5 years from the date of receipt of loan. The balance of the loans is repayable within ten years in seven to eight annual instalments, the first instalment to commence after the expiry of 3 to 4 years from the date of drawal of loan instalment (ii) At interest rates of 9 to 9½ per cent per annum	Nil	18.78
Commercial banks	30·73	(i) Repayable during 1973 to 1981 (ii) At interest rates 9 to 10 per cent per annum	4.46	26.27
Life Insurance Corporation of India	51·25	(i) Repayable within 15 to 20 years (ii) At interest rates of 7¼ to 9 per cent per annum	4.10	47.15
Unit Trust of India	1·00	(i) Repayable during 1975 (ii) Interest 9½ per cent per annum	NIL	1.00
Co-operative American Relief Everywhere (CARE)	0·10	Of the nature of a revolving fund. As and when expenditure is incurred on approved items of work, replenishment is obtained.	NIL	0.10

(3) *Loans by Government*

A—*Transfer of assets*

(i) Particulars regarding transfer of assets by Government to the Board, their value and the dates of declaration as loan by Government, under Section 60(2) of the Act are given below :—

Date of transfer of Assets	Value of assets transferred	Date of declaration as loan
	(*Rupees in lakhs*)	
1st April 1959	6,661.957	29th March 1961
1st April 1965	5,151.818	24th March 1966
Total	11,813.775	

(ii) Interest payable on the loans was fixed at ½ per cent above the borrowing rate of Government prevalent on the date of transfer.

(iii) The aforesaid loan of Rs.11,813·775 lakhs includes Rs.1,303.406 lakhs, details given below, which do not strictly constitute expenditure of a capital nature.

	(*Rupees in lakhs*)
Interest charges on capital cost	1,183.753
Audit and accounts charges	92.312
Establishment charges of Kanpur Electricity Supply Administration	24.904
Salary, travelling allowance and contingent expenditure of Kanpur Electricity Supply Administration	2.437
Total	1,303·406

To the end of 1973-74, the Board had paid Rs.7.87 crores as interest on this portion of Rs.1,303.406 lakhs of the loan.

In August 1966 the State Government were approached by the Board to reduce the loan relating to transfer of capital assets by Rs.1,303.406 lakhs and also to refund the interest charges paid thereon. Government decision is still awaited (March 1975).

B. Other loans under Section 64 of the Act

(i) To end of 1973-74, loans received by the Board from the State Government amounted to Rs.817.64 crores, out of which Rs.5.98 crores were repaid by the Board during 1973-74. The balance of State Government loan outstanding on 31st March 1974, amounted to Rs.811.66 crores which included Rs.32.16 crores, being the capitalised interest charges on works-in-progress on which no interest is payable.

Interest payable on loans given during the years from 1959-60 to 1964-65 was fixed at ½ per cent, on loans given during the years 1965-66 to 1969-70 at 1 per cent and on loans given from 1970-71 to 1973-74 at ½ per cent above the borrowing rate of Government for the respective years. The rate of interest on all the loans given during the years from 1965-66 to 1969-70 was, however, revised from 1969-70 to ½ per cent above the borrowing rate of Government for the respective years, resulting in a relief of Rs.1.25 crores to the Board in the interest charges during 1969-70 alone.

(ii) Rate of interest on loans for extending power supplies to the rural areas for increasing agricultural production, sanctioned in 1964-65 (Rs.0.35 crore) and 1965-66 (Rs.2.25 crores) and for drought relief in 1972-73 (Rs.9.60 crores) was, however, fixed at ½ per cent above the borrowing rate of Government for the respective years.

(iii) The period of repayment of the loans has not been fixed by the Government (March 1975) except in respect of the following loans :—

Amount of the loan (*In crores of rupees*)	Purpose	Year of sanction of loan	Repayment period
22.00	To enable the Board to meet its pressing day-to-day liabilities	1972-73	10 equal instalments
29.36	To regularise overdrawals made by the Board in February 1973	1973-74	Ditto
9.60	Drought relief in crash rabi-crop scheme	1972-73	15 equal instalments
2.00	To compensate the Board for the loss of resources on account of deferment of payment of priority charges from rural consumers	1972-73	10 equal instalments

(iv) Under Section 67 of the Act the revenues of the Board, after meeting the operation and maintenance and management expenses (and after provisions have been made for payment of taxes), are to be distributed as far as they are available, in the order of priorities laid down.

(v) During the years from 1959-60 to 1973-74, against the available surplus of Rs.100.23 crores, Rs.211.23 crores representing interest on loans were adjusted by Government and deducted from fresh loans sanctioned to the Board in those years. This amounted to payment of interest out of capital.

(4) *Repayment of loan to State Government*

Repayment of loans advanced to the Board under Section 64 has the lowest priority according to the Act. Though other liabilities had not been discharged during the year 1973-74, repayment of Rs.5.98 crores was made by adjustment against fresh loans sanctioned to the Board.

(5) *Loans from other sources raised under Section 65 of the Act*

The details regarding the loans raised by the Board under Section 65 of the Act, are as follows :—

(a) *Issue of bonds*

(i) The first loan by issue of bonds was raised from the public during the year 1964-65. Upto the end of 1973-74, fifteen series of bonds were issued by the Board for Rs. 48.17 crores in all. These bonds carry rates of interest ranging from 5 to 6 per cent and are repayable during 1976 to 1985. Repayment of principal and payment of interst on these loans were guaranteed by Government.

(ii) Out of Rs.10.17 crores and Rs.7.70 crores received by issue of bonds during each of the years 1972-73 and 1973-74, Rs.3.48 crores and Rs. 6.95 crores respectively were invested in short term deposits with scheduled banks for 46 days, the rate of interest ranging from 3 to 3¼ per cent. Loans amounting to Rs.142.775 lakhs in 1972-73 and Rs.246.245 lakhs in 1973-74 were obtained by the Board from these banks on hypothecation of these short term deposit receipts, the rate of interest being 1 per cent more than the interest rate on these short term deposits.

(iii) During 1969-70 the Board placed Rs.1,10 lakhs in fixed deposits with scheduled banks at 6¼ per cent for a period of five years. A loan of Rs.93.50 lakhs was obtained by the Board from these banks in 1971-72 on hypothecation of these deposit receipts, the rate of interest being 1 per cent more than the deposit rate. The loan was repaid in August 1974 out of the amount received on maturity of the deposits.

(iv) Cash credit advances of Rs.2 crores in 1972-73 and Rs.4 crores in 1973-74 were obtained by the Board from the State Bank of India, at $9\frac{1}{4}$ per cent per annum, besides loan of Rs.15.53 crores in 1972-73 from scheduled banks (interst rates being $9\frac{1}{4}$ to $9\frac{1}{2}$ per cent per annum), while Rs.1.10 crores were kept deposited with the banks at $6\frac{1}{2}$ per cent resulting in an avoidable interest payment of Rs.9.41 lakhs (Rs.0.46 lakh in 1972-73 and Rs.8.95 lakhs in 1973-74).

(b) Loans from Agricultural Finance Corporation

During the period from 1969-70 to 1973-74 loans amounting to Rs. 18.78 crores were obtained from the Agricultural Finance Corporation for energisation oi tube-wells and pump sets for agricultural purposes. The loans carried rates of interest ranging from $9\frac{1}{2}$ per cent to 10 per cent per annum with rebate of $\frac{1}{2}$ per cent for timely payment of interest and repayment of principal.

During 1973-74, the Board forfeited the rebate as the interest charges were not paid to the Corporation by the due dates.

(c) Other barrowings

The Board obtained loans for specific purpose from the Life Insurance Corporation of India, the Unit Trust of India and the Co-operative American Relief Everywhere (CARE). In addition to the cash credit accommodation from State Bank of India, the Board availed of short-term loans from the Industrial Development Bank of India. The limits prescribed and facilities availed of during the three years ending 31st March 1974, were as follows :—

	Year	Accommodation	
		Arranged	Availed of
		(Rupees in crores)	
Industrial Development Bank	1971-72	1.00	0.98
of India (Rediscounting	1972-73	2.00	1.99
facility)	1973-74	5.00	4.97

Profitability Analysis

8. (1) *Financial position*

The financial position of the Board for the five years ending 1973-74 was as follows :—

	1969-70	1970-71	1971-72	1972-73	1973-74
	(In crores of rupees)				
A—Liabilities					
1. Loans from the State Government	4,73.41	5,39.15	6,15.41	7,13.74	8,11.66
2. Other long-term borrowings	35.32	48.24	66.16	1,18.84	1,62.07

	1969-70	1970-71	1971-72	1972-73	1973-74
3. Reserves and surplus					
(a) Capital reserves (excluding consumers contributions for service lines)	1.35	1.82	1.96	2.02	2.02
(b) General reserve	0.88	0.88	0.88	3.03	5.46
4. Current liabilities	51.74	67.03	87.64	91.58	1,10 70
Total liabilities (1 to 4)	5,62·70	6,57.12	7,72.05	9,29.21	10,91.91
B—Assets					
5. Gross fixed assets	3,56·63	3,83·30	4,30·70	5,24·57	5,78·44
6. *Less* consumers contribution for service lines	8·45	11·66	14·73	18·01	20·33
7. *Less* depreciation reserve	35·35	44·15	53·35	62·64	72·72
8. Net fixed assets (5)—(6+7)	3,12.83	3,27·49	3,62·62	4,43·92	4,85·39
9. Works-in-progress	1,40·68	1,90·76	2,27·62	2,49·47	3,01,72
10. Current Assets					
(a) Stores	21·17	31·62	41·53	54·26	58·40
(b) Sundry debtors for energy supplied	10·79	14·36	18·34	23·63	31·35
(c) Other receivables	42·59	43·95	59·09	76·40	1,03·72
(d) Investments	1·95	1·69	1·78	2·11	2·59
(e) Cash and bank balances	2·99	2·03	7.30	13.79	10.04
11. Net accumulated deficit	29·70	45·22	53·77	65·63	98·70
Total assets	5,62·70	6,57.12	7,72·05	9,29·21	10,91·91
C—Other particulars					
12. Working capital (10—4)	27·75	26·62	40·40	78·61	95·40
13. Net worth (1+2+3)—11)	4,81·16	5,44·87	6,30·64	7,72·00	8,82·51
14. Capital base at the beginning of the year	2,71·30	3,12·50	3,26·10	3,60·10	4,41·90
15. At the end of the year	3,12·50	3,26·10	3,60·10	4,41·90	4,62·50
Average of the year	2,91·90	3,19·80	3,43.10	4,01·00	4,83 10

NOTE—*Capital base*—Fixed assets in use *plus* intangible assets *plus* working Capital equal to 1/6th of operation expenses execluding depreciation *minus* consumer's contribution *plus* accumulated provision for depreciation *plus* security deposit of consumers.

A substantial portion (Rs.4.72 crores) of Rs.31.35 crores shown against debtors for energy supplied upto 31st March 1974 has been contested by the consumers. Rupees 1,03.72 crores in the "Other Receivable Accounts" include Rs.25.35 crores under 'Miscellaneous Advances' which have not been fully analysed and where recovery of amounts outstanding for a number of years, is doubtful. For example, in Electricity Maintenance Division, Lucknow, an amount of Rs.1.65 crores was due for recovery in February 1974, of which Rs.41.1 lakhs related to the period 1964-65 to 1968-69. Of the outstanding balance, Rs.0.33 crore were recoverable from employees of the Board.

(2) *Profitability*—The profitability of the Board for the five years ending 1973-74 is given below :—

(*Rupees in crores*)

	1969-70	1970-71	1971-72	1972-73	1973-74
Capital invested	5,19.40	6,01.74	6,90.14	8,36.05	9,63.51
Capital Works-in-progress	1,40.68	1,90.76	2,27.62	2,49.47	3,01.72
Gross revenue (as reduced by cost of power purchased)	55.28	58.60	64.67	78.61	74.92
Operating expenses including depreciation (as reduced by cost of power purchased)	37.22	44.71	47.49	55.90	64.81
Surplus transferred to consolidated revenue account	18.06	13.89	17.18	22.71	10.11
Percentages					
Gross revenue to capital invested	10.6	9.7	9.4	9.4	7.8
Surplus to capital invested	3.5	2.3	2.5	2.7	1.0
Operating expenses to gross revenue	67.3	76.3	73.4	71.1	86.5

As the rise in the operating expenses was disproportionately more than the increase in the gross revenue, the overall return of 3.5 per cent obtained in 1969-70 declined to 1 per cent in 1973-74.

(3) ***Return on investment***

In May 1969 the Board decided to take certain steps to achieve minimum rates of return specified. The rate of return actually achieved was much below the return envisaged as shown below (the rates are exclusive of electricity duty) :—

Financial year	Return envisaged Per cent	Return actually achieved Per cent
1970-71	7.0	4.5
1971-72	7.0	5.2
1972-73	8.5	5.7
1973-74	8.5	2.3

Steps proposed to be taken by the Board to achieve the rate of return and the actual performance are analysed below :—

(*i*) *Efficiency in generation of power*

The table given below would indicate that the period for which the various thermal sets were not working due to shortage of coal, grid disturbances, major overhauling, annual inspection, etc., increased from year to year :—

Power station	Installed capacity (M.W.)	Unit	Hours of shut-down		
			1971-72	1972-73	1973-74
Obra Thermal Power Station	250 (50×5)	I	1,305	3,745	3,293
		II	3,104	1,058	2,846
		III	877	1,197	6,272
		IV	789	3,914	1,999
		V	268	825	877
	Total		6,343	10,739	15,287

The fifth unit of 50 M. W. was commissioned on 31st July 1971. The first unit of 100 M.W. of Obra Thermal Extension Stage I was commissioned in July 1973 and as such has not been mentioned above.

Power station	Installed capacity (M.W.)	Unit	Hours of shut-down 1971-72	1972-73	1973-74
Harduaganj 'A' Power Station	90 (30×3)	I	819	1,533	957
		II	945	837	468
		III	318	1,508	422
	Total		2,082	3,878	1,847
Harduaganj 'B' Power Station	210(2×50) and (2×55)	I	4,036	5,557	2,030
		II	1,321	1,901	3,706
		III	5,756	4,003	4,451
		IV	..	3,730	3,853
	Total		11,113	13,191	14,040

Unit IV was commissioned on 18th September 1972.

Panki Thermal Power Station	64 (32×2)	I	2,294	3,326	2,874
		II	1,652	2,185	1,343
	Total		3,946	5,511	4,217

(ii) *Economy in generation expenses*

The following details indicate that the cost of generation (excluding interest charges on capital invested in works-in-progress) has been increasing from year to year, except in 1971-72.

Year	Pooled cost of generation excluding power purchased (In paise per unit)
1970-71	8.56
1971-72	8.20
1972-73	8.94
1973-74	12.31

The steep increase in the cost of generation during 1973-74 was attributed by the Board (September 1974) to increase in cost of coal, lubricants, oil and wages and reduced generation of hydel power due to scanty rainfall in the Rihand catchment area.

(iii) *Economy in operating expenses*

Economy in operating expenses was envisaged by extending mechanised system of billing of consumers to more offices to the extent possible, mechanisation of pay roll and stores accounting, introduction of inventory control methods and reorganisation of Stores Department, rationalisation of staffing pattern, etc.

In three units of the Board, *viz.*, the KESA, the Allahabad Electric Supply Undertaking and the Lucknow Electric Supply Undertaking (taken over on 16th April 1964) billing was being done through punch card data processing machines at the time these were taken over by the Board and the same system has been continued. In no other unit mechanised system of billing of consumers has been intruduced so far (November 1974). Bradma machines have, howver, been purchased for some divisions, mainly for writing names and addresses of the consumers.

Mechanisation of pay-rolls and stores accounting have also not been introduced by the Board (April 1975), although there is surplus time and capacity available on the I. B. M. data processing system at the Board's offices at Lucknow.

The State Government, in March 1972, set up a Technical Committee for suggesting ways and means for improving the efficiency of the Board for generation, transmission and distribution of electricity and for minimising transmission losses and theft of energy. The report of the Committee was received in December 1972. In regard to rationalisation of staffing pattern, the Technical Committee had observed as follows :—

"There appears to be over-staffing at the power stations in U. P. and U. P. State Electricity Board should look into this. Drastic measures are necessary to reduce the ratio of man-power to installed capacity by rationalising working procedures, improving the quality of training and enforcing better efficiency norms".

The Committee also recommended that "proper yardsticks for maintenance staff for transmission and distribution system should be framed early".

Action on these recommendations is yet to be taken by the Board (April 1975).

(iv) *Reduction in line losses*

The Board contemplated reduction in the transmission losses to about 15 per cent by 1972-73. However, the line losses have been on the increase as indicated below :—

Year	Line losses (per cent)
1970-71	23.6
1971-72	24.8
1972-73	27.5
1973-74	28.2

The extent of system losses as also losses in excess of 15 per cent in financial terms at average selling price per KWh for the years 1970-71 to 1973-74 are indicated below :—

Year	Energy available for sale (MKWh)	Energy lost (MKWh)		Average selling price per KWh (paise)	Actual percentage of loss	Financial loss at average selling price	
		Total	In excess of 15 per cent			Total	Loss over 15 per cent
						(Rupees in lakhs)	
1970-71	5,613.76	1,323.02	480.96	13.37	23.6	1,769	643
1971-72	5,968.25	1,482.29	587.06	13.56	24.8	2,010	796
1972-73	6,623.90	1,819.80	826.22	15.96	27.5	2,904	1,319
1973-74	6,015.70	1,693.46	791.10	17.29	28.2	2,928	1,368
				Total		9,621	4,126

(v) *Upward revision of tariff structure*

The Board effected major revision in its tariff with effect from 1st January 1972 instead of in 1970-71 as planned earlier. The revision was not, however, based on actual cost of generation, transmission and distribution of power but was made mainly with a view to raising additional funds. Inspite of the revision, there was no improvement of the return as increase in operational expenses more than offset the additional revenue raised.

The shortfall in return during the years 1970-71 to 1973-74 was attributed by the Board in October 1974 to :—

(i) increase in the cost of fuel, other operational stores and in the establishment charges,

(ii) abolition of minimum guarantee charges, with effect from 1st January 1972, from rural consumers as per the policy of the State Government resulting in reduction of revenue,

(iii) shortfall in generation due to scanty rainfall in the Rihand catchment area and due to lower discharge in the rivers Ganga and Sarda, and

(iv) shut-down of boilers for longer periods either for inspection or for routine maintenance.

(4) *Working results*

The working results of the Board for the five years ending 1973-74 were as follows :—

	1969-70	1970-71	1971-72	1972-73	1973-74
	(Rupees in crores)				
(a) Gross revenue					
(i) Sale of electricity	50.85	57.22	60.67	76.48	74.52
(ii) Other income	7.15	4.64	6.77	7.50	5.46
(b) Operating and maintenance expenses including depreciation	37.22	44.71	47.48	55.90	64.81
(c) Purchase of power	2.72	3.26	2.77	5.37	5.06
(d) Net surplus (a)—(b+c)	18.06	13.89	17.19	22.71	10.11
(e) Appropriation of surplus—					
(i) Interest on loans not guaranteed under Section 66 of the Act	0.89	1.13	1.59	2.10	3.00
(ii) Interest on loans guaranteed under Section 66 of the Act	0.81	1.35	2.09	3.82	7.63
(iii) Write down of amounts in respect of intangible assets	0.03	0.03	0.03	0.06	0.10
(iv) Contribution to general reserve	..	..	..	2.15	2.44
(v) Interest on loans from Government including arrears	23.19	26.90	22.03	26.44	30.01
Total (e)	24.92	29.41	25.74	34.57	43.18
(f) Net profit(+)/Loss(—)	(—)6.86	(—)15.52	(—)8.55	(—)11.86	(—)33.07
(g) Cumulative loss	(—)29.70	(—)45.22	(—)53.77	(—)65.63	(—)98.70
(h) Arrears of depreciation to be provided for, shown as contingent liability for the year	..	4.13	3.54	2.95	2.36

(5) *Contribution to General Reserve*

Section 67(viii) of the Act envisages that acontribution of an amount not exceeding one per cent of the original cost of the fixed assets should be made to general reserve out of surplus available, before charging interest on loans from Government. During the years 1959-60 to 1971-72 provision for general reserve (Rs.9.94 crores) was not made by the Board although payment of interest on loans from Government and repayment of loans to the State Government were made.

(6) *Contribution to Depreciation Reserve*

At the end of 31st March 1970, Rs.4.72 crores *plus* interest on arrears of depreciation (to be determined) were short provided by the Board in Depreciation Reserve. This shortfall is being made good by the Board in instalments of Rs.0·59 crore each year commencing from the year 1970-71. At the end of 31st March 1974, Rs.2·36 crores *plus* interest on arrears of depreciation (to be determined), were still to be provided.

(7) *Categorisation of fixed assets*

(i) Under Section 68 of the Act, for the purpose of calculation of depreciation, the fixed assets of the Board are required to be categorised in terms of the provisions of schedule VII of the Act. A committee was set up by the Board in July 1965, for categorisation and valuation of fixed assets. No time limit was specified within which the committee was required to submit its rep rt. The report of the committee is still awaited (March 1975). Meanwhile, some of the committee members have already retired. The Committee has not been reconstituted so far (March 1975).

(ii) Due to non-categorisation, as per schedule VII of the Act, of the fixed assets valued at Rs.5,78·44 crores as on 31st March 1974, location-wise records showing the details of tangible assets, cost of acquisition, life, rates depreciation and the residual value of each asset, were not maintained by the Board. Physical verification of fixed assets was also not carried out since the formation of the Board.

(iii) For purposes of providing depreciation, the fixed assets created up to 1971-72 were categorised during 1972-73 by the Chief Engineer on an *ad hoc* basis. For the assets created in 1972-73 and 1973-74, the *ad hoc* categosisation has also not been done so far (March 1975), as a result of which depreciation is not being calculated in the manner prescribed by the Act.

Plan outlay, future projections and programmes

9. (1) *Plan outlay*

(i) The capital expenditure incurred on power and the total installed capacity during the different plan periods, and at the commencement of the Fourth Five Year Plan were as below :—

Plan	Expenditure during the Plan	Progressive expenditure	Installed capacity at the end of the period (M. W.)
	(Rupees in crores)		
Pre-plan	..	17.49	125
First Plan (1951—56)	25.82	43.31	222
Second Plan (1956—61)	56.67	99 98	290
Third Plan (1961—66)	1,57.01	256.99	861
Annual Plan (1966-67 to 1968-69)	1,75.35	432.34	1136

(ii) The approved outlay on power in the Fourth Five-Year Plan was Rs.375 crores, 39 per cent of the total State Plan outlay of Rs.965 crores. The financial and physical targets and actual achievement were as shown below :—

	Financial		Percentage of actual expenditure to approved outlay	Physical		Percentage of achievement to target
	Approved outlay	Actual expenditure		Target	Achievement	
	(Rupees in crores)					
(A) *Generation*—						
(i) Spill over schemes	1,47.01	1,88.79	128.4	Addition of installed capacity by 1,229.75 MW.	437.25 MW installed capacity was added.	35.6
(ii) New Schemes	30.72	52.69	171·5			
(B) Transmission and distribution	1,25.27	1,29.32	103.2	(i) Addition of main lines of 66 KV and above and allied sub-stations 4,500 circuit km	(i) 1,598 circuit km. of main lines of 66 KV and above was added.	35.5

	Financial			Physical		Percentage of achievement to target
	Approved outlay	Actual expenditure	Percentage of actual expenditure to approved outlay	Target	Achievemet	
				(ii) Addition of secondary transmission lines of 37.5/33 KV and associated sub stations, 13,000 circuit km.	(ii) 6,876 circuit km. of secondary transmission lines of 37·5/33 KV was added	52.9
				(iii) Addition of distribution lines 40,000 circuit km.	(iii) Records to show the achievements were not maintained by the Board	..
(C) Rural electrification	68.00	72.17	106·1	(i) Electrification of 15,000 new localities	(i) 16,839 new localities were electrified	112.3
				(ii) Energisation of 2,200 State tube-wells	(ii) 3,435 State tube-wells were energised	155.9
				(iii) Energisation of 2 lakh private tube-wells	(iii) 1,40,365 private tube-wells were energised	70.2
(D) Investigation and miscellaneous	4.00	2.13	53.3			
Total	3,75.00	4,45·10	118.7			

It will be noticed that (i) the addition to installed capacity of generation was only 35.5 per cent of the target, although the expenditure incurred amounted to 135 per cent of the earmarked outlay, (ii) the addition in transmission and distribution lines was 44·2 per cent although the expenditure incurred amounted to 103 per cent of the approved outlay, and (iii) the total plan expenditure incurred amounted to 118 per cent of the approved outlay.

(2) *Reasons for shortfall*

The shortfall in the Furth Five Year Plan programmes relating to generation, transmission and distribution was attributed by the Board (October 1974) to the following reasons : —

(i) *Generation*

Delay in supply of plant and equipment, mainly by the Bharat Heavy Electricals Limited, shortage of cement, non-availability of steel in time, delay in completion of civil works by the Irrigation Department, delay in release of foreign exchange for import of construction equipment and delay in the supply of certain parts of equipment by Russian suppliers.

It was, however, noticed in the course of audit that phasing of implementation of projects was not revised in time keeping in view the actual/anticipated delay in supply of equipment. For example, in the Obra Thermal Extension Plant Division, the major suppliers of equipment for 3×100 M.W. generating units, *viz.*, Bharat Heavy Electricals Limited, delayed the delivery of important equipment but the erection staff provided by the suppliers under a separate contract were brought in position prematurely and against the estimated duration of 21 to 27 months had actually worked for 26 to 41 months (upto February 1974) resulting in an extra expenditure of Rs.2.29 lakhs. Similar extra payments to Kuljian Corporation (Rs.3.30 lakhs), Kassell Power Engineers (Rs.2.50 lakhs) and to Western India Erectors (Rs.0.84 lakh) on account of delay in supply of equipment by BHEL had also been noticed in respect of the Harduaganj Plant Division. In these three cases the Board had separate contracts with the firms for erection of machinery to be supplied by BHEL. As the supplies were not effected according to schedule, the erection work had to be continued beyond the periods stipulated in the contracts for erection resulting in the above mentioned extra payments.

(ii) *Transmission and distribution*

Shortage of structural steel and zinc for galvanising of towers and delays in acquisition of land.

(3) *Fifth Five Year Plan*

The peak damand by 1978-79 is estimated to be 4,850 M.W. To meet this peak demand, an addition of 3,300 M.W. to the installed capacity was contemplated to be made by the Board. As per the Fifth Five Year Plan, however, 2,426 M.W. are expected to be added to the installed capacity, 1,808 M.W. from continuing schemes and 618 M.W. from new schemes.

10. (1) *Generation*

Performance of individual stations

A - Thermal stations

(a) Availability of machines

The number of hours (8,760 hours in a year) for which the various units at the major thermal power stations were available for generation during the three years ending 1973-74 are indicated below : —

Power station	Installed capacity	Unit	Number of hours available for generation		
			1971-72	1972-73	1973-74
Obra	250(50×5)	I	7,455	4,255	5,467
		II	5,656	7,702	5,914
		III	7,883	7,563	2,488
		IV	7,971	4,846	6,761
		V	5,588	7,935	7,883
	Total		34,553	32,301	28,513

Unit V of 50 M.W. was commissioned on 31st July 1971. Unit I of 100 M.W. of Obra Thermal Extension Stage I was commissioned in July 1973 and as such has not been mentioned above.

Power station	Installed capacity	Unit	1971-72	1972-73	1973-74
Panki	64(32×2)	I	6,466	5,434	5,886
		II	7,108	6,575	7,417
	Total		13,574	12,009	13,303
Harduaganj 'A'	90(30×3)	I	7,941	7,227	7,803
		II	7,815	7,923	8,292
		III	8,442	7,252	8,338
	Total		24,198	22,402	24,433
Harduaganj 'B'	210(2×50) and and (2×55)	I	4,724	5,203	6,730
		II	7,439	6,859	5,054
		III	3,003	4,757	4,309
		IV	..	350	4,907
	Total		15,166	17,169	20,990

Unit IV of 55 M.W. was commissioned on Ist November 1972.

The Technical Committee on Power recommended (December 1972), that the Board should aim to achieve 80 per cent plant availability for thermal generating units within a short time and 85 per cent within the next two or three years. On this basis the availability should have been in the range of 7,500 hours. The main reasons for low availability of generating units are stated to be poor maintenance, abnormally long periods taken in regular and special overhauling, interruptions in supply of coal and major break-downs. There have been shortfalls in generation as indicated below :—

Power station	Installed capacity (M.W.)	Year	Generation	
			Budgetted	Actual
			(MKWh)	
Obra including Extension	250(50×5)	1971-72	1,450	1,389.221
	350(50×5) & (100×1)	1972-73	1,560	1,356.377
		1973-74	2,051	1,358.168
Panki	64(32×2)	1971-72	360	393.023
		1972-73	360	347.652
		1973-74	381	387.758
Harduaganj 'A'	90(30×3)	1971-72	450	439.89
		1972-73	450	432.81
		1973-74	447	312.168
Harduaganj 'B'	155(50×2), (55×1) and	1971-72	1,050	508.900
		1972-73	1,100	857.215
	210(50×2) & (55×2)	1973-74	1,251	813.972
Riverside Power House	87.5 (15×5) & (12.5×1)	1971-72	415	386.923
		1972-73	400	388 226
		1973-74	417	349.406
Other small thermal stations	119.525	1971-72	525	501.501
	101.125	1972-73	525	465.067
	96.400	1973-74	525	428 033

(b) *Major forced outages*

Some cases where functional failures resulted in loss of generati for considerable time are given below:—

(i) *Obra Thermal Station*

Unit III of 50 MW tripped on 24th August 1973 due to fault in Ro The services could be restored after more than seven months on April 1974.

(ii) *Harduaganj 'B' Thermal Station*

Unit IV of 55 MW commissioned on 1st November 1972 stopped fr 15th November 1972 due to governor trouble and damage of thrust bearin Service was restored on 9th February 1973 after repairs. The unit aga stopped from 13th July 1973 and was brought on the line on 5th Octo ber 1973.

Unit III of 55 MW, commissioned in January 1969, remained unde shut-down from 19th September 1973 to 12th February 1974 due t trouble in the feed pumps.

(iii) *Riverside Power House*

Unit IX of 15 MW was shut-down from 29th July 1972 to 2nd January 1973 for repairs of damaged stator winding.

(c) *Manpower.*

The manpower per MW of installed capacity in the major thermal power stations was as follows :—

Power station	Installed capacity (MW)	Total manpower	Manpower per MW of installed capacity
Obra	350	2,310	6.6
Harduaganj 'A'	90	1,117	12.4
Harduaganj 'B'	210	1,575	7.5
Panki	64	817	12.8
Riverside Power House	75	1,125	15.0

The Technical Committee on Power in its report of December 1972 observed that the manpower at the power stations in Uttar Pradesh was substantially higher than that in other power stations outside the State. The Committee felt that the manpower at Panki and Harduaganj 'A' Power Stations should have been of the order of 7.5 per MW and in Obra Thermal Station of 4 per MW.

(d) *Coal consumption.*

The consumption of coal at various thermal power stations during the three years 1971-72 to 1973-74 was as follows :—

Power station	Consumption of coal in kg. per unit		
	1971-72	1972-73	1973-74
Harduaganj 'A'	0.71	0.68	0.76
Harduaganj 'B'	0.51	0.53	0.61
Obra	0.82	0.82	0.82
Panki	0.54	0.52	0.55
Riverside Power House	0.85	0.88	0.95
Other small thermal stations	1.11	1.12	1.21

During local audit it was noticed that the facility for weighment of coal was not provided at the thermal power stations. The coal receipts were accounted for on the basis of weight recorded in the railway receipts and the issues to the boilers were accounted for on an estimated basis.

The consumption of coal at Riverside Power House and small thermal stations has been increasing from year to year. The consumption of coal at Harduaganj 'A' power station was much higher than 0.64 kg. per unit of generation contemplated in the project report. At the request of the Board, a preliminary survey to find out the scope for fuel efficiency in the thermal power stations was conducted by the National Productivity Council in 1973-74. The Council in its report commented that the Board could achieve economy in fuel expenses to the tune of Rs.2.06 crores per year by making certain modifications which were estimated to cost Rs. 80 to 95 lakhs. Action on these suggestions has not been taken by the Board so far (March 1975).

(e) *Auxiliary consumption*

Details of auxiliary consumption of power in the major thermal power stations during the three years 1971-72 to 1973-74 are given below:—

Stations	1971-72		
	Units generated (MKWh)	Units consumed auxiliaries (MKWh)	Percentage of auxiliary consump-tion to total units generated
Riverside Power House (Kanpur)	386.9	32.3	8.4
Panki	393.0	34.6	8.8
Obra	1,389.2	139.0	10.0
Obra Extension Stage I	..	..	..
Harduaganj 'A'	439.9	39.3	8.9
Harduaganj 'B'	595.6	61.3	10.3
Total	3,204.6	306.5	9.6

1972-73

Statians	Units generated (MKWh)	Units consumed in auxiliaries (MKWh)	Percentage of auxiliary consump-tion to total units generated
Riverside Power House, (Kanpur)	388.2	31.2	8.0
Panki	347.6	30.5	8.8
Obra	1,356.4	130.3	9.5
Obra Extention Stage I	..	..	..
Harduaganj 'A'	432.8	41.5	9.6
Harduaganj 'B'	857.2	82.3	9.6
Total	3,382.2	315.8	9.3

1973-74

Station	Units generated (MKWh)	Units consumed in auxiliaries (MKWh)	Percentage of auxiliary consump-tion to total units generated
Riverside Power House (Kanpur)	349.4	30.0	8.6
Panki	387.8	35.4	9.1
Obra	1300.6	116.8	9.0
Obra Extention Stage I	157.5	13.3	8.5
Harduaganj 'A'	312.2	34.9	11.2
Harduaganj 'B'	814.0	86.8	10.7
Total	3321.5	317.2	9.5

Seven to eight per cent of the generation was adopted as standard for auxiliary consumption in the project estimates of the power stations.

(B) Hydel stations

As against the installed capacity of 600.35 MW as on 31st March 1974, the actual generation of power during 1973-74 was 1,976.03 million units or 37.6 per cent of the installed capacity. This was attributed mainly to less rainfall in the Rihand catchment area and

stoppage of generation in the hydel units during the periods of low demand on the system. It was, however, noticed that there was excess manpower in the various units as indicated gelow :—

Power station	Installed capacity (MW)	Total manpower strength	Manpower per MW
Rihand	300 (6×50)	409	1.36
Obra Hydel	99(3×33)	300	3.03
Khatima	41.4 (3×13.8)	135	3.26
Yamuna Stage I			
(a) Dhalipur	51 (3×17)	74	1.45
(b) Dhakrani	33.75 (3×11.25)	76	2.22
Matatila	30.6 (3×10.2)	100	3.26
Small power stations at Ganga Canal, Pathri	20.4	65	3.18

The manpower per MW of installed capacity at Obra Power Station was higher compared to Dhalipur Power Station where the unit was smaller. The Technical Committee on Power observed (December 1972) that "Apparently, the per M. W. strength at Obra should not, in any case, have been more than that at Dhalipur".

The Committee had also observed that "The overall utilisation of a hydro station is dependent primarily upon the availability of water. In general the hydro power stations in Uttar Pradesh are utilising the water available for generation. Nevertheless, it is necessary to pay greater attention to the availability of the generating units. In a peaking station like Rihand, it is essential that the maximum generating capacity should be available at any point of time. It is essential that at such stations both the planned shut-downs and forced outages are reduced to the minimum. From the information received by the Committee, it is seen that in case of Rihand power station the annual plant shut-down period for overhauling work on the units has been varying from 9 days for unit no. 2 in 1970 to 73 days for unit no. 5 in 1968. This is too wide a range for overhauling time..............Normally overhauling of a hydro generating unit should, in the view of the Committee, not take more than two weeks".

The low generation in Rihand Hydel Station was due to non-availability of water. The Board, in consultation with the Meteorological Department of the Government of India and with the assistance of the Indian Institute of Tropical Meteorology, carried out experiments in August-September 1973 and again in July—October 1974 in artificial rain making by aerial seeding of clouds at a cost of Rs.4.5 lakhs and Rs. 7.72 lakhs respectively. During the experiment in 1973 the water level in the dam rose by 23.6 feet from 789.4 feet on 5th August 1973 to 822 feet on 23rd Septemer 1973. No accurate assessment could, however, be made of the results achieved by the operations as the extent to which the rise in the level could be attributed to natural rainfall and to artificial seeding of the clouds could not be separately determined. The results of the experiment in 1974 were also not properly analysed. While it was recorded that the water level had risen by 14.7 feet during 20th July 1974 to 18th September 1974, no records of the water level changes were kept from 19th September 1974 to 1st October 1974 when the experiment was concluded. In 1973 the method of aerial seeding was selected as ground seeding arrangements which, though cheaper, would have taken longer time. The reasons for which the costlier method was again used in 1974 have not been kept on record.

Load shedding

In addition to purchase of power, the Board had been resorting to power rationing and load shedding. During the years 1972-73 and 1973-74, apart from restrictions in running hours, an energy cut of 40 percent was imposed.

Due to the power cut imposed, 62,592 workers were laid off during the calendar year 1973. The loss of wages and production estimated by Government amounted to Rs.3.75 crores and Rs.40.04 crores respectively. During the period from January 1974 to August 1974, 98,787 workers were laid off and the loss of wages and production were estimated by Government to be Rs.1.06 crores and Rs.14.32 crores respectively. No reliable estimate of the lose in agricultural production is available.

Stations completed and commissioned

The details regarding the major generating stations completed and commissioned after the formation of the Board are given in Appendix II.

It would be seen from the details given that in most of the cases there was considerable delay in commissioning the various projects, the actual cost was appreciably higher than the original estimates in all the cases and the revised estimates in some cases.

(2) *Expenditure after commissioning*

Even after the commissioning of the projects expenditure continued to be incurred and debited to the commissioned projects. A few cases where the project estimates have been kept open long after the date of commissioning alongwith belated accounts adjustments are indicated below :—

Name of the project	Year of commissioning	*Expenditure debited during* 1969-70	1970-71	1971-72	1972-73	1973-74
				(*Rupees in lakhs*)		
Matatila Hydel	1965-66	0.10	15.20	7.97	0.74	..
Harduaganj Thermal Stage II	1965-66	..	36.73	44.04	..	..
Harduaganj Thermal Stage III	1968-69	0.49	0.18	13.90	—10.28	—5.52
Harduaganj Thermal Stage IV	1972-73	..	..	..	..	39.71
Yamuna Hydel Stage I	1969-70	..	16.72	1.98	12.83	5.71
Obra Thermal	1971-72	..	..	..	0.66	—8.86
Obra Hydel	1971-72	..	..	..	5.39	27.42

(3) *Incentive scheme*

For achieving higher labour productivity and machine utilisation a Thermal Generation Incentive Scheme was introduced by the Board with effect from 1st November 1973. The scheme was applied, as an experimental measure, to the major thermal power stations, *viz.*, (*a*) Obra Thermal including Extension Stage I, (*b*) Harduaganj 'A', (*c*) Harduaganj 'B', (*d*) Panki, and (*e*) Riverside Power House, Kanpur.

Under the scheme, incentive bonus at specified rates is payable each month to all the employees of the thermal power plant drawing basic pay upto Rs.2,250 per month, exclusively engaged on generation of power for the overall plant utilisation factor (OPUF) of 55 per cent and above.

In Harduaganj 'A' Power Station and Riverside Power House, although the actual generation during the period from November 1973 to March 1974, was less as compared to the actual generation during the corresponding period in the previous years 1971-72 and 1972-73, Rs.3.78 lakhs (Rs.1.26 lakhs at Harduaganj 'A' and Rs.2.52 lakhs at Riverside Power House) were paid as incentive. At Obra and Panki Power Stations where the actual generation during the period November 1973 to March 1974 was less as compared to the actual generation during the corresponding period of 1971-72, Rs.6.53 lakhs (Rs.2.78 lakhs at Obra and Rs.3.75 lakhs at Panki) were paid. The figures of actual generation and incentive paid for the period from November 1973 to March 1974 in respect of each power station are given below :—

Name of the Power Station	Incentive paid during November 1973 to March 1974 (*Rupees in lakhs*)	Actual generation during November—March (in MKWh)		
		1973-74	1972-73	1971-72
Harduaganj 'A'	1.26	144	203	211
Riverside Power House	2.52	153	157	174
Obra	2.77	596	562	698
Panki	3.75	184	155	194
Harduaganj 'B'	0.52	354	350	257*

Similar payments have been made in 1974-75 also, although there has been no increase in generation.

*Does not include generation of 55 MW unit which was commissioned on 1st November 1972.

(4) *Sale of generating sets*

(i) During the Fourth Five Year Plan period the Board contemplated retirement of old and uneconomical generating sets to the extent of 60.30 MW. Generating sets of 73.525 MW were, however, actually retired (20.27 MW in 1969-70, 46.78 MW in 1972-73 and 6.475 MW in 1973-74).

(ii) Out of the retired generating sets (73.525 MW), 23 thermal generating sets of 53.985 MW and 54 diesel sets of 8.937 MW were sold by the Board during the period from February 1973 to September 1974 on the basis of open tenders. Negotiations were, however, held with the tenderers in the course of which substantial modifications in the terms and conditions of sale were agreed upon. The thermal generating sets were sold for Rs.235.860 lakhs and the diesel sets for Rs.81.739 lakhs (excluding sales tax). The details of the thermal generating sets sold are given below :—

Location of the set	Capacity	Year of commissioning	Highest offer in the tender	Higher price settled after negotiation
			(*In lakhs of rupees*)	
Kanpur Electricity Supply Administration Power Station	1×3 MW 1×10 MW	1922 Not known	7.50	..
Kasimpur (generating sets with boilers)	1×5 MW 1×5 MW	Commissioned in 1944-48 after shifting from Bhatpara (Bengal)	44.28	49.46
Sohawal Power House	2×1.280 MW	1928	9.25	..
(generating sets with boilers)	2×1.00 MW	Old set installed in 1949	7.75	..
Rampur Power House, Rampur	2×1.0 MW	1940	3.50	..

Location of the set	Capacity	Year of commissioning	Highest offer in the tender	Highest price settled after negotiation
			(In lakhs of rupees)	
Rampur Power House, Rampur (generating sets with boilers)	1×2.2 MW	1940	3.00	..
	1×1.6 MW 1×3.125 MW	Not known	36.00	..
Allahabad Electric Supply Undertaking, Allahabad (generating sets with boilers)	2×1.0 MW	1928	4.28	..
Lucknow Electric Supply Undertaking, Lucknow (generating sets with boilers)	1×1.25 MW 1×1.25 MW	1932	7.04	..
Balrampur Power House, Gonda (generating sets with boilers)	1×1.0 MW	1936	0.58	..
	1×2.0 MW	Not known	1.16	..
	1×.04 MW	1938	1.27	..
Chandausi Power House, Chandausi (generating sets with boilers)	3×3.2 MW	1937	1,01.11	1,05.06

In regard to the sale of sets, the following points are relevant:—

(a) The tender forms sold by the Board specifically stipulated that the generating sets including boilers would have to be dismantled and removed at the cost of the purchasers. The following three firms were, however, permitted to run the sets at their existing locations using the land and buildings and other facilities, like railway sidings, cranes, tools and plants, water filtration plants, and residential buildings available at site.

(i) Firm 'A' of Modinagar, which purchased 2 sets of 5 MW each and one set of 10 MW with ten boilers of the power station at Kasimpur.

(ii) Firms 'B' of Lucknow which purchased 3 sets of 3.2 MW each with 5 boilers of Chandausi Power House, Chandausi.

(iii) Firm 'C' of Muzaffarnagar which purchased one 1.6 MW set and one 3.125 MW set of Rampur Power House, Rampur.

It was also agreed that the power generated would be transmitted through the Board's distribution system to the various factories of the three firms or their associates.

In the case of the sets of Chandausi Power House, firm 'B' had initially quoted Rs.57.51 lakhs for the sets and accessories and subsequently raised the price to Rs.1,05.06 lakhs during negotiations, on the understanding that it would be allowed to run the sets at the existing site. In the other two cases the sale price was fixed without this understanding.

(b) In the case of firm 'A' sale orders were issued on 4th December 1973 stipulating that the sets were to be dismantled and removed. Permission to run the sets was, however, accorded on the firm's request on the basis of a decision taken on 25th January 1974. The agreement with the firm, valid for three years but renewable thereafter on year to year basis, was finalised on 7th February 1974. It stipulated, *inter alia* as follows :—

(i) The power generated and available, after consumption in auxiliaries and in the residential colonies, would be fed into the Board's grid. The quantum of energy fed less 5½ per cent transformation and transmission losses, would be delivered to the designated factories at Modinagar and Modipon. The Board would collect a wheeling charge of ½ paisa per unit. The supply would be in addition to the normal supplies by the Board to the factories concerned.

(ii) For the use of the Board's land measuring 61,239 sq. metres and including covered area of 3,735 sq. metres, an annual rent of Rs.50,000 would be paid to the Board.

Firm 'A' has also been permitted to use free of charge the railway sidings, crane and an inspection bungalow. The agreement did not specify which agency would be responsible for assessment, collection

and payment into Government account of the electricity duty payable. In case of firm 'C' sale orders were issued on 27th February 1974 and 28th May 1974 stipulating dismantling and removal of the sets but the purchaser commenced generation of power on 29th May 1974, without any written authority, and the power so generated was fed into the Board's grid without any agreement settling out the detailed arrangement therefor. An agreement is yet (June 1975) to be finalised.

In the case of frim 'B' the sale order issued on 19th July 1974 stipulated generation of energy by the firm at the existing site. The detailed terms and conditions are still (June 1975) being negotiated. Possession of the sets was given on 19th July 1974 on payment of one third of the purchase price, the remaining amount being payable by 2nd September 1974. The Board, however, agreed to an extension of the time upto 31st Decembe 1974. Payment of the remaining amount was not received within the extended period.

(c) The intention behind the sale of the generating sets was to make these available for utilisation by the industrialists within the State to set up their own generating unit. However, five generating sets of aggregate capacity 6.25 MW were sold to a party outside the State.

(d) There was acute shortage of power in the State owing to which 40 per cent cut was imposed on all categories of consumers during the years 1972-73 and 1973-74. Though only 35.5 per cent of the target in regard to additions to the installed capacity was achieved during the Fourth Plan period, more generating sets were retired as stated above.

(e) During the period from 26th April 1974 to 3rd May 1974 and again from 13th July 1974 to 28th July 1974 the Board purchased 1,02,720 units from a sugarmill at Basti. Owing to overall shortage of power, the State Government was keen to provide to the consumers the maximum supply by obtaining power from whatever source available, provided the cost did not exceed Rs.2 per unit. The purchase from the sugar mill was made at rates varying between

81 paise and 135 paise per unit and included a notional purchase of 28,300 units actually consumed by the sugar mill, but treated as a sale by sugar mill to the Board at the above rates and a resale by the Board to the Mill at the Board's normal tariff. The payment made by the Board (Rs.96,225) for 74,420 units actually received by it, after deducting the amount received by the Board from the sugar mill at its normal tariff rate, involved an average purchase cost of 123 paise per unit. As against this, the cost of generation in the retired sets ranged between 25 to 30 paise per unit.

In another case, the Board incurred a capital expenditure of Rs.1·18 lakhs (total estimated cost Rs.1·71 lakhs) in the construction of lines upto the end of October 1974 for taking supply of 750 to 1,000 KW from a sugar mill at Faizabad, at the rate of 70 paise per unit. No supply has, however, been taken from the sugar mill so far (April 1975) as the matter is still under negotiation.

Transmission and distribution

11. (1) All the hydel and thermal power stations of the Board have been interconnected through transmission lines of different voltages and the system is totally integrated.

The major 220 KV inter-connecting lines are the following :—

(i) 220 KV D.C.	Sahupuri—Obra, Allahabad—Harduaganj
(ii) 220 KV S.C.	Harduaganj—Moradabad line
(iii) 220 KV S.C.	Sultanpur—Gorakhpur line
(iv) 220 KV S.C. (on D.C. towers)	Lucknow—Kanpur line
(v) 220 KV S.C.	Obra—Allahabad third circuit
(vi) 220 KV S.C.	Yamuna Stage-II—Modinagar *via* Shamli
(vii) 220 KV S.C.	Yamuna Stage-II-Rishikesh
(viii) 220 KV S.C.	Rishikesh—Meerut

(2) *Growth of transmission system*

(a) Plan-wise achievements in generating capacity, maximum demand and length of transmission and distribution lines are as follows :—

At the end of	Installed capacity (MW)	Maximum demand (MW)	Length of lines in circuit Kms.		
			66 KV and above	37.5/33 KV	11 KV and below
March 1951	125	130	473	1,426	7,040
First Five-Year Plan (March 1956)	222	200	1,196	2,254	12,470
Second Five-Year Plan (March 1961)	067	259	2,000	3,462	20,936
Third Five-Year Plan (March 1966)	861	558	4,267	6,736	44,771
Annual Plans 1966 to March 1969	1,136	978	8,313	9,828	86,920
Fourth Five-Year Plan (March 1974)	1,529	1,735	9,910	14,880	1,50,105

(b) The programme of construction of 66 KV and above extra high tension transmission lines was 4,500 circuit kms. as per the Fourth Five Year Plan and the achievement to end of March 1974 was 1,598 circuit kms.

(3) *Investments*

Particulars of investment on fixed assets for generation, transmission and distribution of power at the end of each year from 1969-70 to 1973-74 are given below :—

Year	Installed capacity MW	Connected load KW	Fixed assets		
			Generation	Transmission	Distribution
			(Rupees in lakhs)		
1969-70	1,194	20,89,579	27,604	8,527	12,447
1970-71	1,260	24,55,594	31,730	9,926	14,315
1971-72	1,398	22,27,538	34,911	11,329	16,935
1972-73	1,406	30,05,910	40,145	12,973	20,127
1973-74	1,529	34,13,016	44,032	15,297	22,484

The Energy Survey Committee of India (1965) had indicated that investment on transmission and distribution should be equal to that on generation. The Power Economy Committee set up by the Ministry of Irrigation and Power in its report of March 1971 had also emphasised this point. The investment made by the Board on transmission and distribution is about 86 per cent of the investment on generation. The Technical Committee on Power in its report of December 1972 had observed that "A study of investments made so far on generation on the one side and transmission and distribution on the other side shows that there has been an imbalance in the investments with the result that the transmission and distribution system have not kept pace with the generation available".

(4) *Analysis of facilities built up*

The following table indicates the transmission and distribution facilities built up to end of March 1973. The length of lines and capacity of distribution transformers as on 31st March 1974 was not available with the Board due to non-receipt of information from certain units (April 1975).

	1969-70	1970-71	1971-72	1972-73
(i) Total installed capacity (MW)	1,194	1,260	1,398	1,406
(ii) Total length of lines (circuit kilometres)	1,08,770	1,23,172	1,41,928	1,57,969
(iii) Capacity of distribution transformers (MVA)	1,997	2,141	2,522	Not available
(iv) Number of services—				
(a) Total	7,50,189	8,49,535	9,68,363	11,22,307
(b) Average per circuit kilometre of line	7	7	7	7
(c) Per MVA of distribution transformer capacity	376	397	384	Not available
(v) Units sold—				
(a) Total (MKWh)	3,699	4,277	4,475	4,790
(b) Average per circuit kilometre of line (KWh)	34,008	34,724	31,530	30,302
(c) Average per MVA of distribution transformer capacity (MKWh)	1·85	2·00	1·77	Not available

	1969-70	1970-71	1971-72	1972-73
(vi) Total revenue earned—				
(a) Average per circuit kilometre of line (rupees)	4,675	4,646	4,275	4,84
(b) Average per MVA of distribution transformer capacity (Rs. in lakhs)	2·74	2·89	2·67	Not available
(c) Average per KWh sold (Paise)	14·8	14·5	15·1	16·

While the length of the transmission and distribution lines has been increasing, the number of consumers per circuit kilometre of line has been constant.

(5) *Excess issue of materials*

An analysis of consumption of construction material of a few completed works with reference to estimates or line charts (drawn after completion of the works) disclosed that there was excess issue of materials. Some instances of the type are given below :—

Name of the division	Period	Number of works	Value of excess issue of materials (Rupees in lakhs)
Electricity Transmission Construction Division, Gorakhpur	December 1971 to September 1972	2	0·19
Electricity Transmission Construction Division, Azamgarh	January 1972 to July 1972	4	0·38
Rural Electrification Division, Allahabad	March 1972 to August 1972	8	0·29
Electricity Transmission Construction Division, Sultanpur	May 1972 to October 1972	8	0·70

Name of the division	Period	Number of works	Value of excess issue of materials (Rupees in lakhs)
Electricity Maintenance Division, Sultanpur	May 1972 to September 1972	10	0·49
	October 1972 to March 1973	29	0·74
Electricity Transmission construction Division, Mainpuri	June 1972 to November 1972	1	0·16
Electricity Maintenance Division, Lakhimpur	June 1972 to November 1972	6	0·67
	Total		3·62

(6) *Execution of works without sanctioned estimates*

The rules prescribed by the Board require that the works, except petty works of repairs and maintenance, should be executed only after sanction of estimates thereof by the competent authority. It was, however, noticed during local audit that the following works were executed without sanction of estimates :—

Name of the Division	Number of works	Expenditure incurred: Period upto	Expenditure incurred: Amount (Rupees in lakhs)
Electricity Transmission Construction Division, Allahabad	35	September 1974	23·94
Electricity Transmission Construction Division, Sultanpur	78	August 1974	1,73·60
Electricity Transmission Construction Division, Lucknow	32	October 1973	2,17·95
Electricity Transmission Construction Division, Azamgarh	28	July 1974	49·85*

Cost of transmission and distribution

The following table indicates the cost of transmission and distribution for the year 1969-70 to 1972-73.

*Includes 14 completed works on which Rs.29·69 lakhs were spent.

	1969-70	1970-71	1971-72	1972-73
(i) Length of lines (circuit kilometres)	1,08,770	1,23,172	1,41,928	1,57,969
(ii) *Operation and maintenace charges*—				
(a) Transmission (Rupees in lakhs)	84·81*	3,05·52	3,28·33	3,38·37
(b) Distribution (Rupees in lakhs)	4,04·78*	7,88·59	9,32·53	12,93·15
(iii) *Fixed charges*—				
(a) Transmission (Rupees in lakhs)	1,43·95	5,15·94	5,31·66	5,69·22
(b) Distribution (Rupees in lakhs)	6,88·79	7,53·34	7,30·94	10,19·37
(iv) Revenue earned (Rupees in lakhs)	50,85	57,22	60,67	76,48
Revenue earned per circuit km. of line (Rupees)	4,675	4,646	4,275	4,841
(v) Expenditure per circuit kilometre of line—				
(a) Operation and maintenance (Rupees)	450	888	888	1,033
(b) Fixed charges (Rupees)	766	1,030	889	1,006
(c) Total (Rupees)	1,216	1,918	1,777	2,039
(vi) Units sold (MKWh)	3,699	4,277	4,475	4,790
(vii) Cost per KWh sold—				
(a) Operation and maintenanc charges (Paise)	1·32	2·55	2·81	3·40
(b) Fixed charges (Paise)	2·24	2·96	2·81	3·31
(c) Total (Paise)	3.36	5.51	5.62	6.71

*Figures do not include depreciation as the same was not allocated by the Board.

NOTE :—The length of lines as on 31st March 1974 was not available with the Board due to non-receipt of information from certain units (December 1974).

Operation and maintenance and fixed charges (except in 1971-72) on transmission and distribution are increasing from year to year. The decrease in fixed charges in 1971-72 is due to capitalisation of interest charges on the capital invested in works-in-progress.

Increase in fixed chages was due to increased capital outlay without corresponding increase in power sales.

System losses and thefts

12. (1) *System losses*

(a) The Central Water and Power Commission had recommended (April 1967) that E. H. T. transmission losses (220,132 and 66 KV) should be kept within 4 per cent and sub-transmission and distribution losses within 11 per cent making a total of 15 per cent as the ceiling for transmission losses in the system.

(b)The Technical Committee on Power con tituted by the State Government(March 1972) for suggesting ways and means for improving the efficiency of the Board for generation, transmission and distribution of electrictity and for minimising the losses and theft of energy, in its report (December 1972) had stated that the actual technical losses in the Board should be of the order of about 16·3 per cent. The Committee had further observed that even after allowing for a margin for factors that might not have been accounted for the overall losses should not exceed 17·5 per cent.

(c) Total energy generated and purchased, energy sold and the extent of system losses for the years 1969-70 to 1973-74 are indicated below : —

(In MKWh)

Year	Units available for sale	Units sold	Units supplied free to employees	Units lost	Percentage of loss
1969-70	4,737.81	3,699.25	12.52	1,026.04	21.7
1970-71	5,613.76	4,277.37	13.37	1,323.02	23.6
1971-72	5,968.25	4,475.32	10.64	1,482.29	24.8
1972-73	6,623.89	4,790.23	13.86	1,819.80	27.5
1973-74	6,015.69	4,309.68	12.56	1,693.45	28.2

The above table would indicate that the system losses in the State w[ere] increasing year after year and during the period 1969-70 to 1973-74 exceed[ed] appreciably the ceiling of 17.5 per cent assessed by the Technical C[o]mmittee on Power.

The main reasons for the increasing trend in system losses assign[ed] by the Board (April 1975) were (i) overloading of low tension lines, (ii) reversal of power from east to west to meet the peak-load demand, (iii) lo[w] load factor of rural supply and (iv) theft and leakage of energy.

(*d*) Considering the fact that the all India average of system los[ses] during the years 1969-70 to 1972-73 ranged from 16.8 to 19.9 per cent an[d] that in states like West Bengal and Orissa the system losses during the[se] years were less than 10 per cent, the losses in the system in Uttar Prades[h] were on the high side.

A provision of Rs.2 crores in 1972-73 and Rs.4 crores in 1973-74 (reduce[d] to Rs.1.32 crores in the revised estimates for 1973-74) was made by the Board for construction of high voltage lines/sub-stations and installation o[f] capacitors to reduce the system losses by about 1 to 2 per cent.

The Board has not analysed the system losses, region-wise, area-wis[e] or even into H. T./L. T. losses. As such no effective action could be take[n] by the Board to reduce the system losses. The Technical Committee o[n] Power observed in December 1972 in this regard that "At present adequat[e] metering facilities are not available in U. P. Power System to determine th[e] losses in individual feeders or sections. No dependable assessment of loss[es] is available, either zone-wise or division-wise. Even where such metr[es] have been provided on the feeders, as intimated by the Board, their accurac[y] and correctness is doubtful. The result is that it is not possible to locat[e] sections where line losses are very high and it is, therefore, not possib[le] to take remedial measures in such high loss sections and to fix respons[i]bility for such losses".

(2) *Reasons for losses*

In February 1972 a sub-committee of selected Senior Officers of the Board was appointed by the Board to review the line losses and to suggest ways and means for bringing about reductions therein. The sub-committee reported in May 1972 that the line losses were high due to the following reasons:—

(i) flow of heavy reactive current from the generating stations up to the consumer's terminals on account of heavy inductive load of small motors mostly installed at small and medium power consumer's installations, resulting in overall system power factor of about 0.7 during the peak period against the normal factor of 0.8,

(ii) heavy voltage drops, which in most cases is between 12 to 30 per cent due to the length and load of rural lines being 1.5 to 5 times more than their designed capacity. The permissible voltage variations are 5 per cent at consumers' end and 12½ per cent in the system (14 per cent in U. P. System). Under low voltage conditions motor load draws higher current resulting in disproportionately higher losses for the same amount of energy sold; the losses being proportionate to the square of the current,

(iii) high iron losses (1.35 per cent) during transmission at various stages in the system due to agricultural loads being seasonal and being operated only for a few hours a day,

(iv) theft and leakage of energy,

(v) sluggish consumers' meters, and

(vi) inadequate billing, incomplete ledgerisation, non-assessment of consumers having defective or stopped meters and locked premises.

(3) *Increase in losses during 1972-73 and 1973-74*

The sharp increase in system losses was attributed by the Management (September 1974) to the following:—

(i) Enforcement of flat rate tariff being a fixed charge based on connected load with effect from 1st January 1972 due to which the defective meters of state Tube-wells were not replaced and in most of the divisions the consumption by the State tube-wells was not accounted for.

(ii) Widespread theft of energy by the consumers of private tube-wells, due to abolition of minimum guarantee with effect from 1st January 1972.

(iii) Shortage of power due to which rostering was necessary, resulting in the distribution lines (11 KV, 33 KV, and 66 KV) either being without any load for a number of hours or being fully loaded during limited

hours when supply was made available. The consequential increase in losses on 11 KV lines was about 100 per cent and on 33 KV, 66 KV lines was about 43 per cent.

(4) *Steps for reduction of losses*

The steps suggested by the sub-committee of Senior Officers appointed by the Board and the Technical Committee on Power, for reduction in system losses and their actual implementation are analysed below:—

(a) *Providing of capacitors to all motor load consumers' terminals to improve the power factor*

With effect from 15th April 1974 the Board made it compulsory for all the new induction motor consumers to instal capacitors of suitable rating at their terminals. The Management stated (September 1974) that this provision could not be enforced in respect of the existing consumers (about 5 lakhs) due to the non-availability of the right quality and the required number of capacitors.

(b) *Adoption of norms for extension of lines and regrouping of existing lines and feeders*

The sub-committee had suggested (i) construction of 42 sub-stations of 33/11 KV in addition to the 125 sub-stations under normal plan allocation, and (ii) construction of 1170 Km. of 11 KV line for the purpose of splitting and re-grouping of feeders.

It was stated in September 1974 that 35 per cent of the above work had been completed and that the remaining work would be completed in 1974-75, subject to availability of financial resources. There was however, a backlog of about 170 sub-stations of 33/11 KV under the normal plan allocations.

(c) *Use of proper rating of distribution transformers*

Action to replace the under-loaded transformers by capacity transformers has not been taken by the Board (April 1975).

(d) *Providing suitable machinery for counteracting theft*

A mobile court of Special Magistrate was created by the Board (September 1974) in each of the four zones for dealing with theft cases effectively.

(e) *Strengthening the metering organisation for regular testing of energy meters at the consumers' premises*

[illegible] *Providing meters at the premises of the consumers who have been [illegible] unmetered supplies*

[illegible] *Providing tamper proof meter covers with lock seals on meters and [illegible]ter covers at consumers' premises*

The Board stated (September 1974) that to implement the suggestions above, recurring funds of Rs.1.20 crores per year and non-recurring [illegible] of Rs.4 crores would be needed and that the suggestions would be [illegible]mented on availability of funds.

[illegible] *Accounting of energy received and consumed at different levels of the [illegible]tem*

The Management stated (September 1974) that about 50 per cent [illegible] the total number (3000) of 11K V feeders, were without meters. [illegible]umber of meters provided on 11 KV feeders were also not in working [illegible]er. Therefore, to implement the suggestions, 2,000 three phase three [illegible] KWh meters, 100 potential transformers 1000 current transformers, [illegible] lakh single phase meters and 70,000 three phase meters were required. [illegible] was stated that the suggestions would be implemented on the [illegible]ilability of requisite materials and funds.

[illegible] *Theft of energy*

An enforcement squad (with headquarters at Aligarh) was set up by [illegible] Board in 1970-71 for the four western districts of the State to prevent [illegible]tect theft of copper conductors, transformers and energy. The squad [illegible]ded by a Superintendent of Police supported by two mobile squads [illegible] district in charge of a Circle Inspector of Police assisted by one [illegible] Inspector, one Line-man and two constables. During 1973-74, three [illegible] districts were covered under the scheme. During the period from [illegible] April 1974 to 15th October 1974, 345 cases were detected. During [illegible] corresponding period of the previous two years (1972-73 and 1973-74) [illegible]number of cases of theft of energy detected by the squad were 65 and [illegible] respectively.

In this connection the following information about the theft cases [illegible]ted, as called for (December 1974) from the Board, is still awaited [illegible] 1975):—

(i) Number of cases in which prosecutions were started,

(ii) number of cases in which convictions were obtained, and

(iii) revenue realised on successful conviction.

The sub-committee appointed by the Board in February 1972, study the various aspects of line losses had indicated that the loss of energy in 1971-72 due to theft and leakage of energy, sluggish consumers' meters, inadequate billing and non-assessment of consumers having defective or stopped meters were about 500 million units (i. e. 8.3 per cent of total energy available for sale).

Rural Electrification

13. (1) One of the objectives of power development is to provide power to villages primarily for energisation of private tube-wells and pump sets to create better irrigation facilities, and for development of village small scale industries.

Prior to the commencement of the Fourth Five Year Plan, an expenditure of Rs.51.10 crores was incurred on rural electrification, the number of electrified villages being 12,926 and the number of State tube-wells and private tube-wells/pump sets energised being 8,780 and 65,513 respectively. The expenditure incurred during the Fourth Plan, villages electrified and tube-wells/pump sets energised are indicated below :—

Year	Expenditure incurred (*Rupees in crores*)	Villages electrified	Tube-wells/pump sets energised: State	Tube-wells/pump sets energised: Private
1969-70	18.52	4,410	389	26,464
1970-71	16.28	3,383	475	24,64
1971-72	26.13	3,036	794	30,665
1972-73	30.80	3,166	865	36,001
1973-74	29.44	2,844	912	33,159
During Fourth Five-Year Plan	121.17	16,839	3,453	1,50,933
To end 31st March of 1974	172.27	29,765	12,215	2,16,446

(2) *Electrification of villages*

(A) *Formulation of scheme*

The selection of villages for inclusion in rural electrification programme was made on the basis of anticipated gross rate of return which was fixed as follows :—

(i) 10 per cent on the capital invested for villages under plan programmes, and

(ii) 15 per cent, in due course, on the capital invested for villages under the schemes financed by the Rural Electrification Corporation Limited.

A lower rate of return of 8 per cent on the capital invested was, however, fixed for the following : —

(*a*) Hill areas of Pithoragarh, Almora, Nainital, Uttarkashi, Chamoli, Pauri-Garhwal, Tehri-Garhwal and Dehra Dun districts ,

(*b*) Bundelkhand region comprising Jhansi, Jalaun, Hamirpur and Banda districts, and

(*c*) severely drought affected areas of Mirzapur district, Chakia tehsil of Varanasi district and Meja and Karchhana tehsils of Allahabad district.

(B) *Electrification*

(*a*) The progress of electrification of villages during the various plan periods is indicated in the table below :—

Period	Number of villages electrified
End of the Second Plan	1,082
End of the Third Plan	5,855
End of three *ad hoc* Plan years (1968-69)	12,926
During the Fourth Plan	16,839
End of the Fourth Plan	29,765

During the Fourth Five Year Plan, originally 2,100 villages were envisaged to be electrified. The target was, however, raised in 1969-70 to 15,000 villages against which 16,839 villages were actually electrified. The number of electrified villages (29,765) at the end of the Fourth Five Year Plan (31st March 1974) represented 26.4 per cent of the total number of 1,12,561 villages in the State as per 1971 census.

(*b*) The following table indicates the number of electrified villages as on 31st March 1974 in the districts declared as backward by the State Government and in the remaining districts.

	Number of villages electrified		
	Backward districts	Remaining districts	State as a whole
Total number of villages (as per 1971 census)	65,398	47,163	1,12,561
Villages electrified to the end of March 1974	15,118	14,647	29,765
Percentage of electrified villages to total number of villages	23.1	30.1	26.4

The Rural Electrification Corporation Limited lends funds to the Board at lower rate of interest for investent in backward areas; the period of repayment is also longer. (25 years).

(3) *Electrification of Harijan basties*

During 1971-72, the Board took a policy decision regarding extension of electricity to Harijan *basties* and localities inhabited by the weaker sections of the society. As a first step, extension of electricity was to be made at the Board's cost to the Harijan *basties* contiguous to and forming part of those localities which were already electrified. During the years 1971-72 to 1973-74 the Rural Electrification Corporation Limited also sanctioned Rs.27.83 lakhs to the Board for electrification of 544 Harijan *basties* in seventeen districts of the State. The number of Harijan *basties* electrified to end of March 1974 was as follows :—

Year	Harijan *basties* electrified			
	Planned	Actual	Shortfall	Progressive total
As on 31st March 1972	..	..	..	216
1972-73	3,700	4,121	..	4,337
1973-74	3,700	1,623	2,077	5,960

The shortfall in electrification of Harijan *basties* during 1973-74 was attributed by the Board (April 1975) to (i) unelectrified Harijan *basties*

being not contiguous to and forming part of those localities which were already electrified and (ii) the estimated cost of electrification of such *basties* being more than Rs.1,500 per *basti* fixed by the Board.

It was noticed in the course of audit, that though as per records 79 Harijan *basties* had been electrified in 1972-73 in Sultanpur district at an estimated cost of Rs.1.19 lakhs, the meter readers had not reported any consumption of electricity in these *basties* as there were no consumers.

(4) *Economics of village electrification*

The Technical Committee on Power in its report of December 1972 had observed that for rural electrification to be financially viable the gross return should not be less than 22 per cent. The lower rates of return (8 to [illegible] per cent) prescribed by the Board would cause a net loss of 7 to 14 per cent on the capital invested even if the lower assumed rates of return are actually achieved. The actual rate of return from energised villages and Harijan *basties* has not been determined by the Board (March 1975) and to the end of March 1974 no subsidy was received by the Board to compensate for the losses.

(5) *Rural Electric Co-operative Society Limited, Lucknow*

With a view to accelerating the pace of rural electrification, five Community Development Blocks of Lucknow district were selected by the Government of India for the establishment of a Rural Electric Co-operative Society. This was one of the five pilot co-operative societies in the country. The Rural Electric Co-operative Society Limited, Lucknow was registered during 1970-71. The assets of the Board in the area of the society were transferred to the society on its formation at the depreciated book value of Rs. 73.75 lakhs. An interim payment of Rs.56 lakhs against the value of assets transferred to the Society was received in 1970-71 ; the payment of the balance amount of Rs.22.75 lakhs is awaited (December 1974). In accordance with the State Government's directive, power was being supplied to the Society at 13 paise per unit, resulting in a loss of Rs.6.52 lakhs per year to the Board. The tariff for licensees has been revised upwards by the Board from 1st January 1975 ; the supply of energy to the Society will, however, continue to be at 13 paise per unit.

(6) *Energisation of private tube-wells/pump sets*

(*a*) At the beginning of the Fourth Five Year Plan, 65,513 private tube-wells/pump sets were energised in the State. The Plan originally envisaged energisation of additional 1,43,000 private tube-wells/pump sets.

The Plan target was, however, raised in 1969-70 to two lakhs. During t phasing of the annual programmes it was further revised to 2.03 lakh

The Board undertakes the energisation of private tube-wells and pu sets under several financial arrangements, such as under normal plan w and under commercial and deposit schemes. The year-wise programm and actual energisation during the Fourth Plan period were as follows

Year	Normal Plan		Deposit and commercial schemes		Total	
	Targets	Achievements	Targets	Achievements	Targets	Achievements
1969-70	16,000	21,172	7,000	5,292	23,000	26,4
1970-71	18,000	15,234	12,000	9,410	30,000	24,6
1971-72	20,000	19,996	30,000	10,669	50,000	30,6
1972-73	10,000	10,931	40,000	17,310	50,000	28,2
1973-74	17,000	11,183	33,000	19,168	50,000	30,3
Total	81,000	78,516	1,22,000	61,849	2,03,000	1,40,3

The shortfall in achievement under deposit and commercial schemes wa attributed (November 1974) by the Board to poor response from the con sumers. The Technical Committee on Power in its report of December 197 had observed that the different financial arrangements were not only likel to cause confusion to the prospective consumers but would also result i slowing down the progress since, for obvious reasons, consumers were likel to wait for the arrangement under which their financial liability would b the minimum. It is also a moot point whether such an arrangement, whic made discrimination between different consumers, was fair.

(b) Deposit and commercial schemes

(i) Deposit Scheme

Under the Scheme, deposits are accepted from the prospective con sumers to cover the Board's share of the cost of energisation of tube-well pump sets. The deposits are to be made on the basis of the estimated cos of energisation and are refundable to the parties in ten half-yearly instal ments with 6 per cent interest (7½ per cent from January 1972), the firs

instalment becoming due on completion of six months from the date of deposit. The applicants under the scheme are given priority over all other categories of prospective consumers of electricity for tube-wells/pump sets.

(ii) *Commercial Scheme*

Under the Scheme, funds required for energisation of tube-wells/pump sets are borrowed by the Board from financial institutions, including banks. To compensate the Board for the higher incidence of interest on such loans, each consumer under the Scheme is required to pay the following non-refundable amounts:—

For estimated cost in nine western districts	For estimated cost in remaining districts	Non-refundable amount to be deposited	
		Prior to July 1972 in lump sum	From July 1972 in ten instalments
Rs.	Rs.	Rs.	Rs.
Up to 4,000	Up to 6,000	500	700
Above 4,000 and up to 6,000	Above 6,000 and up to 8,000	750	1,050

The consumers under the schemes were given priority over the consumers under the normal schemes utilising plan funds.

From 1972-73, the consumers were given the facility of paying the non-refundable amount in ten equal annual instalments. The consequent reduction in resources was made good by the State Government by giving a loan of Rs.2 crores during the year 1972-73 and for 1973-74 a further amount of Rs.2 crores is expected to be received.

(7) *State Tube-wells*

(*a*) The number of State tube-wells for irrigation, energised up to the end of different plan periods was as follows :—

Plan period	Number of State tube-wells energised at the end of the period
Second Five Year Plan	6,060
Third Five Year Plan	7,675
Annual Plans	8,780
Fourth Five Year Plan	12,215

(b) 12,687 State tube-wells and 2,26,370 private tube-wells/pump sets had been energised to end of October 1974; of these 816 State tube-wells and 1,523 private tube-wells/pumpsets were not working as on 31st October 1974 due to theft of/damage to transformers, etc., as detailed below—

Nature of defects	Number of tube-wells not working		Total
	Private	State	
(i) Theft of transformers	829	548	1,377
(ii) Damage to transformers	590	221	811
(iii) Other defects	104	47	151
Total	1,523	816	2,339

(8) *Release of agricultural services*

The number of agricultural services (State/private tube-wells/pump sets) targetted for release and the number actually released to end of March 1974 were as detailed below:—

	Services released to end of March 1969	Services released during Fourth Five Year Plan		Total services to end of March 1974
		Target	Actual	
Private tube-wells/pump sets	65,513	2,19,200	1,50,933	2,16,446
State tube-wells	8,780	2,000	3,435	12,215
Total	74,293	2,21,200	1,54,368	2,28,661

The average number of private tube-wells/pump sets per electrified village in the backward districts was 5 and in other districts 10 against the State average of 7 as on 31st March 1974. The average number of private tube-wells/pump sets energised per electrified village ranged from one in Dehra Dun district and two in Hamirpur district to twenty-three in Saharanpur district.

(9) *Low density of service*

The connected load and sales of energy to State/private tube-wells/pump sets during the years 1971-72 to 1973-74 were as follows:—

Particulars	1971-72	1972-73	1973-74
(i) Total connected load (KW)	9,26,341	10,91,305	12,94,769
(a) Private tube-wells/pump sets	7,79,168	9,30,750	11,26,764
(b) State tube-wells	1,47,173	1,60,555	1,68,005
(ii) Total connected load in State (KW)	27,27,528	30,05,910	34,13,016
(iii) (a) Percentage of (i) (a) to (ii)	28.6	31.0	33.0
(b) Percentage of (i) (b) to (ii)	5.4	5.3	4.9
(c) Percentage of (i) to (ii)	34.0	36.3	37.9
(iv) Total energy consumption in the State (MKWh)	4485.96	4804.00	4322.24
(v) Energy consumption in MKWh —			
(a) Private tube-wells/pump sets	484.526	515.575	407.702
(b) State tube-wells	209.048	278.907	419.722
(c) Total item (v)	693.574	794.482	827.424
(vi) (a) Percentage of (v) (a) to (iv)	10.8	10.7	9.4
(b) Percentage of (v) (b) to (iv)	4.7	5.8	9.7
(c) Percentage of (v) (c) to (iv)	15.5	16.5	19.1
(vii) Average energy consumption per KW of connected load—			
(i) private tube-wells/pump sets	622	544	362
(ii) State tube-wells	1422	1732	2500

Although the connected load of private tube-wells/pump sets ranged from 28.6 per cent to 33 per cent, the energy sold was between 9.4 to 10.8

per cent indicating thereby that the utilisation factor of private tube-wel and pump sets was very low as compared to other categories of consum

With the energisation of new private tube-wells/pump sets th connected load was increasing but the energy consumption per KW of con nected load was declining, resulting in a progressive fall in the return o investments. During the year 1973-74, the decline in energy consumpt by private tube-wells/pump sets was very sharp. The decline in consump tion was attributed (April 1975) by the Management to imposition of (i) 40 per cent energy cut and (ii) restrictions in running hours.

(10) *Losses*

According to the calculations made by the Board, the losses suffered by the Board in rural electrification during the year 1969-70 to 1972-73 worked out to Rs.9.30 crores as detailed below :—

(*Rupees in lakhs*)

	1969-70	1970-71	1971-72	1972-73
Energy sold to consumers (MKWh)	643	742	842	951
Revenue from sale of energy	11,30	13,90	16,80	24,10
Operational expenses including depreciation	11,60	13,10	15,20	21,50
Gross surplus	20	80	1,60	2,60
Appropriations—				
Interest on loans	2,20	3,50	3,10	5,70
Net loss	2,00	2,70	1,50	3,10

(11) *Scheme financed by the Rural Electrification Corporation Limited*

In 1969, Rural Electrification Corporation Limited was set up by the Government of India with the main objective of giving loans for rural electrification to State Electricity Boards and selected co-operative societies. The loans are given by the Corporation in three instalments—the first instalment on agreement deed, etc., being signed and the subsequent instalments on achieving the year-wise physical and financial targets

contemplated in the scheme. The rates of interest are 6½ per cent to 9 per cent per annum and the loans are repayable in 20 to 25 years from the commencement of the scheme with a moratorium of five years for repayment of principal.

The schemes are sanctioned by the Corporation on the basis of viability. During the years 1970-71 to 1973-74, 72 schemes estimated to cost Rs.37.13 lakhs for the different districts of the State except Dehradun, Muzaffarnagar and Bijnor districts were sanctioned by the Corporation. The year-wise break-up of the schemes sanctioned is indicated below :—

Year	Number of schemes sanctioned	Estimated cost of sanctioned schemes (*Rupees in lakhs*)
1970-71	13	699
1971-72	14	1019
1972-73	23	1071
1973-74	22	924
Total ..	72	3713

The physical targets of 72 sanctioned schemes and the achievements made by the Board to the end of September 1974 are indicated below :—

	Target	Achievement	Percentage of column (3) to (2)
(1)	(2)	(3)	(4)
11 KV lines (kilometres)	15,604	6,426	41
Electrification of villages	8,347	1,544	18
Energisation of private tube-wells/pump sets	47,098	5,966	13
Industrial connections	16,011	199	1.2
Domestic connections	1,94,896	5,588	3

It will be seen from the above table that the number of consumers connected is negligible although 11 KV lines were drawn resulting in virtually no return to the Board on the investments made on the lines.

Owing to the slow implementation of the sanctioned schemes, second instalment of loan (Rs.1,59 lakhs) in respect of 11 schemes and third instalment (Rs.1,05 lakhs) in respect of 6 sanctioned schemes was not released by the Corporation to end of June 1975.

Departmental manufacture of poles

(12) With a view to accelerating the rural electrification schemes, five pole manufacturing units with a rated capacity of 40,000 poles per year at each centre, were created in 1971. The five centres were located at Agra, Allahabad, Roorkee, Lucknow and Varanasi. Due to non-availability of high tension steel wires, it was decided (1971) to manufacture reinforced cement concrete (RCC) poles at these centres initially and to switch over to the manufacture of prestressed cement concrete poles on availability of high tension steel wires.

A test check of the records of these centres revealed as follows :—

(i) The project for the manufacture of poles departmentally was not approved by the Board and the centres started functioning in anticipation of approval of the Board.

(ii) The regular staff for the divisional and the sub-divisional offices were placed in position although sanction of the competent authority for the same had not been obtained. The work-charged establishment required for achieving the targetted production were, however, neither sanctioned nor employed resulting in shortfall in production compared to the target.

(iii) The average cost of manufacture envisaged in the revised project report of 1971 (not approved by the Board) was Rs.125 per pole. The same as per the calculations made (April 1972) by the divisional office administering the centres worked out to Rs.157. The costing wing of the Board, however, worked it out as Rs.183 per pole.

(iv) During the months of January and February 1974 no pole was manufactured at any centre, though an expenditure of Rs.1.06 lakhs was incurred by way of salary, wages and other miscellaneous expenditure. Production at Naini (Allahabad) centre was discontinued in December 1974 and in the other centres from January 1975 but the staff including the work charged establishment were kept in position resulting in infructuous expenditure of Rs.1 lakh per month upto 30th April 1975

(v) The production at all the centres was much below the capacity of 40,000 poles per centre per year resulting in higher incidence of depreciation and overhead charges. The unit cost of the poles actually manufactured, after taking into consideration such charges, has not been worked out.

(vi) In August 1974 orders were issued by the Board to stop manufacture of poles at all the centres and production ceased in December 1974 and January 1975. The decision to close down the centres was taken without either working out the actual cost of production or comparing the cost of open market purchases with the probable cost on the basis of optimum production in the centres. The decision resulted in the capital investment of Rs.43.48 lakhs becoming non-productive.

Demand projection, generation and utilisation of capacities built up

14. (1) *Demand projection*

The peak demand for power anticipated in the annual electric power surveys and that actually reached, installed capacity required to meet the peak demand, installed capacity available and shortfall for the years 1971-72 to 1973-74 were as follows :—

(In M.W.)

	Peak demand anticipated in various annual electric power surveys			Peak demand reached	Installed capacity required to meet the actual peak demand(*)	Installed capacity available	Shortfall
	Fifth (1970)	Seventh (1972)	Eighth (1973)	Actual			
1971-72	1670	..	..	1397.1	1956	1397.760	558
1972-73	1860	1605	..	1587.56	2232	1405.965	826
1973-74	2050	1814	1870	1735.00	2429	1529.240	900
1974-75	..	2061	2151	..	..	..	..

(*) Assessed at 1.4 times the peak demand reached.

The peak demand was overestimated and not reached in any of the years 1971-72 to 1973-74. The gap between availability and actual demand has been widening from year to year. The Board has been resorting to purchase of power from other States and rostering to make up the defecit.

(2) *Generation*

The following table indicates the extent of utilisation of the generating capacities and power available for sale :—

	1971-72	1972-73	1973-74
(i) Installed capacity (MW)—			
(a) Hydel	600·37	600·35	600·3
(b) Thermal and others	797·40	805·61	928·8
(ii) Power generated ((MKMh)—			
(a) Hydel	2277·72	2708·69	1976·0
(b) Thermal and others	3708·67	3852·01	3758·63
(iii) Energy used for generating station auxiliaries (MKWh)	354·14	362·48	361·71
(iv) Energy purchased (KWh)	336·01	425·68	642·75
(v) Energy available for sale (MKWh)	5968·25	6623·90	6015·69
(vi) Energy lost in transmission and distribution (MKWh)	1482·29	1819·80	1693·46
(vii) Energy sold (MKWh)	4475·32	4790·23	4309·68
(viii) Energy supplied free to officers and staff (MKWh)	10·64	13·86	12·56

The generation from thermal and other stations in 1973-74 was lower by 93.38 (MKWh) compared to 1972-73 inspite of an addition of 123.275 (MW) in the installed capacity.

(3) *Purchase of power from other States*

During the years 1969-70 to 1973-74 power was purchased from other States to the extent shown below :—

Year	Power purchased (MKWh)	Cost of power purchased	
		Total (*Rupees in lakhs*)	Per KWh in paise
1969-70	336·780	272·46	8·09
1970-71	413·830	326·08	7·88
1971-72	336·010	277·38	8·26
1972-73	425·678	538·67	12·61
1973-74	642·751	505·85	7·87

During test check of the accounts, it was observed that owing to non-finalisatiion of the purchase rates only 'On Account' or '*Ad hoc*' payments were made by the Board for purchase of power. The rates at which *ad-hoc* payments were made were lower than those claimed by the supplying organisations. Due to non-finalisation of agreements incorporating rates of power supplied, the exact payments still to be made could not be ascertained .

Power was being purchased from the Delhi Electric Supply Undertaking, the Badarpur Thermal Power Station and the Bhakra Management Board and recorded at one metering point at Muradnagar. In the absence of separate metering arrangements, the break-up of energy purchased from each agency could not be ascertained. Non-existence of separate metering arrangements resulted in a difference of 2.96 MKWh between the quantity claimed to have been supplied and that accepted by the Board as having been supplied during the period upto October 1973 by the Badarpur Thermal Power Station. The difference is to be reconciled (June 1975).

During 1974-73, 5·6 MKWh of energy was purchased at the provi-sional rate of 11·85 paise per unit from the Delhi Electric Supply Under-taking. The total cost of power purchased amounted to Rs.6.64 lakhs. Rupees 65.81 lakhs were, however, actually paid during the year 1973-74 to Delhi Electric Supply Undertaking which resulted in an overpayment of Rs.59.17 lakhs. Refund of Rs.36.13 lakhs, after adjusting Rs.23.04 lakhs being the pending claims of Delhi Electric Supply Undertaking, was awaited (June 1975).

(4) *Inter-state project*

Madhya Pradesh has been claiming a share of 15 per cent of power generated at Rihand (300MW) as the catchment area of the dam is situated in that state. As no part of power generated at Rihand was supplied to Madhya Pradesh, it has claimed a compensation of Rs.15.16 crores to the end of March 1974. The matter is under negotiation (March 1975).

(5) *Purchase of undertakings*

To the end of March 1974, 18 private licensee undertakings were taken over by the Board. The purchase price of 16 of these undertakings has not been finalised (April 1975). *Ad hoc* payment of Rs.3.32 lakhs has been made to the licensees. The earliest date of taking over of an undertaking, where the purchase price has not been determined, was on 1st May 1959.

(6) *Utilisation of capacity built up*

Details regarding the overall utilisation of installed capacity and maximum effective capacity of hydel, thermal and other stations during the years 1971-72 to 1973-74 are indicated below :—

	1971-72	1972-73	1973-74
(i) Installed capacity (MW) at the end of the year—			
(*a*) Hydel	600·370	600·350	600·350
(*b*) Thermal	766·020	790·125	913·400
(*c*) Internal combustion	31.370	15·490	15·490
Total	1397·760	1405·965	1529·240

	1971-72	1972-73	1973-74
(ii) Installed capacity (MKWh) at the end of the year—			
(*a*) Hydel	5259·24	5259·07	5259·07
(*b*) Thermal	6710·38	6921·49	8001·38
(*c*) Internal combustion	274·78	135·69	135·69
Total	12244·40	12316·25	13396·14
(iii) Total maximum effective capacity at the end of the year (MW)			
(*a*) Hydel	600·00	600·00	600·00
(*b*) Thermal including internal cumbustion	600·00	600·00	500·00
Total	1200·00	1200·00	1100·00
(iv) Total maximum effective capacity at the end of the year (MKWh)			
(*a*) Hydel	5256·00	5256·00	5256·00
(*b*) Thermal including internal cumbustion	5256·00	5256·00	4380·00
Total	10512·00	10512·00	9636·00
(v) Total units generated during the year (MKWh)			
(*a*) Hydel	2277.72	2708.69	1976.04
(*b*) Thermal including internal combustion	3708.67	3852.01	3758.62
Total	5986.39	6560.70	5734.66

	1971-72	1972-73	1973-74
(vi) Percentage of actual generation to—			
(a) Installed capacity	48.89	53.27	42.81
(b) Maximum effective capacity	56.95	62.41	59.51
(vii) Units sold during the year (MKWh)	4485.96	4804.09	4322.24
(viii) Percentage of sale of power to—			
(a) Installed capacity	36.34	39.01	32.26
(b) Maximum effective capacity	42.67	45.70	44.86

The overall utilisation of installed capacity was low. Compared to 1971-72 and 1972-73 utilisation of installed capacity during 1973-74 was much lower. During the three years only 32 to 39 per cent of the installed capacity ultimately reached the consumers.

Tariff for supply of energy

15. (1) *Tariff policy*

Section 59 of the Act lays down that the Board shall not, as far as practicable and after taking credit for any subvention from Government, carry on its operations on loss and shall adjust its charges accordingly from time to time.

(2) *Tariff revisions*

Since the formation of the Board, there were five major tariff revisions upto November 1974. To compensate the Board for losses incurred by the, undertakings transferred by Government to the Board on its formation in April 1959 under the provisions of Section 63 of the Act, subventions amounting to Rs.3.30 crores were given by the Government during the years 1959-60 to 1961-62. Consequent upon the first major revision of tariff in May 1962, these subventions were stopped. The subsequent four major tariff revisions were made in September 1967, July 1968, January 1972 and October 1974 respectively.

Prior to July 1968, the Board had separate tariff for Ganga-Sarda Grid, Rihand Grid, Matatila Grid and the eastern area projects. After the transfer of Rihand to the Board on 1st April 1965 the separate grids were inter-connected through transmission lines and uniform tariff was introduced in the State from July 1968.

It was observed that the tariff revisions were neither based on any pricing principles nor on any accurate calculations of costs. The Board did not compile data on costs at various points of supply nor did it keep separate accounts of generation costs for different stations except for some rough estimates. The Board has not worked out detailed costs of supply to each category of consumer to serve as a reliable guide for its tariff policies. Proposals for revision were formulated mostly keeping in view the amount of additional revenue to be raised.

(3) *Additional revenues*

(a) Additional revenue realised during the various plan periods due to revision of traiff was not worked out by the Board (December 1974).

(b) Despite periodical increases in tariff rates, increase in net revenues could not be achieved as the increase of revenue was offset by the increase of expenses, as would be seen from the figures for several years upto 1973-74 given below :—

(*Rupees in lakhs*)

Year	Revenue (including miscellaneous revenue)	Increase in revenue over 1966-67	Total expenditure (including depreciation and interest)	Increase in expenditure over 1966-67
1966-67	29,63	base year	34,14	base year
1967-68	34,39	4,76	43,31	9,17
1968-69	46,67	17,04	53,01	18,87
1969-70	54,70	25,07	61,56	27,42
1970-71	61,86	32,23	77,38	43,24
1971-72	67,44	37,81	75,99	41,85
1972-73	83,98	54,35	95,83	61,69
1973-74	79,98	50,35	1,13,05	78,91

Regarding fixation of tariff, the Power Tariff Policy (Venkataraman) Committee (1964) had observed that "The Committee considers that as a general rule the Electricity Board should supply power only on rates which provide at least for operation and maintenance costs (including depreciation) and interest".

(4) *Low rates charged to certain consumers*

The State Government had entered into an agreement on 29th October 1959 with a company manufacturing aluminium ingots in Mirzapur district for a period of 25 years for supply of 55 MW energy at the rate of Rs.175 per KW per year (or about 1.997717 paise per unit). The supply was connected on 3rd April 1962. As per the agreement, the above mentioned rate was to remain applicable for a period of 16 years from the date the company's mains were connected (3rd April 1962) and thereafter it could be increased by not more than 10 per cent, by mutual agreement.

In September 1963 the State Government had entered into another agreement with a caustic soda factory in Mirzapur district for a period of 25 years, for supply of 6.5 MW power from Rihand and 1.5 MW from inter-connection. The supply to the factory was connected in June 1964. The rate for the supply from Rihand was fixed at 2.5 paise per unit and that for the other supply was 5 paise per unit. According to the agreement, these rates were applicable for a period of 16 years from the date the supply was connected (June 1964) and thereafter these could be increased by not more than 10 per cent.

With the transfer of the assets of the Rihand project to the Board on 1st April 1965, these obligations were also transferred to the Board. The power supplies to the above mentioned companies during the five years ending 1973-74 are indicated below :—

Year	Power supplies (MKWh)	
	Aluminium company	Caustic soda factory
1969-70	434.227	71.739
1970-71	610.702	74.487
1971-72	542.570	75.450
1972-73	510.409	91.878
1973-74	279.456	72.884

The pooled cost of generation per unit and the loss suffered by the Board during the years 1969-70 to 1973-74 are indicated below :—

Year	Pooled cost of generation (*In paise*)	Loss due to concessional supplies based on pooled cost of generation (*Rupees in lakhs*)
1969-70	8.99	346
1970-71	8.56	356
1971-72	8.20	335
1972-73	8.94	376
1973-74	12.23	351

No subsidy is being given by the State Government to compensate the Board for these losses due to continuing obligation of the State Government passed on to the Board to sell power at rates much below the cost.

(5) *Consumption per K. W. of connected load*

The average connected load and the consumption of energy per KW of connected load for the five years ending 1973-74 are indicated below :–

Year	Average connected load (KW)	Energy sold (MKWh)	Average sale of energy per KW of connected load
1969-70	18,99,952	3,711.77	1,954
1970-71	22,72,586	4,290.74	1,888
1971-72	25,91,566	4,485.96	1,731
1972-73	28,66,769	4,804.10	1,675
1973-74	32,09,508	4,322.24	1,347

While the connected load has been progressively increasing, the sale per KW of connected load has been progressively declining and there was a sharp decline during 1973-74. The shortfall in sale during 1973-74 was attributed by the Board (April 1975) to low generation due to scanty rainfall in the Rihand catchment area and increase in transmission and distribution losses.

(6) *Assessment and collection of revenue*

(*a*) The details regarding assessment and collection of revenue for the five years ending 1973-74 are given below :—

(*Rupees in crores*)

Year	Balance outstanding at the beginning of the year	Revenue assessed during the year	Percentage increase/decrease in assessed revenue	Total amount due for collection	Amount collected during the year	Percentage of collection to the total dues	Balance outstanding at the end of the year
1969-70	5.76	52.14	..	57.90	47.02	81.2	10.88
1970-71	10.88	59.21	13.6	70.09	55.38	79.0	14.71
1971-72	14.71	63.32	5.3	78.03	59.26	75.9	18.77
1972-73	18.77	79.67	25.8	98.44	74.27	75.4	24.17
1973-74	24.17	76.39	(—)4.1	1,00.56	68.55	68.2	32.01

The percentage of collection to total dues is on the decrease with a corresponding increase in outstanding balances.

(*b*) *Analysis of arrears*

(*i*) *Age-wise*—Age-wise break-up of the arrears of dues was not available with the Board. To the end of March 1974 a provision of Rs.66.88 lakhs for bad and doubtful debts was made by the Board without reference to the age and prospect of realisation of the outstanding dues. Acceptance of debtors' balances have also not been obtained.

(ii) *Category-wise*—The category-wise break-up of the arrears as per Ledger was as follows :—

Category	Arrears as on 31st March 1974	Arrears more than 3 years old as on 31st March 1974
	(*In crores of rupees*)	
Domestic and commercial light and fan	4.50	..
Small and medium power consumers	3.50	..
Large and heavy industries	6.50	5.60
Public lighting and sewage pumping	0.70	..
State tube-wells	1.25	..
Private tube-wells and other agricultural consumers	12.00	2.50
Private licensees	1.40	..
Municipal board licensees	1.70	..
Others	1.45	1.28
Total	33.00	9.38

Out of the above, the arrears pending in courts and under arbitration were Rs.4.72 crores including Rs.3·99 crores against the aluminium factory in Mirzapur district pertaining to the period 1966 to 1971.

During the year 1973-74 a writ petition filed by the aluminium Company challenging the validity of disconnection by the Board due to non-payment of arrears, was dismissed by the Division Bench of the Allahabad High Court. The consumer went (May 1973) in appeal to the Supreme Court which ordered (May 1973) that against the arrears of Rs.2.60 crores Rs.36.89 lakhs should be paid in cash and Rs.2.12 crores should be deposited in the Court. The matter was, however, compromised by the Board on payment of Rs.60 lakhs only by the consumer.

In regard to the accumulation of arrears, the Technical Commitete on Power in its report (December 1972) had observed that " the Committee has noted with concern the large accumulation of arrears, aggregating to the staggering figure of Rs.19.04 crores, at the end of 1971-72....... such large accumulation of arrears should be a matter of great concern for commercial organisation".

During discussions held in New Delhi in December 1973, with the representatives of the State Government and the Board, the Planning Commission had observed that the Board should improve its collection machinery and that the arrears should generally be about 6 per cent of the total assessment.

(c) Discrepancies in arrear balances

There were discrepancies between the arrears balance as per the Board's accounts and the schedules received from the various units. The arrears as on 31st March 1974 as per the Board's accounts worked out to Rs.32.01 crores whereas the same as per the schedules received from the various units of the Board worked out to Rs.33.11 crores. The Board stated in September 1974 that action to reconcile the differences was in hand.

In three units of the Board, *viz.*, Kanpur Electricity Supply Administration (KESA), Lucknow Electric Supply Undertaking (LESU) and Allahabad Electric Supply Undertaking (AESU) where billing is being done through mechanised system, neither consumers' ledgers have been prepared nor the outstandings reconciled with unpaid cards since the time these units were taken over by the Board (Kanpur Electricity Supply Administration in 1959 and the other two in September 1964).

(d) Delay in billing

During the test check of the accounts it was noticed that in some cases bills for energy supplied were issued after two or three months of the meter readings. A few instances of delayed billing are given below :—

Name of the division	Month of meter reading	Due date of issue of bills	Actual date of issue of bills
	Light and fan		
Electricity Maintenance Division, Hardoi	April 1973 May 1973 June 1973	First week of May, June and July 1973 respectively	31st July 1973
	November 1973	First week of December 1973	18th February 1974
	December 1973	First week of January 1974	18th February 1974

Name of the division	Month of meter reading	Due date of issue of bills	Actual date of issue of bills
	Light and fan		
Electricity Maintenance Division, Kanpur	July 1973	First week of August 1973	15th October 1973
	August 1973	First week of September 1973	15th October 1974
Electricity Maintenance Division, Farrukhabad	July 1973	First week of August 1973	23rd October 1973
	Power		
Electricity Maintenance Division, Hardoi	May 1973 to September 1973	First week of June 1973 to October 1973	31st July (May and June), 23rd October 1973 (July 1973 to September 1973)
	November 1973	First week of December 1973	19th February 1974
	December 1973	First week of January 1974	19th February 1974
Electricity Maintenance Division, Jhansi	December 1973	First week of January 1974	13th Feburary 1974
Electricity Maintenance Division, Kanpur	September 1973	First week of October 1973	17th November 1973
Electricity Maintenance Division, Farrukhabad	August 1973	First week of September 1973	22nd October 1973
Electricity Maintenance Division, Varanasi	September 1973, October 1973,	First week of October 1973, November 1973,	12th December 1973, 10th December 1973,
	December 1973 and February 1974	January 1974 and March 1974 respectively	11th February 1974 and 16th April 1974 respectively.

(7) Deficiencies in assessment of electricity revenues

Test checks conducted in local audit revealed under-charges aggregating Rs.48.25 lakhs, which were commented upon in the Audit Reports (1970-71 to 1972-73) as detailed below :—

Year of Audit Report	Number of cases	Amount of under-charges (*In lakhs of Rupees*)
1970-71	99	9.79
1971-72	17	27.05
1972-73	11	11.41
Total ..	127	48.25

A few other instances of under-charges and other irregularities are mentioned below :—

(*a*) An agreement executed in December 1969 for supply of power (100 BHP) to a consumer of Ballia provided that it could be terminated only after the expiry of five years from the first day of April following the date of commencement of supply. In the event of premature termination of the agreement by the consumer, he was liable to pay a minimum guarantee charge for the unexpired period at the rate of Rs.120 per BHP per annum of the connected load. In July 1971 the agreement was terminated at the consumer's request and the load was disconnected in August 1971 without recovering the minimum guarantee charge of Rs.0.43 lakh for the unexpired period (from September 1971 to March 1975).

The matter was reported to the Board in April 1973 ; reply is awaited (April 1975).

(*b*) According to the instructions of the Board issued in June 1968, the amount of security recoverable from industrial power consumers having supplies at 11 KV and below, for connections above 100 KVA was fixed at Rs.50 per KVA of the contracted demand or Rs.150 per furlong length of the line, whichever was higher. Accordginly, in the case of 18 large power consumers of Muzaffarnagar Division alone to whom connections were given between August 1969 and November 1972, the total security money of Rs.6.55 lakhs was recoverable. Against this, Rs.3.87 lakhs were actually realised. Reasons for short realisation of security amounting to Rs.2.68 lakhs have not been intimated.

The matter was reported to the Board in January 1974 ; reply is awaited (April 1975).

(*c*) A sugar mill of Gorakhpur connected with a load of 75 KVA for running air compressors, workshop, tube-well, colony light, etc., under an agreement executed in April 1941, was sanctioned an additional load of 306 KVA and connected at a single point for the total load of 381 KVA on 20th February 1970. Revised agreement was executed on 9th February 1970. The mill thus became a large and heavy power consumer chargeable under the rate schedule (HV-2) of the uniform tariff applicable from 1st July 1968. The schedule provided for a separate meter for recording supply of energy to residential lines to be billed under the relevant rate schedules. Segregation of colony circuit from power circuit was, however, not done. For using a part of the energy drawn for residential purposes for which higher tariff was applicable, the mill rendered itself liable under the agreement, to pay for the whole of its energy consumption at rates applicable to light and fan. The consumer was, however, charged at "HV-2" tariff. This resulted in an undercharge of Rs.3.59 lakhs in respect of supplies during the period from February 1970 to October 1972. From November 1972 billing was done correctly.

The matter was brought to the notice of the Board in February 1972 ; reply is awaited (April 1975).

(*d*) In January 1968 a cold storage at Kaimganj (Farrukhabad) was connected with a load of 112.5 KVA. During three inspections conducted in March-August 1973 the trivectometer and the maximum demand indicator installed at the consumer's premises to record the consumption were found to be defective and tampered with. On a check-meter being installed in the consumer's premises in April 1974 (premises remained disconnected between October to December 1973) it was found that the trivectometer and the maximum demand indicator were going slow by 66.5 per cent. The consumer was, however, billed (every time) on the basis of actual consumption recorded by the defective meter ignoring the results recorded by the test meter. Incorrect billing resulted in undercharge of Rs.0.34 lakh (including electricity duty) during the period March 1973 to September 1973.

The matter was reported to the Board in August 1974 ; reply is awaited (April 1975).

(*e*) A Defence Department establishment at Chandani (Naini Tal) was connected with a load of 150 KVA on 12th May 1970. The energy meter installed started registering consumption from 14th November 1971.

Energy consumed from 18th May 1970 was assessed on the average rate of consumption recorded on trivectometer during the period from 12th May 1970 to 6th July 1970 (813 units per day). On the meter being made operational on 14th November 1971 (on which date a check meter was also installed in the consumer's premises) it was found that 16.03 lakh units were consumed during the period from 14th November 1971 to 31st August 1974, *i. e.*, 1,549 units per day on an average. The consumer was, however, billed at 813 units per day during this period also and not on the basis of actual consumption recorded in the meter (including the check meter). This had resulted in short billing of 7.51 lakh units. Incorrect billing for energy consumed resulted in undercharge of Rs.1.20 lakhs for the period from 14th November 1971 to 31st August 1974 (correct billing introduced thereafter).

The matter was reported to the Board in July 1973 ; reply is awaited (April 1975).

(*f*) In 1971 a firm of Allahabad was sanctioned a load of 500 KVA for industrial purposes by the Allahabad Electric Supply Undertaking. During inspection of the consumer's premises in June 1972 the consumer was found using power for light and fan also. Accordingly, a separate meter to record consumption of light and fan was installed on 6th October 1972 and power consumed on light and fan during the months of June and July 1972 was billed under the appropriate higher tariff (HV-1) introduced with effect from January 1972. On a representation made by the consumer in January 1973 that energy for light and fan was used for canteen, rest rooms, etc., the charges for the period from June 1972 to September 1972 were revised (October 1973) and the entire consumption during this period was billed under industrial tariff (HV-2B); correct tariff was made applicable from October 1972. Incorrect application of the industrial tariff to the consumer, resulted in undercharge of revenue amounting to Rs.0.40 lakh during period from June 1972 to September 1972.

The matter was reported to the Board in August 1974 ; reply is awaited (April 1975).

(*g*) *Undercharge of revenue*

According to amended tariff effective from 17th July 1971 where the residential lines of power consumers had not been separated from the factory load, the entire consumption was to be billed at a higher tariff (HV-1) till such time the two circuits were separately

metered. Although the residential lines in case of thirteen consumers (four of Allahabad, two each of Fatehgarh, Jhansi and Bijnor and one each of Hathras, Bareilly and Deoria) were not segregated and separately metered, the higher tariff was not applied for periods ranging from five months to 24 months and the entire consumption was charged at lower rates applicable to consumers of heavy power, which resulted in undercharge of Rs. 6.10 lakhs as shown below :—

Division	Period during which undercharged	Amount of undercharge (*Rupees in lakhs*)
Allahabad Electric Supply Undertaking	July 1971 to November 1971	0.72
Electricity Maintenance Division, Fatehgarh	July 1971 to June 1973	1.20
Electricity Maintenance Division, Jhansi	July 1973 to December 1973	0.33
Electricity Maintenance Division, Hathras	October 1973 to April 1974	0.28
Electricity Maintenance Division, Bareilly	July 1971 to July 1972	2.38
Electricity Maintenance Division, Bijnor	July 1971 to June 1972	0.69
Electricity Maintenance Division, Deoria	July 1971 to March 1972	0.50
	Total	6.10

The matter was reported to the Board during July 1972 and December 1973 ; reply is awaited (April 1975).

(*h*) In accordance with the agreement, energy was supplied to a licensee's ten sub-stations equipped with separate meters, treating each substation as a point of supply. Pending execution of a fresh agreement (not executed upto October 1974), the Board continued to supply energy and billed the licensee for each point of supply separately as was done earlier.

This billing was also in accordance with Board's uniform tariff applica from 1st October 1968. The licensee objected to the procedure October 1968 on the grounds that supplies should be treated as a sing point supply and paid the bills by lumping up the supplies at differe sub-stations as for supply at a single point. A disconnection notice w served on the licensee by the Board in March 1972. However, the suppl of energy could not be disconnected as an interim injunction was obtain (March 1972) by the licensee from the civil court. In February 197 the case was settled (on the basis of negotiations) between the Board a the licensee and the Board remitted the short payment of energy charg amounting to Rs.8.94 lakhs during October 1968 to December 1973. Correc billing in accordance with the uniform tariff schedule has not yet been in troduced (March 1975).

The matter was reported to the Board in January 1972; reply i awaited (April 1975).

(8) *Unaccounted receipts/funds*

Twenty seven cases of non-accounting of funds involving Rs.9.63 lakh were detected by the divisional officers and reported to the higher autho rities during the years 1965-66 to 1973-74. The *modus operandi*, as indi cated in the reports, were as indicated below :—

(*a*) Non-accountal of the money received through money order and cash realisations in the cash book.

(*b*) Change in figures in the treasury receipt schedules.

(*c*) Realisation of money from consumers on missing, stolen and unaccounted receipt books and non-accountal and non-remittance of the money so realised.

(*d*) Issuing receipts to the consumers for the correct amounts while changing the amounts in the office copies of the receipts to a reduced figure.

(*e*) Short totalling of the amounts realised and consequent remit tances of less amounts.

(*f*) Non-return of receipt books through which cash realisations were made.

An analysis of the cases is given below :—

Number of cases	Amount involved (*In lakhs of rupees*)	Remarks
2	0.08	In one case, Rs.5,094 were recovered from the delinquent official who was convicted. In the other case, out of Rs.2,445, Rs.2,051 were recovered ; the recovery of the remaining amount is awaited. The officials responsible were punished with stoppage of increments.
4	2.27	The cases are under trial in the court. In one case involving Rs.1,71,139 it was noticed during departmental enquiry that the embezzlement was facilitated due to lapses on the part of the supervisory officers.
7	4.34	The cases are under investigation by the State Police/CID/vigilance.
14	2.95	The cases are under departmental investigation.

(9) *Electricity duty*

Electricity duty assessed in a month is required to be deposited with the State Government within two calendar months following the close of the month in which meter readings are recorded. The rules also provide for levy of interest at the rate of 18 per cent on the amount of duty which is not paid to the State Government within the prescribed time.

During the test check of the accounts records of the various divisions the following points were noticed :—

(i) Contrary to the statutory provisions regarding payment of electricity duty on assessment basis, instructions were issued by the Board (23rd March 1973) to all its units to pay electricity duty to the State Government on realisation basis and to adjust the excess payments, if any, made due to payment of electricity duty on assessment basis as per the amended act and rules.

(ii) Even the duty realised from consumers was not paid to the State Government in full. In the Electricity Maintenance Division, Ghaziabad, electricity duty amounting to Rs.2.32 lakhs (in respect

of 30 consumers scrutinised by Audit) realised by the Board during the period from April 1973 to July 1974 was misclassified as electricity charges and credited to the Board's account, resulting in non-payment of the duty. In another division (Distribution Division, Moradabad) electricity duty amounting to Rs.3.62 lakhs realised in 1972-73 (Rs.0.69 lakh) and 1974-75 (Rs.2.93 lakhs) was not paid to the State Government upto November 1974.

Materials management and inventory control

16. (1) *Purchase organisation*

There is a separate purchase organisation at each construction project. For the rest of the system, purchases of stores items are made centrally by the Central Stores Procurement Circle and Sub-station Design Circle and Transmission Design Circle of the Board. The field officers of the Board have also been delegated powers for purchases upto certain limits.

Purchases above Rs.50 lakhs are approved by the Board and below Rs.50 lakhs but exceeding Rs. 20 lakhs are approved by a Committee of the Board. Other purchases are approved by the appropriate purchase committees constituted by the Board. For all purchases above Rs.5,000 open tenders are required to be invited and purchases below Rs.5,000 are made by calling quotations from selected firms. The Board is also authorised to place orders against the rate contract of Director General, Supplies and Disposals and the Director of Industries, Uttar Pradesh.

(2) *Procedure*

Purchases of construction and operation stores are arranged on the basis of construction programmes and the operation and maintenance works anticipated to be undertaken.

In December 1972 the Administrative Staff College, Hyderabad were requested by the Board to carry out a broad diagnostic survey of their expenditure accounting system and to suggest ways for improving its effectiveness. The Consulting and Applied Research Division of the College took up the work in February 1973 on payment of Rs.0.40 lakh and submitted their preliminary report in April 1973 and final report in July 1974.

The Board, after a study of the report and the materials management and inventory control system in vogue in Maharashtra State Electricity Board have issued orders for re-organisation of stores organisation (January 1975). The Administrative Staff College, Hyderabad in their preliminary

report of 1973-74 had observed that "There is neither a plan nor a budget for materials procurement or consumptions at divisions. Uttar Pradesh State Electricity Board has centralised Stores and Procurement Circle buying now about Rs.50 crores of its annual materials requirement of about Rs. 1,20 crores. But these circles do not have their own storage facilities nor do they seem to programme purchases to match requirements. When allotment of materials is made by these circles to various divisions through the zonal offices, the criterion for allotment is the availability of funds with the divisions rather than their need for those materials. Materials hence, lie in stores for months without being used".

Cases of pruchases made at higher rates and of material not required for immediate use resulting in extra and avoidable expenditure were commented upon in the Reports of the Comptroller and Auditor General of India for the years 1970-71 and 1971-72.

A few other cases are mentioned below :—

(a) Orders were placed (after inviting tenders) by the Stores Procurement Circle in July 1971 on a firm of Madras for supply of 400 kms. of 'Dog' conductors at Rs.3,230 per km. Supplies were to be completed by March 1972. However, the firm commenced supplies in April 1972 and delivered 408 kms. upto September 1972. Delay in supplies by the firm was attributed to delay in finalisation of agreement by the Board, fall in their production, etc. In the meantime, in response to tenders invited in December 1971 for 'Dog' conductors lower rates (the lowest rate of Rs.2,961.50 per km.) were received and supply orders were also placed in March 1972 at the lower rates.

In accordance with the general conditions of supply (forming part of contract), the Board had the option to cancel the order or levy penalty, as the supplies were not made within the stipulated time. But neither the order was cancelled nor was any penalty imposed for the delayed supplies by the Madras firm. The supplies, which were made from April 1972, were accepted at the higher rate, *viz.*, Rs.3,230 per km. This resulted in extra expenditure of Rs.1.14 lakhs.

The matter was reported to the Board in September 1973; reply is awaited (April 1975).

(b) Three contracts (on the basis of open tenders) for supply of 24,850 kms. of 'Weasel' conductors were finalised by the Stores Procurement Circle on 8th Febrhary 1971 with a firm of Orissa, one of Calcutta (on 10th August 1971) and one of Faridabad (on 10th

November 1971) at Rs.950, Rs.975 and Rs.952.38 per km. respectively with stipulation for completion of supplies by March 197 (in the first case) and by March 1972 (in respect of the two others); delivery period in respect of Calcutta firm was subsequently (August 1971) extended up to June 1972. The suppliers could not complete the supplies according to delivery schedule (3,917, 4,161 and 406 km. of conductors remained to be supplied by the three firms respectively) but supplies were continued to be accepted by the divisions without grant of extension of time or levy of penalty for delayed supplies except in the case of the Orissa firm on whom penalty of Rs.7.4 lakhs was levied in April 1973 but recovery has not been made so far (April 1975).

In the meantime, tenders (opened in January 1972) were again invited for supply of 'Weasel' conductors by the Stores Procurement Circle, on the basis of which supply orders were placed (March 1972) on 18 firms for supply of conductors at Rs.892 per kilometre. Non-cancellation of the unexecuted portion of supplies by the three above mentioned suppliers resulted in extra expenditure of Rs.2.27 lakhs on supplies of the remaining 3,918 kilometres at enhanced rates compared with the lower rates finalised in April 1972.

The matter was reported to the Board in January 1973; reply is awaited (April 1975).

(c) Tenders invited by the Stores Procurement Circle, Lucknow for supply of earth wire (7/16 SWG) and stay-wire (7/10 SWG) were due for opening on the 29th September 1969 but were actually opened on 3rd November 1969. Out of 17 offers received, the lowest acceptable rates of Rs.2,478 per tonne for 7/16 SWG and Rs.1,938 per tonne for 7/10 SWG of a firm of Calcutta (valid upto November 1969) were subject to increase corresponding to the increase in the price of wire rods. With the postponement of the opening of the tenders, the tenderer revised (27th October 1969) the original rates to Rs.2,552 and Rs.2,062 per tonne for 7/16 and 7/10 SWG wire respectively, subject again to price increase as originally tendered and kept the offer open upto December 1969. As decision could not be taken within the extended validity period (December 1969), the suppliers were requested (18th November 1969) to extend the validity period up to January 1970 and to quote firm rates. The firm, while agreeing to extend the validity period up to January 1970 quoted a firm rate of Rs.2,865 per tonne for

7/16 SWG and Rs.2,250 per tonne for 7/10 SWG wire. Orders for supply of 600 tonnes (7/16 SWG) and 300 tonnes (7/10 SWG) wire were placed on the firm on 13th February 1970 at the revised firm rates. Due to delay in finalising the tenders within the intial validity period (November 1969) the Board had to incur an extra expenditure of Rs.2.43 lakhs; this would have been reduced to Rs.1.59 lakhs had the tenders been finalised within the extended validity period (December 1969).

The lowest technically acceptable offer of another firm of Calcutta for supply of earth-wire (7/16 SWG) at the rate of Rs.2,285 per tonne subject to a rebate of Rs.100 per tonne, provided the order was for more than 500 tonnes, was initially not considered on the ground of unsatisfactory past performance. Two orders were, however, placed on this supplier for 650 tonnes during February—July 1970 (300 tonnes in February 1970 and 350 tonnes in July 1970). Had this tender been accepted initially and the quantity ordered on the other firm diverted, there would have been a saving of Rs.4.08 lakhs. On the quantities ordered on this firm the rebate of Rs.100 per tonne could have been availed of. If the two orders had been clubbed together expenditure of Rs. 0.65 lakh would have been saved.

The matter was reported to Board in April 1970; reply is awaited (April 1975).

(d) In July 1973 tenders for supply of transformer oil (1,000 Kls.), were invited by the Stores Procurement Circle, and opened on 2nd August 1973. The lowest firm offer of a firm of Baroda (A) at Rs.2,270.50 per Kl. was rejected on the ground that the required security was not furnished. The second lowest technically acceptable offer (at Rs.3,342.39 per Kl.) of a firm of Bombay (B) was also rejected because the quality of their supplies was not known to the Board (sample was to called for from the firms). The highest offer of another Bombay firm (C) at Rs.3,369.80 per Kl. was accepted and the supply order was placed on this firm on 3rd December 1973. Firm (B) of Bombay was supplying transformer oil to the Electricity Boards of Gujrat, Maharashtra, Madhya Pradesh besides being on rate contract with the Director General Supplies and Disposals, New Delhi. Rejection of the lowest technically acceptable offer resulted in extra expenditure of Rs.0.28 lakh (on 1,000 Kls. at Rs.28 per Kl.).

The matter was reported to the Board in August 1974; reply is awaited (April 1975).

(e) In March 1972, orders (on the basis of tenders) for supply of 5,186 transformers of 25 KVA and 4,050 transformers of 63 KVA were placed on different (13) firms at Rs.3,420 and Rs.5,850 each of 25 KVA and 63 KVA respectively. The supplies were to be made after three/four months from the date of order at the monthly rate of 15 to 20 per cent of the quantity ordered and were to be completed by March 1973. The supplies could not, however, be completed as per schedule and on 31st March 1973, 62 transformers of 25 KVA and 410 transformers of 63 KVA were still to be supplied. In the meantime, another tender was invited and tenders were opened on 19th September 1972, in which lower rates (Rs.3,200 for transformers of 25 KVA and Rs.5,400 for transformers of 63 KVA f. o. r. destination) were received. On the basis of these tenders, orders for supply of 2,550 transformers of 25 KVA and 500 transformers of 63 KVA were placed on various suppliers in October 1972 (including the suppliers in default against the earlier contract). In terms of the general conditions of supply (forming part of agreement) the Board had the option to obtain the unexecuted portions of the earlier order from the suppliers at lower rates (accepted in October 1972). But neither the option was exercised nor was penalty for delayed supplies levied on the defaulting suppliers. Had this been done extra expenditure of Rs.1.98 lakhs in accepting supplies at higher rates could have been avoided.

The matter was reported to the Board in September 1973; reply is awaited (April 1975).

(3) *General defects in procurement of stores*

The following defects were noticed in the purchase procedures :—

(i) Exceeding financial powers for purchases. For example, the Divisional Engineer, Electricity Transmission and Construction Division, Kanpur purchased during the period from November 1973 to June 1974 tools and plants valuing Rs.0.16 lakh with the approval of the Superintending Engineer though the purchases were beyond the competance of the Divisional Engineer (Rs.500 a year) and the Superintending Engineer (Rs.2,500 a year).

(ii) Purchases by units at rates higher than those prescribed in supply agreements/rate contracts executed by the purchase organisation of the Board or by the Director of Industries or by the Joint Plant Committee for iron and steel items. For example, regular

supply of Hydrogen gas (H2) is received by the Central Payment and Accounts Division, Obra from Indian Oxygen Limited, Calcutta at the rate of Rs.3.50 per cubic metre. Due to delay in supply and urgency of requirement 156 cubic metres of gas was taken on loan by the Division during January 1972 to July 1973 from a firm of Renusagar. The supply obtained on loan was not returned and the Corporation was paid in 1973, Rs.7,488 at the rate of Rs.48 per cubic metre, resulting in an extra expenditure of Rs.6,942. During the year 1973, 48 cubic metres of Hydrogen gas were supplied by the Division to the above Corporation at the rate of Rs.4 per cubic metre. In another case the Stores Procurement Circle, Lucknow placed orders for supply of stay sets on 3rd July 1973 on a Calcutta firm at the rate of Rs.14.29 per set f.o.r. destination. Against this order, 4,000 sets were allotted to Rural Electrification Division, Azamgarh, delivery to commence within four to six weeks of receipt of the supply order by the firm. On the ground of delay in receipt of the supply, the Circle Purchase Committee placed orders on two local firms on 24th and 27th April 1974, for supply of 2,000 sets each at the rate of Rs.23.02 and Rs.24.12 respectively. The Calcutta firm, however, supplied 2,000 sets during March 1974. The purchase at the higher rates involved an extra expenditure of Rs.0.39 lakh.

(iii) Non-finalisation of tenders within the validity period, resulting in extra expenditure due to price increase.

A few examples are given below :—

(a) Tenders were opened on 30th October 1972 for supply of single (1,20,000) and polyphase (63,500) energy meters. Fifteen offers (valid upto 28th February 1973) were received. The lowest offer of a firm of Calcutta for polyphase meters (10, 25 and 50 amperes) and a firm of Jaipur in respect of single phase meters (5, 10 and 20 amperes) were recommended by the Stores Procurement Circle (8th March 1973) for approval by the Stores Purchase Committee. Simultaneously, the firms were requested to extend the validity period of their tenders upto 31st March 1973, to which they agreed. But the Stores Purchase Committee could not finalise the tenders within 31st March 1973. Hence the firms were again requested (23rd March 1973) to extend the validity period up to 30th April 1973. While agreeing to this extension the firms enhanced their rates by

Rs.27 each for 50 ampere meter and Rs.3 to 9 each for 10 and 25 ampere polyphase and by Rs.1.50 each for single phase meter, on grounds of increase in the cost of materials. Consideration of the tenders was, however, completed by the Stores Purchase Committee during 24th to 27th April 1973. Orders for supply of polyphase meters (2,500 for 50 amperes, 36,000 for 25 amperes and 15,000 for 10 amperes) were placed on the second and the fourth lowest tenders. Order for 60,000 single phase meters was placed on the Jaipur firm at its enhanced rates. Delay in finalisation of tenders, thus, resulted in extra expenditure of Rs.5.19 lakhs (including Rs.0.15 lakh on account of central sales tax).

The matter was reported to the Board in September 1973; reply is awaited (April 1975).

(*b*) In December 1969 the Stores Procurement Circle, Lucknow recommended to the Board the lowest technically suitable offer obtained against tender invited in July 1969 (opened on 5th November 1969, rates ranging between Rs.663 to Rs.1,069 per kilometre) of a Calcutta firm (valid up to 31st December 1969) for supply of 'Gopher', 'Weasel' and 'Ferret' conductors. The Central Purchase Committee of the Board did not meet before the expiry of the validity period as recommendations of the Stores Procurement Circle were sent on the last day. The Board placed orders on 8 other firms in February 1970 whose offers were technically suitable and valid upto 15th January 1970 for supply of 32,900 kilometres of 'Gopher', 'Weasel' and 'Ferret' conductors at higher rates ranging from Rs.674 to Rs.1,090 per kilometre. Non-acceptance of the lowest offer within the validity period resulted in an extra expenditure of Rs.9.82 lakhs.

The matter was reported to the Board in April 1972; reply is awaited (April 1975).

(*c*) Tenders invited by the Kanpur Electricity Supply Administration for supply of L.T. PVC cables (of different specifications) were opened on 20th June 1973. The rates ranged from Rs.16,750 to Rs.84,920 per kilometre. Tenders were valid for four months i.e., up to 28th October 1973, but the purchase was not finalised within this date. Earlier on 8th October 1973, the tenderers were requested to extend the validity period up to 30th November 1973. While

agreeing to the extension, the lowest tenderer (of Satna) also increased the prices ranging from Rs.1,150 to Rs.5,860 per kilometre depending upon the specification of the cable. Order for supply of cables (20 kilometres) was placed telegraphically on 30th November 1973 at the increased prices. Non-finalisation of the tenders within the validity period, resulted in extra expenditure of Rs.0.41 lakh.

The matter was reported to the Board in September 1974; reply is awaited (April 1975).

(*d*) Tender for purchase of 132 KV current transformers (A-1 and A-2 type) opened on 21st January 1970 by the Sub-station Design Circle, Lucknow were valid for three months, *i. e.*, upto 21st April 1970. On 18th March 1970 the tenderers were asked to extend the validity period by one month and also to quote rate for A-2 type current transformers of different amperage. The offer of a Bombay firm for A-1 type at Rs.17,770.50 each and A-2 type at Rs. 19,057.50 each (revised price submitted on 6th April 1970) was found technically suitable and was recommended by the Central Stores Purchase Committee to the Board on 24th April 1970 for placing supply orders for 180 A-I and 72 A-2 transformers. However, on 20th April 1970 the firm was again requested to extend the validity period by one month; while agreeing to the extension the supplier intimated on 10th May 1970 increase in the price by 15 per cent. The Board decided on 22nd May 1970 to place suply orders for 130 A-1 and 70 A-2 transformers with the next higher tenderer (a Kerala firm) at Rs.20,300 and Rs.20,800 each respectively.

Non-finalisation of tenders within the validity period resulted in extra expenditure of Rs.4.51 lakhs.

The case was reported to the Board in July 1971; reply is awaited (April 1975).

(*e*) Tenders for supply of energy meters (62,500 polyphase meters of 100, 50, 25 and 10 amperes and 1.20 lakh single phase meters of 25, 10 and 5 amperes) were invited by the Stores Procurement Circle and opened on 30th October 1972. As its recommendations for consideration by the Central Purchase Committee could not be finalised by the Circle within the validity period, that is upto 28th February 1973, the suppliers were requested (24th February 1973 to extend the validity period upto March 1973. The Central Purchase Committee could not finalise the tenders even within this extended period and the suppliers were again requested to extend their validity up to

April 1973. While agreeing to it the lowest tenderer firms revised the prices upwards. Orders for supply of meters (62,500 polyphase and 75,000 single phase) were, however, placed on 30th April 1973 at higher rates from Rs.2.25 to Rs.3.75 per single phase meter and Rs.7 to Rs.3[illegible] each for polyphase meter on different suppliers including the two lowest tenderers. Non-finalisation of the tenders within the extended validity period resulted in extra expenditure of Rs.8.90 lakhs.

The matter was reported to the Board in August 1974; reply is awaited (April 1975).

(iv) Splitting the requirements, thus avoiding invitation of open tenders and obtaining sanction of higher authority. For example, in Rural Electrification Division, Badaun, the Divisonal Officer placed eight separate orders during April 1973 to July 1973 on the basis of limited tender enquiries for 1,500 G. I. pipe earthing rods valuing Rs.0.35 lakh. Seventeen separate orders for 15.75 M. T. of bolts and nuts valuing Rs.0.5[illegible] lakh were also placed during January 1973 to January 1974.

(v) Purchases made in excess of the requirements due to defective planning of the requirements. Examples are given below :—

(a) Against an order dated 10th January 1974, placed by the Stores Procurement Circle, Lucknow, the Rural Electrification Division, Basti received the supply of 10,000 pin insulators (11KV) in March 1974. The Division had not placed any requisition for this material and had in stock 7,000 pin insulators. The Division had utilised only 2,540 insulators, 4,820 were transferred to other Divisions and 5,877 (value Rs.0.44 lakh) were declared as surplus to the requirements of the Division in November 1974. In the same Division supplies of 8,800 metres of PV. C. cables were received in June and July 1974 against an order placed by the Superintending Engineer, Gorakhpur Circle in December 1973. From the supplies so received and the existing stock 9,000 metres were transferred during March to November 1974 to other Divisions and 6,500 metres were declared surplus to the requirements of the Division in November 1974.

(b) In Electricity Transmission Construction Division, Sitapur stores worth Rs. 17.17 lakhs (relating to only thirteen items) allotted by the Central Stores Procurement Circle to the Divison during the period from 1970-71 to 1972-73 (Rs.8.15 lakhs in 1970-71, Rs.2.83

lakhs in 1971-72 and Rs.6.19 lakhs in 1973-74) were lying unutilised. These have been declared by the Division as surplus to its requirements (April 1975). These stores were allotted by the Central Stores Procurement Circle although the works for which the materials were procured were already deferred by the Board due to non-availability of other requisite materials or paucity of funds.

(vi) Purchases being made on work orders instead of supply orders, to avoid obtaining sanction of competent authority.

The powers of the Divisional Officers to procure materials on purchase orders are limited to Rs.10,000 a month (Rs.50,000 with the approval of the Superintending Engineer) but there is no such restriction in the case of work orders. Some of the Divisonal Officers procured stores by issuing work orders stipulating issue of scrap materials allegedly for fabrication of the items. For example, Electricity Maintenance Division, Barabanki purchased store materials valuing Rs.31·38 lakhs during the calendar years 1972 and 1973 through work orders.

(vii) Purchases made centrally without making samples/detailed specifications available to the consignee units making it impracticable to verify on receipt of materials, whether the supplies were as per the approved quality/make/specifications.

A few examples are given below :—

(a) In March 1972, tenders for supply of leg coils (low and high tension) were invited by the Superintending Engineer, Rural Electrification and Maintenance Circle, Varanasi. The tenders were opened on 22nd March 1972 and were finalised by the Store Purchase Committee on 26th October 1972. Orders were placed on four suppliers in December 1972 for supplies of 1,543 leg coils. The supplies were to commence within 30 days from the date of supply of samples by the various divisions which could be supplied in March 1973 only. Between June 1973 and August 1973 three suppliers intimated their inability to commence supply on the ground that the samples were supplied late and by that time the price of copper wire had increased. The other supplier completed supplies in August 1973. Subsequently in October 1973, 415 leg coils were purchased at higher rates, resulting in extra expenditure of Rs.0.44 lakh.

The matter was reported to the Board in March 1974; reply is awaited (April 1975).

(b) In April 1972 a contract was entered into with a firm of Azamgarh for supply of 1,760 kms. of A. C. S. R. (Raccoon) conductors to various divisions at Rs.2,205 per km., f. o. r. destination (including insurance but exclusive of excise duty and sales tax). The contract provided for inspection of conductors at the suppliers works site and approval of the test reports by the Board's Engineers prior to despatch of the conductors. Supplies were, however, made by the firm between May 1972 to November 1972 without offering the conductors for inspection and approval of the test reports prior to their despatch.

On receipt of complaints (December 1972) from three divisions (*viz*., Electricity Maintenance Division, Mainpuri, Electricity Transmission and Construction Divisions, Moradabad and Faizabad) that the conductors supplied (176 kms.) were of sub-standard quality, the Stores Inspection Circle collected (June 1973) some samples of conductors supplied and found that the conductors failed in "Lay-Ratio" check and "Breaking load" test, besides containing other defects

Accordingly, 610 kms. received in these three divisions were rejected and instructions were issued (July 1973) to other divisions not to use the conductors on transmission lines till such time as the samples from the remaining supplies were tested (testing was completed in March 1975). Meanwhile, full payment amounting to Rs.38 .81 lakhs had already been made during 1974-75. The period of validity of bank guarantee in lieu of security (Rs.0 .39 lakh) furnished by the supplier had also expired.

The matter was reported to the Board during September 1973 to February 1974; their reply is awaited (April 1975).

(c) In July 1970 an order was placed on a Chandigarh firm for supply of 9,000 energy meters at Rs.57 each to the Kanpur Electricity Supply Administration. While the supply was delayed, the meters supplied by the firm in March 1971 were also found to be of defective and unfit for installation, on a test check carried out in April 1971. A short notice tender, invited by the KESA, was opened on 25th July 1972 for supply of 10,000 A. C. meters. Out of nine offers received (including that of the Chandigarh supplier at Rs.51 per meter) the lowest offer of a firm of Calcutta was accepted. Order for supply at Rs.29·50 per meter was placed on the Calcutta firm in November

1972. In the meantime, further supplies (6,001 meters upto June 1971, 2,000 meters in August 1972 and 500 meters in April 1973) were accepted by the KESA from the Chandigarh firm. On test, these meters were also found to be defective and unfit for installation in the consumers' premises and 3,100 meters were lying in stock (May 1974). Acceptance of further supplies (which were defective and could not be used) from the Chandigarh firm at higher rates when fresh orders were under finalisation at lower rates resulted in extra expenditure of Rs.0·69 lakh.

The matter was reported to the Board in September 1974; reply is awaited (April 1975).

(d) The Stores Procurement Circle, Lucknow, placed orders for 40,000 pre-stressed cement concrete poles on a Jaipur firm at the rate of Rs.150 per pole excluding freight, insurance, loading and unloading charges. The poles were not inspected before despatch and in three divisions the loss on account of sub-standard supplies was as follows :—

Name of Division	Number allotted	Number received	Number damaged	Loss at the rate of Rs.150 per pole (*Rupees in lakhs*)
Electricity Maintenance Division, Ghazipur	2,000	1,936	653	0.98
Rural Electrification Division, Azamgarh	Not available	3,981	248	0.37
Rural Electrification Division, Ballia	5,000	1,994	296	0.44
		Total		1.79

The extent of the further breakages during and after erection of the poles has not yet been ascertained and the loss on this account not calculated, though in one division only (Rural Electrification Division, Azamgarh) Junior Engineers had reported 302 broken poles.

In Electricity Maintenance Division, Ghazipur, the consignments despatched in February 1974 and March 1974 were taken delivery of in May

and October 1974 respectively and the Division had to pay demurrage and wharfage charges of Rs. 0.61 lakh. The supplying firm refused to replace the damaged poles on the grounds that the damage certificates were not obtained from the Railways and that the damage had occurred due to the poles remaining at the station for a long time.

(4) *Theft of transformers*

The extent of loss due to theft of transformers through which energy is supplied to the State/private tube-wells during the five years ending 1973-74 was as indicated below :—

Year	Number of transformers stolen	Depricated value of transformers stolen	Number of theft cases in which investigations were completed	Amount of loss written off
		(Rupees in lakhs)		*(Rupees in lakhs)*
1969-70	837	20.83	10	0.08
1970-71	638	18.58	3	0.06
1971-72	1,037	27.98	..	..
1972-73	747	24.21	..	..
1973-74	1,004	33.59	..	..
Total	4,263	1,25.19	13	0·14

(5) *Theft of conductors*

The extent of loss due to theft of conductors (mainly copper conductors) during the five years ending 1973-74 was as follows :—

Year	Number of theft cases	Depreciated value of conductors stolen	Number of theft cases in which investigations were completed	Amount of loss written off
		(Rupees in lakhs)		*(Rupees in lakhs)*
1969-70	619	16.24	26	0.22
1970-71	504	11.26	5	0.09
1971-72	900	19.58	..	..
1972-73	263	6.55	..	..
1973-74	202	4.75	..	..
Total	2,488	58.38	31	0.31

(6) *Stores organisation*

The stores organisation comprises divisional stores and sub-divisional and sectional stores which are under the control of Divisional Engineers and Sub-Divisional Engineers respectively. Materials purchased against orders placed by the Central Stores Procurement Organisation are received directly in the divisional stores.

(7) *Value of stores*

The value of stores held at the end of each of the five years ending 1973-74 were as follows :—

	1969-70	1970-71	1971-72	1972-73	1973-74
			(Rupees in crores)		
Capital stores (for specific projects)	..	10.77	13.71	20.86	24.85
Other stores (in maintenance divisions)	21.17	20.86	27.82	33.40	33.55
Total	21.17	31.63	41.53	54.26	58.40

The break-up of "other stores" in maintenance divisions into revenue stores and capital stores was not available.

The value of imported stores included in the above figures, break-up of the value of stores based on age and value for each item, cost of maintenance of stores including establishment charges, cost of conducting physical verification, etc., were also not available.

According to the rules of the Board the maximum reserve stock limit for each division is required to be prescribed annually by the respective Superintending Engineer ; the limits for the year 1973-74 were not fixed. The Board stated (October 1974) that reserve stock limits for 1973-74 were not fixed due to non-finalisation of the stores budget for 1973-74.

A staff committee set up by the Board in its meeting held in April 1974 had suggested the maximum limits stock for certain categories of divisions as follows:—

(i) Electricity Maintenance Divisions — Rs.15 lakhs

(ii) Rural Electrification Divisions — Rs.30 lakhs

(iii) Electricity Test Divisions — Rs.8 lakhs

The actual holding of stock in sixty one divisions in the above category as on 31st August 1974 is indicated in Appendix III. It would be seen that against the aggregate limit of Rs.10·96 crores, the total holding of stock in these divisions was Rs.28·21 crores.

The Technical Committee on Power observed in December 1972 that the inventories held by the Board appeared to be much too high and had suggested reorganisation of the stores set up. The Planning Commission during the discussions (December 1973) with the officials of the State Government and the Board suggested reduction of inventory by Rs.10 crores. Proposals for rationalisation of the stores organisation had also been considered by the Board in 1963, 1968, 1969 and 1971. No decision to reorganise the set up could however, be taken. Meanwhile, the inventory balance increased from Rs.21·70 crores as on 31st March 1970 to Rs.58·40 crores as on 31st March 1974.

(8) *System of accounts*

In June 1966 the Board had decided to keep the initial accounts of stores according to the commercial system by not later than the beginning of 1971-72. The stores accounts, however, continue to be maintained on the old publice works system.

The present system does not provide for :—

(*a*) proper grouping of stores,

(*b*) minimum and maximum limits for each item of stores and the level at which replenishment action should be taken,

(*c*) physical verification of stores by an independent agency,

(*d*) reporting to the top management on a selective basis the position of important items of stores having large money value and

(*e*) categorisation of stores into fast moving and slow moving items.

(9) *Closing of registers*

(*a*) *Stock register*

Registers of stock are to be closed and balanced half yearly in September and March every year. But stock registers have not been closed in one division for more than ten years, in eleven divisions for more than five years and in fourteen divisions for more than three years. No information was available in respect of eight divisions.

Due to non-closure of stock registers, the extent of losses/shortages, if any, could not be ascertained even where the ground balances were verified. The Board stated (October 1974) that efforts were being made to get the half-yearly stock registers of divisions brought up-to-date and closed.

(*b*) *Register of tools and plant*

Register of tools and plant is required to be closed each year in September to ensure :—

(i) that the tools and plant issued for use by sub-divisions or temporarily lent to contractors, etc.,are returned without unnecessary delay and are in good condition, and

(ii) that there is no undue delay in adjustment of shortages/losses, if any.

Test checks conducted during local audit in 1973-74 revealed that in 12 divisions the registers of tools and plant were not closed for the last several years.

(10) *Inter-divisional transfer of stores*

When stores are transferred from one division to another, the despatching division issues an advice of debit which is required to be accepted and accounted for by the receiving division with due expedition. Advices in respect of stores valuing. Rs.24.18 crores (yearwise break-up not available with the Board) were lying unaccepted by the receiving divisions (March 1974). In the absence of such acceptances, any losses, on account of non/short delivery were being not determinable. The Board stated (October 1974) that efforts were being made to analyse and adjust the outstandings but the udadjusted balance had increased to Rs.34.22 crores as on 31st January 1975.

(11) *Shortages and unaccounted for stores materials*

A test check of the stores accounts of the divisions revealed the following cases of shortage and unaccounted for stores materials.

Name of the division	Period	Amount	Nature of discrepancy
		(*Rupees in lakhs*)	
(i) Electricity Maintenance Division, Bareilly	April 1968 to September 1969	1.69	Non-accountal of stores detected in June 1969 and October 1969.
(ii) Electricity Maintenance Division, Allahabad	April 1968 to March 1969	2.43	Stores not accounted for detected in April 1969.

Name of the division	Period	Amount (Rupees in lakhs)	Nature of discrepancy
(iii) Electricity Maintenance Division, Mirzapur	November 1969	1.16	32.341 kms. of A. C. S. R. conductors and 47 numbers of 90 lbs./rails transferred to Electricity Maintenance Division, Ghazipur in November 1969 not acknowledged.
(iv) Electricity Transmission Construction Division, Gorakhpur	September 1970 to March 1971	0.62	Shortage of materials noticed during physical verification.
(v) Electricity Maintenance Division, Ballia	June 1970	0.26	Shortage of materials detected in June 1970.
		6.05	Non-accountal of stores received by store keeper.
(vi) Electricity Maintenance Division, Lakhimpur-Kheri	March 1971	0.68	Non-accountal of material by a line inspector to whom stores were issued during April to June 1970.
Ditto	June 1972 to November 1972	0.67	Excess issue of materials detected during test check in January 1973.
(vii) Electricity Maintenance Division, Azamgarh	May 1972	9.46	Shortage of 15,762.511 metric tonnes of coal detected in August 1972.
(viii) Lucknow Electricity Supply Undertaking	Upto August 1973	49.76	Shortage of stores detected during physical verification in 1966, 1968, 1969, 1970 and 1972.
(ix) Electricity Maintenance Division, Azamgarh	March 1973 to August 1973	1.80	Shortage of stores held by 12 officials noticed during closing of stock registers in December 1971 and April 1972.
(x) Rural Electrification Division, Mathura	June 1973	2.36	Material received from other divisions in June 1973 was not accounted for.

Name of the division	Period	Amount (Rupees in lakhs)	Nature of discrepancy
(xi) Electricity Maintenance Division, Sultanpur	June 1973	0.94	Shortage of stores noticed during physical verification in April to June 1973.
Ditto	October 1972 to March 1973	0.74	Excess issue of materials detected during test check of accounts in May 1973.
(xii) Electricity Maintenance Division, Bara Banki.	August 1973 to January 1974	17.07	Shortage of materials detected during test check of the records of Central Stores.
(xiii) Electricity Distribution Division, Gorakhpur	December 1969.	0.64	Materials recoverable from officials of the Board.
(xiv) Electricity Maintenance Division, Ghazipur	February 1968 to December 1973.	2.38	Shortage of stores held by 10 officials detected in August 1973.
(xv) Electricity Maintenance Division, Bahraich	1972-73	1.44	Shortage of stores detected during physical verification and reconciliation of accounts in January 1971.
	Total	1,00.15	

(2) *Other deficiencies in stock accounts*

(i) Categorisation of fast moving and slow moving stores, their codification and standardisation has not been done.

(ii) The closing balance of stores in respect of certain items in six divisions showed minus balance aggregating Rs.1.02 crores as detailed below:—

Name of Division	Amount (Rupees in lakhs)
Transmission Survey Division, Meerut	0·03
Obra Thermal Power Electrical Division, Obra	14·29
Obra Thermal Civil Construction Division II, Obra	2·59
Electricity Maintenance Division, Aligarh	38·94
Electricity Generation Division, Srinagar	9·10
Electricity Maintenance Division, Gorakhpur	37·26
Total	1,02·21

(iii) Discrepancies between the balance shown in the divisional records and the balances as per the accounts maintained at the Board's headquarters were not reconciled. As on 31st March 1974, the stores balances as shown in the divisonal records amounted to Rs.64.26 crores against Rs.58.40 crores exhibited in the Board's accounts.

(13) *Physical verification*

Physical verificatin of stores is required to be conducted once in a year. The Technical Committee on Power observed in December 1971 that physical verification procedures were only perfunctorily observed. The Administrative Staff College, Hyderabad, in their report of 1973-74 had also observed that there being too many material storage points, physical verificatin of stores was almost impossible in the present set up. In the Audit Report for the year 1970-71 it was mentioned that during the year 1970-71 out of 113 divisions physical verification was carried out only in 48 divisions. During the year 1973-74 out of 181 divisions physical verification was carried out in 135 divisions only, and in the remaining 46 divisions the stores were not physically verified. Physical verification in 135 divisions revealed shortages and excessess of Rs. 1.62 lakhs and Rs. 15.81 lakhs respectively.

(14) *Surplus and obsolete stores*

The total stores valued at Rs.58.40 crores as on 31st March 1974 included surplus but serviceable stores valued at Rs.7.22 crores and unserviceable and osbolete stores valued at Rs.3.61 crores. The dates on which the stores were declared surplus, unserviceable and obsolete were not available (October 1974). Out of the surplus and serviceable stores, items valuing Rs.1.39 crores were allotted to other divisions by the end of September 1974 and disposal of the remaining items (Rs.5.69 crores) was awaited. Action to dispose of the unserviceable and obsolete stores is under the consideration of the Board (March 1975).

(15) *Delay in investigation of shortages*

It was observed that in cases of thefts, shortages and unauthorised issues of stores which came to light, prompt action to hold detailed enquiries or investigations was not taken. In a majority of the cases the amounts representing the value of shortages were shown as 'recoverable advance' from the officials concerned. Such advances were allowed to stand unadjusted for unduly long periods, a few instances of which are given below :—

Name of the division	Value of materials found short	Period during which the value of shortages was booked under recoverable advance	Remarks
	(Rupees)		
1. Electricity Maintenance Division, Mirzapur	20,585	December, 1957 to October 1967	The amount is recoverable from seven officials. Recovery is yet (March 1975) to be effected.
2. Electricity Maintenance Division, Aligarh	1,05,584	June 1966 to December 1973.	The amount is recoverable from 13 officials. Recovery is yet (March 1975) to be effected.
3. Electricity Maintenance Division, Ghazipur	2,37,763	February 1968 to December 1973	The amount is recoverable from 10 officials, out of which 2 have been suspended. Recovery is yet (March 1975) to be effected.
4. Electricity Distribution Division, Gorakhpur	84,223	December 1969	Material valuing Rs. 20,0659 has since been accounted for. Th value of the remaining shortages (Rs.63,564) is yet (March 1975) to be recovered from one official.

(16) *Demurrage and wharfage*

In accordance with the procedure obtaining in the Board, despatch documents (bills, railway receipts, etc.) are sent by the suppliers of stores items through their bankers to the constituent consignee units of the Board. Delivery of the materials is arranged by various units of the Board by retiring these documents after making full payment to the bankers. However, during the year 1969-70 to 1973-74 the despatch documents were not

retired in time from the bankers by many units of the Board due to non-availability of funds, resulting in payment of demurrage and wharfage charges amounting to Rs.60.49 lakhs as given below :—

Year	Amount of demurrage and wharfage paid
	(Rupees in lakhs)
1969-70	6·12
1970-71	7·98
1971-72	12·02
1972-73	8·62
1973-74	25·75
Total	60·49

The increase during 1973-74 was explained by the Divisional Officers concerned as being due mainly to delay in receipt of remittances into their operating accounts with the banks.

Some of the more important cases noticed during audit are mentioned below :—

(a) Despatch documents could not be got retired from bankers in time in Rural Electrification Division, Varanasi during January 1973 to September 1973 due to non-availability of funds with the divisional officer. Consequently, delivery of 79 consignments (valuing Rs.21.36 lakhs) could not be taken in time from the Railways, resulting in payment of demurrage and wharfage charges amountig to Rs.2.78 lakhs during that period.

The matter was reported to the Board in January 1974 ; reply is awaited (April 1975).

(b) Despatch documents were not retired in time from bankers in sixteen divisions during the period from January 1973 to July 1974, due to non-availability of funds. Consequently, delivery of the consignments was delayed resulting in payment of demurrage and wharfage charges to Railways amounting to Rs.12.88 lakhs during this period.

The matter was reported to the Board between July 1973 to August 1974; reply is awaited (April 1975).

(c) During the period from January 1973 to May 1974 owing to non-availability of funds, some despatch documents could not be got retired from the bankers in time by the Electricity Transmission and Construction Division, Varanasi. Delay in taking delivery of consignments resulted in payment of demurrage and wharfage charges (123 consignments valued at Rs.13.32 lakhs) amounting to Rs.1.51 lakhs during that period.

The matter was reported to the Board in September 1974; reply is awaited (April 1975).

Internal Audit

17. An internal audit wing was constituted by the Board in August 1972. The audit wing is headed by the Director of Internal Audit and functions under the control of the Member (Accounts). The Director of Internal Audit is assisted by three Accounts Officers—one at the headquarters and two for the fields. The Board formed six inspection parties each consisting of one Senior Accountant and two Assistant Accountants. Five parties conduct audit of revenue receipts and expenditure of the headquarters office, circle offices and divisional offices and one party conducts special audit of such divisional units in respect of which irregularities of serious nature are reported in complaints received from the public or the departmental officers. Post audit is conducted by Regional Accounts Officers and Project Accounts Officers.

In this connection the following points were noticed :—

(i) The scope and function of internal audit have not been specified by the Board so far (April 1975).

The department was required to conduct audit of each unit once in two years. During the years 1972-73 and 1973-74 and during April-November 1974 out of 181, 206 and 255 units, audit of 12, 65 and 24 units respectively was conducted. The number of units of which audit was conducted includes 11 units of which special audit was conducted during the period from 1972-73 to November 1974.

(ii) Information regarding the arrears of post audit was not available at Board's headquarters (December 1974).

Consumers analysis

18. (1) *Connected load, sale of energy and revenue yield*

Customer-wise break up of the connected load, energy sold and revenue earned during the years 1971-72 to 1973-74 is given in the Appendix IV.

It will be noticed that consumers under domestic category with 14 per cent of the total connected load purchased power of about 6 per cent of the total energy sold and contributed 12 to 14 per cent of the total revenue from sale of electricity. Industrial consumers with 38 to 40 per cent of the total connected load purchased 53 to 60 per cent of the total energy sold and contributed 42 to 45 per cent of the total revenue from sale of energy. Agricultural consumers, whose loads were mostly seasonal, with 34 to 38 per cent of the total connected load purchased 15 to 19 per cent of the total energy sold and contributed 22 to 26 per cent of the total revenue from sale of energy.

(2) *Overall revenue compared to cost*

Energy sold (excluding free supplies), revenue expenditure (including interest, depreciation and general reserve etc.) and overall loss per unit of energy sold during the years 1971-72 to 1973-74 are indicated below :—

Year	Units sold (MKWh)	Total revenue (*Rupees in lakhs*)	Total expenditure (*Rupees in lakhs*)	Overall revenue per unit sold (paise)	Overall cost per unit sold (paise)	Overall loss per unit (paise)
1971-72	4475.32	6744.45	7599.92	15.07	16.98	1.91
1972-73	4790.23	8397.99	9583.29	17.53	20.00	2.47
1973-74	4309.68	7998.26	11305.76	18.56	26.23	7.66

The overall loss per unit of energy sold is increasing from year to year.

Manpower analysis

19. (A) (i) The number of persons employed by the Board during the five years endig 31st March 1974, is idicated below :—

Year	Number of regular employees
1969-70	38418
1970-71	46281
1971-72	57804
1972-73	68469
1973-74	73254

The above figures are exclusive of work-charged employees and those engaged on muster-rolls. In 1973-74, the Board had employed around 14000 work-charged employees.

(ii) The manpower compared to the expenditure for generation of electricity and the revenue earnings is indicated in the following table:—

Year	Installed capacity of the Board's stations (MW)	Units generated in the Board's stations (MKWh)	Units sold and free supply (including power purchased from other States) (MKWh)	Gross revenue (*Rupees in lakhs*)
(1)	(2)	(3)	(4)	(5)
1971-72	1397.76	5986.39	4485.96	67,44.45
1972-73	1405.96	6560.70	4804.09	83,97.99
1973-74	1529.24	5734.66	4322.24	79,98.26

Total expenses (including cost of power purchased, depreciation, interest) (*Rupees in lakhs*)	Total staff (excluding work-charged establishment and persons employed on daily muster rolls (Number)	Gross revenue per employee (Rupees)	Gross expenditure per employee (Rupees)
(6)	(7)	(8)	(9)
75,99.92	57,804	11,668	13,148
95,83.29	68,469	12,265	13,997
1,13,05.76	73,251	10,919	15,434

It is observed that :—

(a) the expenditure per employee was increasing from year to year,

(b) the revenue per employee in 1973-74 was very much lower as compared to 1971-72 and 1972 73, and

(c) while total expenses during 1973-74 increased by Rs.17,22.46 lakhs compared to 1972-73, the total revenue decreased by Rs.3,99.73 lakhs.

The increase in gross expenditure per employee during 1973-74 has been attributed (April 1975) by the Board to increase in emoluments and regularisation of work-charged employees.

(B) An analysis of establishment expenses in relation to the units sold and services rendered during the three years ending 1973-74 is given below :—

	1971-72	1972-73	1973-74
(a) Generation—Hydel			
Units sent out (excluding consumption in auxiliaries) (MKWh)	2271.0	2704.6	1970.5
Expenditure on staff (including proportion of general establishment) (Rupees in lakhs)	8.25	13.32	19.04
Expenditure on staff per KWh sent out (paisa)	0.04	0.05	0.10
(b) Generation—Thermal			
Units sent out (excluding consumption in auxiliaries) (MKWh)	3358.7	3491.3	3393.6
Expenditure on staff (including proportion of general establishment) (Rupees in lakhs)	625.46	885.92	1418.59
Expenditure on staff per KWh sent out (paise)	1.86	2.54	4.18

	1971-72	1972-73	1973-74
(c) Generation—Internal cumbustion			
Units sent out (excluding consumption in auxiliaries) (MKWh)	2.5	2.3	8.9
Expenditure on staff (including portion of general establishment) (Rupees in lakhs)	8.50	10.63	27.43
Expenditure on staff per KWh sent out (paise)	34.00	46.22	30.84
(d) Transmission, distribution including public lighting and consumers servicing			
Total units sold including free supplies (MKWh)	4486.0	4,804.1	4322.2
Establishment expenditure on staff (including proportion of general establishment) (Rupees in lakhs)	178.25	263.45	364.31
Exenditure on staff per KWh sold (paise)	0.40	0.55	0.84

It is observed that expenditure on establishment has been on the increase each year. The cost of establishment expenses per KWh sold increased by more than 100 per cent in 1973-74 as compared to 1971-72 and more than 50 per cent as compared to 1972-73.

Bank transactions

20. (1) *Procedure*

The Board, which was conducting its cash business with Government treasuries upto March 1969, started banking arrangements of one-third of its cash business with scheduled banks from May 1969. From February 1973 it started conducting its entire banking business with scheduled banks. The procedure prescribed was that all revenues due to the Board should be deposited in current accounts and withdrawals by authorised departmental officers should be from drawing accounts for which funds were transferred by the Board's headquarters office.

(2) *Heavy balances*

The balances of the Board in banks/treasuries as on 31st March during the last three years, are indicated below :—

Year	Balances in banks/treasuries (*Rupees in crores*)
1971-72	6.76
1972-73	13.30
1973-74	10.03

The Board borrowed Rs.2.00 crores in 1971-72, Rs.15.53 crores in 1972-73 and Rs.5.57 crores in 1973-74 from scheduled banks at interest rates ranging from 9¼ per cent to 9½ per cent.

(3) *Reconciliation of balances*

The bank and treasury accounts should be reconciled with the Board's accounts and adjustments made (in the accounts) to exhibit the correct state of affairs. This was, however, not done and the cash balances in the banks/treasuries were shown in the accounts after deducting the withdrawals made during the year from the opening cash balance and receipts as reflected in the accounts.

21. *Other topics of interest*

(*a*) *Purchase of prestressed cement concrete poles*

Tenders for supply of four lakh prestressed cement concrete poles were invited in June 1972. Thirty tenders were received (including one received late) and opened on 24th June 1972. Orders for supply of 3.65 lakh poles were placed (January 1973) on 12 suppliers (including three firms on whom orders were placed for 1.66 lakh poles against 1.10 lakh poles offered by them) at the rate of Rs.155 per pole *plus* freight charges from works to destination estimated to be Rs.3·12 to Rs.4·62 per pole. In the meantime, Hindustan Housing Factory Limited, New Delhi (a Central Government Undertaking) whose offer was the third lowest, made a revised offer (December 1972) to supply at the rate of

Rs.167 per pole up to 1·10 lakh poles, Rs.163 per pole upto 1,99,999 poles and Rs.160 per po'e for 2·00 lakh poles or more. The poles offered by the factory were considered suitable. Actual supplies against the January 1973 orders were estimated at 89,000 poles only and it was decided to procure more poles up to March 1974. To meet the increased demand orders for supply of 1·60 lakh poles were placed on 1st March 1973 on Hindustan Housing Factory at the rate of Rs.163 per pole f.o.r. destination. As the cheaper rates (for 2 lakh po'es and beyond) offered by Hindustan Housing Factory were known, supply order on Hindustan Housing Factory could have been increased to 2 lakh poles (at the rate of Rs.160 per pole) by reducing the excess quantity (40,000 poles) ordered on the three firms. Had this been done, the Board could have saved Rs.4·40 lakhs after setting off the differential on 40,000 poles.

The matter was reported to the Board in September 1973; reply is awaited (April 1975).

(*b*) *Loss of rebate*

According to an agreement executed in December 1969 with National Coal Development Corporation Limited for supply of ungraded coal from Singrauli coal fields, a rebate of 2 per cent was admissible provided full payment was made within 30 days from the dates of receipt of bills. In Central Payment and Accounts Division, Obra alone three bills amounting to Rs. 29·51 lakhs received in January to June 1973 could not be paid within thrity days (payments were made after 60 days) from their date of receipt due to non-availability of funds with the Division. Rebate of Rs.0·59 lakh could not, therefore, be availed of.

The matter was reported to the Board in August 1973; reply is awated (April 1975).

(*c*) *Avoidable expenditure*

In December 1970 an agreement for construction of roads (estimated cost : Rs.0·75 lakh) in Harduaganj Power House Colony, was executed by the Civil Construction Division, Aligarh with a contractor. In accordance with the agreement the work was to be completed within three months from the date of commencement of the work, which was to be fixed by the Division. The work was subsequently transferred (April 1971) to another division located there ; the contractor was requested to commence the work from 1st July 1971.

Since the rainy season had already set in the contractor requested (30th June 1971) for permission to start the work after the rains. This was rejected and the contractor's secruity money (Rs.2,257) was forfeited (March 1972). Tenders were again invited in November 1971 and in April 1972 but these could not be finalised as the rates tendered were found to be higher by 15 to 20 per cent over the Public Works Department schedule of rates. In the meantime, the contractor offered (May 1972) to execute the work on the Public Works Department schedule of rates and to complete it within three months. The Divisional Officer recommended (12th June 1972) to the Superintending Engineer that the work be awarded to the contractor at the rates offered by him. A decision could not be taken by the Superintending Engineer. On grounds of urgency of work another tender was invited (November 1972) and the work was awarded to another contractor for Rs.1·07 lakhs (February 1973). Non-acceptance of the request of the first contractor for commencement of the work after the rainy season resulted in extra expenditure of Rs. 0·32 lakh.

The matter was reported to the Board in December 1973 ; reply is awaited (April 1975).

(d) *Short accountat of copper screap*

In the Electricity Maintenance Division, Jaunpur 332 H. T. and 147 L. T. Leg Coils were issued from stock during the period from April 1969 to September 1973 for repair of transformers of various sizes. Copper scrap retrieved from the leg coils of one tranformer was stated by to vary from 4 to 8 kilogrammes. As against 2,768 kilogrammes of copper scrap expected to be retrieved only 904 kilogrammes were accounted for. Less recovery of 1,864 kilogrammes of copper scrap works out to a loss of Rs.0.26 lakh (at the rate of Rs.14 per kilogramme).

The matter was reported to the Board in August 1974 ; reply is awaited (April 1975).

(e) *Short accountal of copper wire*

Estimate for replacement of 66 KV Pathri—Dehra Dun copper line by aluminium coductor took credit of the value of 76,818 kilogrammes of copper wire to be received from dismantling of the existing lines. Only 54,437 kilogrammes of copper wire were, however, received back and accounted for. Short recovery of 22,381 kilogrammes of copper wire works out to a loss of Rs.3·13 lakhs (at Rs.14 per kilogramme).

The matter was reported to the Board in April 1973; reply is awaited (April 1975).

(f) *Non-availing of freight concession*

Freight rate for transportation of coal and coke was revised by the Railways with effect from 1st July 1971. A concession in freight at 50 paise per tonne for distance between 500 kilometres and 1,000 kilometres, and 75 paise per tonne upto 1,500 kilometres was provided on the transportation of coal during the slack season(slack season is defined by Railways as the period from June to September). During the months of July 1971 to September 1971, July 1972 to September 1972 and June 1973 to September 1973, 1,34,493 tonnes of coal were received by the power house at Kasimpur, (84,640 tonnes), Rampur (18,075 tonnes) and Allahabad (31,778 tonnes). However, the concession in freight admissible during this period of the year was not awailed of.T his resulted in extra expenditure of Rs.0.93 lakh.

The cases were reported to the Board during June 1972 to August 1974; reply is awaited (April 1975).

(g) *Rembval of coal ash*

An agreement dated 29th October 1971 for removal and sale of coal ash executed by the Maintenance Division, Mainpuri with a firm of Mainpuri (operative form 1st January 1972 to 31st December 1972) provided for removal of coal ash from Mainpuri Power House on payment to the Board by the firm at Rs.13.53 per hundred cft. Tenders were invited in November 1972 for this work during 1973. The offer of another firm of Mainpuri for executing the work on payment of Rs.42.91 per hundred cft. was recommended (March 1973) to the Suprintending Engineer for acceptance by the Circle Purchase Committee. No decision was taken by the Purchase Committee till 12th March 1973. In the meantime, the work was continued to be done upto 31st March 1973 by the existing contractor at the old rates. Delay in finalisation of tender by three months resulted in loss of revenue amounting to Rs.0.51 lakh.

The matter was reported to the Board in August 1974; reply is awaited (April) 1975.

(h) Extra payment to contractors

Concrete and allied works in sub-structures and super-structures of Obra Thermal Power House (Stage I) was awarded to a contractor of Calcutta in November 1969 at an estimated cost of Rs.36.58 lakhs. Schedule of works included excavation of 17,374 cubic metres of hard rock/boulders for column foundation inside and outside the main power house building and its disposal within a lead of 500 metres with a lift of 3 metres (including its spreading and stacking selectively). The contractor was requird to use the excavated hard rock/boulders as coarse aggregates in the concrete work for which recovery was to be made at Rs.4 per 100 cubic metre. The contractor disposed of 16,901 cubic metres of hard rock/boulders by carrying the same to distances ranging between 800 metres and 1,500 metres on the ground that dumping space was not available within 500 metres as the same was occupied by the plant and equipment materials of 5×50 MW power house units. Rupees 1.53 lakhs had to be paid extra to the contractor for carrying the excavated mass beyond the lead of 500metres. Out of the quantity excavated, 13,512 cubic metres of hard rock/boulders were used as coarse aggregates in the concrete work by the contractor.

Similarly, in the concrete and allied works in sub-structures and structures of Obra Thermal Power House (Stage I) awarded in November 1969 to a firm of Howrah at an estimated cost of Rs.37·52 lakhs of similar terms and conditions, 14,764 cubic metres of hard rock/boulders were carried by the contractor between 600 metres and 1,300 metres, *i.e.*, beyond the initial lead of 500 metres as stipulated in the agreement, because space was not available for breaking that into coarse aggregates for use in concrete work. Out of this 13,900 cubic metres of hard rock/boulders were used by the contractor as coarse aggregate in the cement concrete work. Extra payment of Rs.1.11 lakhs had to be made to the contractor for the extra lead.

The matter was reported to the Board in March 1974; reply is awaited (April 1975).

(i) Excess freight on coal

A concession of 2 per cent in freight is allowed by the Railways from July 1971 if the coal is booked in full rake on a single railway receipt. Instructions to coal suppliers for despatches on a single railway receipt for complete rake were also issued by the Stores Procurement Circle in December 1971. However, in three units the concession was not availed of by the Board even though the coal was received in full rakes on single railway receipt during the period from July 1971 to January 1974. The amount of freight concession lost amounted to Rs.2.57 lakhs as detailed below:—

Unit	Period of supply	Amount of freight paid	Amount of rebate admissible
		(In lakhs of rupees)	
Allahabad Electric Supply Undertaking, Allahabad	April 1973 to January 1974	27·44	0·55
Central Payment and Accounts Division, Obra	July 1971 to January 1974	91·67	1·83
Electricity Maintenance Division, Rampur	July 1971 to June 1973	9·47	0·19
	Total	1,28·58	2·57

The cases were reported to the Board in July 1973 and between March 1974 and August 1974; reply is awaited (April 1975).

(j) Short receipt of copper wire

In October 1970 instructions were issued by the Board for replacement of copper conductors with A. C. S. R. conductors and this process was required to be completed by the end of 1972. Consequent upon the

replacement, against 2.14 lakh kilogrammes of copper wire retrievable, only 1.85 lakh kilogrammes were actually accounted for in eight maintenance divisions, vide details given below :—

Name of the division	Copper conductor retrievable	Copper conductor retrieved	Shortage
		(In kilogrammes)	
Electricity Maintenance Division, Hardoi	38,515	33,815	4,700
Electricity Maintenance Division, Ghaziabad	9,236	5,806	3,430
Electricity Maintenance Division, Jaunpur	46,346	42,945	3,401
Electricity Maintenance Division, Sultanpur	27,497	24,094	3,403
Electricity Maintenance Division, Ballia	10,235	8,000	2,235
Electricity Maintenance Division, Lakhimpur-Kheri	4,866	3,277	1,589
Electricity Maintenance Division, Ghazipur	8,036	7,229	807
Electricity Maintenance Division, Azamgarh	69,390	59,823	9,567
Total	2,14,121	1,84,989	29,132

Copper conductors weighing 29,132 kilogrammes valuing Rs.4.08 lakhs (at the rate of Rs. 14 per kilogramme at which rate copper wire had been sold by the Board in 1972) remained unaccounted for. Neither any recovery has been made nor has responsibility for the loss been fixed so far.

These cases were reported to the Board between August 1972 and December 1973; reply is awaited (April 1975).

(k) Avoidable payment of demurrage and road transport charges

In accordance with the despatch instructions issued by the Board on 2nd May 1973, a consignment of A.C.S.R. conductors (8,110 kms. in 8 drums) was despatched by a firm of Jaunpur by rail to Robertsganj railway station for the Divisional Officer, Electricity Transmission and Construction Division, Varanasi. As arrangement of crane for unloading the consignment from the wagons at Robertsganj could not be made from Sahupuri railway station by the Divisional Officer in time (arrangements were made for subsequent consignments) the consignment was diverted to another railway station (Vyasnagar). Delivery of the consignment was taken on 4th January 1974 at Vyasnagar (where crane facility was available) by the Sub-divisional Officer and the goods were transported back by road to Robertsganj. This resulted in avoidable payment of demurrage at Robertsganj (Rs.0.24 lakh) and transportation charges (Rs.0.03 lakh) from Vyasnagar to Robertsganj.

The matter was reported to the Board in September 1974; reply is awaited (April 1975).

(l) Short recovery of copper conductors

In accordance with the instructions issued by the Board (October 1970) for replacement of copper conductors with aluminium conductors, 29,382 kilometres of aluminium conductors were issued for replacement (to be done departmentally) in the Electricity Maintenance Division, Aligarh during January and February 1973. Against this, the replaced copper conductors were not received back and accounted for in the books of the Division. Non-recovery of copper conductors (3,370 kilogrammes), thus, resulted in a loss of Rs.0.54 lakh (at the rate of Rs.16 per kilogramme).

Similarly, copper conductors worth Rs.4.69 lakhs were short recovered in the Electricity Maintenance Division, Moradabad during the period from May 1972 to November 1972.

The matter was reported to the Board in September 1973 and January 1974; reply is awaited (April 1975).

(m) Sale of copper scrap

In July 1970 tenders for sale of copper scrap (272.358 tonnes) were invited by the Stores Procurement Circle. Out of 21 offers received the offers of four firms at Rs.17.03 per kilogramme for single wire and between Rs.16.21 to Rs.16.33 per kilogramme for other scrap, were recommended by the Circle (September 1970) for acceptance by the Board. As the tenders could not be finalised within the validity period (15th September 1970) the parties were requested to extend the validity of their offers upto 19th October 1970 which was agreed to. Tenders could not be finalised within this extended validity period also. When requested the tenderers again extended their validity period upto 5th December 1970. On 3rd December 1970 the Board decided (without assigning any reason) to reject the tenders. Fresh tenders were invited on 12th August 1971. Out of 22 tenders received the highest offer of a Delhi firm for purchasing the entire quantity (1,294 tonnes approximately) for Rs.2 crores (at the rate of Rs.15.64 per kilogramme for single wire, Rs.15.44 for stranded and Rs.15.25 per kilogramme for other type) was recommended (September 1971) by the Circle for acceptance by the Board. The Board, however, awarded the contract to a State Government Undertaking, *viz.*, U. P. Small Industries Corporation (October 1971) for Rs.1,83.17 lakhs (even though it had not tendered any rate) on the grounds that the requirements of small industries in the State would be best served through the agency of U. P. Small Industries Corporation. In this connection it may be mentioned that the U. P. Small Industries Corporation Limited sold out the entire quantity to a Moradabad firm at Rs.16 per kilogramme.

Non-acceptance of the offer of the Delhi firm (for Rs.2 crores), thus, resulted in loss of revenue of Rs.16.83 lakhs.

The matter was reported to the Board in April 1972; reply is awaited (April 1975).

CHAPTER II

GOVERNMENT COMPANIES

SECTION III

Introduction

22. There were 25 Companies (including 8 Subsidiaries) of the State Government as on 31st March 1974 as against 18 Companies (including 3 Subsidiaries) as on 31st March 1973. Out of the 25 Companies, 22 Companies (including 7 Subsidiaries) close their accounts on 31st March and 2 Companies (including one Subsidiary) on 30th September. One Company, *viz.*, U. P. Panchayat Raj Vitta Nigam which was incorporated in April 1973 closed its accounts on 31st December 1973. Indian Bobbin Company Limited, which went into voluntary liquidiation, is in the process of being wound up.

23. A synoptic statement showing the summarised financial results of 16 Companies for the year 1973-74 is given in Appendix V.

The accounts of the following companies are in arrears :—

	Year from which accounts are in arrears
(a) U. P. Export Corporation Limited	1973-74
(b) U. P. Bundelkhand Vikas Corporation Limited	1973-74
(c) U. P. State Bridge Corporation Limited	1972-73 onwards

Paid-up capital

24. The aggregate of paid-up capitals of the 16 Companies at the end of 1973-74 stood at Rs.46,13.53 lakhs. Particulars of investments as on 31st March 1974 made by the State Government, Holding Company and private parties in the paid-up capital of the 16 Companies are as follows :—

Category of Companies	Number	State Government	Holding Company	Private parties	Total
				(Rupees in lakhs)	
Companies fully owned by State Government	14	44,35.76	..	..	44,35.76
Companies owned by Holding Company	1	..	0.18	..	0.18
Companies jointly owned by Holding Company and by private parties	1	..	1,62.59	15.00	1,77.59
Total	16	44,35.76	1,62.77	15.00	46,13.53

25. *Profits and dividends*

The working results of the 16 Companies showed a net loss of Rs.2,73.35 lakhs in 1973-74 as against net profit of Rs.2.71 lakhs earned during the previous year. While there was considerable increase in the profits made by two Companies, *viz.*, U. P. State Industrial Development Corporation and U. P. Small Industries Corporation, there was substantial decrease in profits made by one Company, *i. e.*, U. P. State Agro-Industrial Corporation. Two Companies, *viz.*, U. P. State Cement Corporation and U. P. Sugar Corporation sustained substantial losses. In the case of one Company, *viz.*, Mohammadabad People's Tannery Limited the cumulative loss (Rs.4.81 lakhs) sustained was 86 per cent of its paid-up capital of Rs.5.61 lakhs.

Three Companies declared dividends aggregating Rs.19.15 lakhs during 1973-74 which works out to 0.42 per cent of the total paid-up capital of Rs.46,13.53 lakhs of the 16 Companies (including 2 Subsidiaries). The balance of surplus was retained in business by appropriation to reserves.

The names of the Companies together with the surplus, dividend declared, etc., are indicated below:—

Names of the Company	Amount of surplus	Amount retained in business	Amount of dividend
	(Rupees in lakhs)		
U. P. State Agro-Industrial Corporation Limited	47.68	41.43	6.25
U. P. Small Industries Corporation Limited	48.87	44.97	3.90
U. P. Textile Corporation	78.68	69.68	9.00
	Total		19.15

Six Companies with paid-up capital of Rs.20,58.29 lakhs sustained losses totalling Rs.4,10·72 lakhs of which Rs.3,99·01 lakhs pertained to two companies alone.

SECTION IV

Uttar Pradesh State Industrial Development Corporation Limited

26. *Introduction*

(1) The Uttar Pradesh State Industrial Development Corporation Limited was incorporated as a fully owned Government Company in March 1961. The main object of the Company is to promote and advance the industrial development of the State.

Functions

(2) The Company is currently engaged in the following activities :—

(a) Development of Industrial areas,

(b) Underwriting of shares issued by public limited companies,

(c) Procurement of industrial licences from the Government of India for setting up joint-sector projects, and

(d) Operation of mines and quarries of limestone, dolomite and magnesite.

Capital structure

(3) The authorised capital of the Company was initially Rs.5 crores which was increased in 1969-70 to Rs.10 crores consisting of 10 lakh equity shares of Rs.100 each.

The paid-up capital of the Company (entirely contributed by the State Government) was Rs.7,98·73 lakhs on 31st March 1974.

In addition, the Company obtained loans from the State Government for financing the scheme for development of industrial areas carrying a rate of interest of 8 per cent with rebate of 2½ per cent for punctual repayment of principal and interest. Up to 1973-74, loans aggregating Rs.757·75 lakhs were obtained, out of which Rs.428·00 lakhs were repaid ; the balance outstanding on 31st March 1974 was Rs.3,29·75 lakhs.

Financial position

(4) The following table indicates the financial position of the Company at the end of each of the three years up to 1973-74 :—

	1971-72	1972-73	1973-74
	(*Rupees in lakhs*)		
(*I*) *Liabilities*			
(*a*) Paid-up capital	7,98·73	7,98·73	7,98·73
(*b*) Reserves and surplus	70·89	79·08	99·02
(*c*) Borrowings	4,06·63	3,85·75	3,29·75
(*d*) Current liabilities (including provisions).	1,55·76	2,04·17	3,01·52
Total	14,32·01	14,67·73	15,29·02
(*II*) *Assets*			
(*e*) Gross block	7·29	8·38	8·90
(*f*) *Less* depreciation	3·68	4·13	4·70
(*g*) Net fixed assets	3·61	4·25	4.20
(*h*) Capital works-in-progress	17·93	0·80	0·82
(*i*) Investments	..	51.00	54·19
(*j*) Current assets (including loans and advances)	14,10·47	14,11·68	14,69·81
Total	14,32·01	14,67·73	15,29·02
(*III*) Capital employed	12,58·32	12,62·76	12,26·67
(*IV*) Net worth	8,69·62	8,77·81	8,97·75

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

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

27. (i) *Cash management*

During each of the five years up to 1973-74 the Company received the following amounts from the State Government as share capital and loans for financing its activities, a sizeable portion of which was kept in call and fixed deposits in banks as under :—

Year	Share capital raised during the year	Loans taken during the year	Deposits with banks at the end of each year
	(*Rupees in lakhs*)		
1969-70	74.00	85.00	2,69.11
1970-71	2,59.75	1.00	4,26.14
1971-72	24.00	2,21.00	5,68.92
1972-73	..	1,08.00	4,23.20
1973-74	..	..	3,19.58

The non-utilisation of funds was attributed by the Management in March 1974 to (i) delay in floating of shares by certain companies whose shares were underwritten, and (ii) retention of funds to meet other commitments.

(ii) *Working results*

The working results of the Company during the five years up to 1973-74 were as under :—

	1969-70	1970-71	1971-72	1972-73	1973-74
			(*Rupees in lakhs*)		
(i) Profit before tax	21·70	33·59	45·30	49·28	60·21
(ii) Tax provision	7·43	16·88	13·35	17·85	24·30
(iii) Profit after tax	14·27	16·71	31·95	31·43	35·91
(iv) Cumulative profits (General Reserve *plus* profit carried to Balance Sheet)	15·90	30·60	60·05	63·34	77·25

The reasons for the increase in profits were stated to be :—

(*a*) larger dividends on shares subscribed in the assisted companies (Rs. 15·48 lakhs in 1969-70 Rs.20·29 lakhs in 1970-71, Rs.22·40 lakhs in 1971-72, Rs.24·81 lakhs in 1972-73 and Rs.29·66 lakhs in 1973-74),

(*b*) interest earned on surplus capital kept in call and fixed deposits with commercial banks (Rs.11·71 lakhs in 1969-70, Rs.18·30 lakhs in 1970-71, Rs.22·92 lakhs in 1971-72, Rs.31·03 lakhs in 1972-73 and Rs.20·20 lakhs in 1973-74), and

(*c*) interest received on deferred premium on land allotted under the scheme for development of industrial areas (Rs.11·71 lakhs in 1969-70, Rs.18·30 lakhs in 1970-71 Rs.8·16 lakhs in 1971-72 Rs.15·89 lakhs in 1972-73 and Rs.33·76 lakhs in 1973-74).

The bulk of the profits are attributable to the interest earned on idle capital, including loan capital kept in call or fixed deposits. In regard to loan capital which was obtained for financing the industrial areas

scheme, the interest charges on borrowings from the State Government (rate varying between 4 per cent and 5½ per cent) were less than the interest charged from allottees of industrial land on the deferred portion of the premium.

28. *Underwriting of shares*

(*a*) In pursuance of its objective the **Company underwrites public** issue of shares by limited companies mainly to help in mobilisation of resources in the private sector for promotiion and establishment of manufacturing units within the State.

Since its inception and upto 31st March 1974, the Company granted underwriting facilities to 60 units. In one case preference shares were subscribed by the Company by converting an existing loan of Rs.20 lakhs. The total underwriting commitment upto March 1974 was for Rs.6,32.18 lakhs against which the Company was called upon to subscribe shares of the value of Rs.4,58.26 lakhs. The total share capital raised by these units upto 31st March 1974 was Rs.96 crores.

The Company has been underwriting the shares of only such units whose share issues had also been underwritten by other financial institutions such as the Industrial Finance Corporation of India and the Industrial Development Bank of India and has been relying on these institutions for financial appraisal, technical scrutiny and inspection of the prospective units for underwriting of shares.

(*b*) The details of dividends received by the Company from the assisted units during the three years ending 1973-74 are given below :—

	1971-72	1972-73	1973-74
Number of assisted units	6	9	9
Capital subscribed by the Company as at the end of the year (Rupees in lakhs)	1,00.20	1,43.00	1,52·29
Dividend received during the year (Rupees in lakhs)	22.40	24.81	29.66

Five units in which Rs.34.45 lakhs were subscribed by the Company during the period from 1965 to 1973 as a result of underwriting arrangements, were still in the construction stage (March 1975). There were delays in construction works for periods varying from one to seven years.

Twelve units in which share capitals aggregating Rs.90.41 lakhs were subscribed by the Company during the period from 1963 to 1972, in terms of the underwriting aggreements, were running with cumulative losses as per their latest available accounts.

(c) Control over assisted units.

In terms of the underwriting agreements the Company had appointed its directors and officers and, in some cases, officers of the State Government as directors on the Boards of all the assisted units. However, a test check revealed that the nominee directors did not regularly attend a number of Board meetings of the assisted units.

According to instructions issued in September 1973, the nominee directors were required to submit reports after each Board meeting of the assisted units. No director appears to have submitted the prescribed report after any of the meetings.

Under the underwriting agreements, the Company had the right to conduct technical and financial inspections during the construction stage and after commissioning of the units. No inspection of any of the assisted units was, however, conducted. No reasons were assigned for not conducting such inspections or for not prescribing a regular procedure in regard to such inspections.

(d) Disposal of shares

None of the shareholdings (equity and preference), which the Compay had purchased in terms of various underwriting agreements, have so far been offered for sale, excepting certain transfers to promoters. In October 1971 the policy for sale/disposal of such shares was reviewed by the Company and it was decided that its liquid resources should be augmented by sale of such of its holdings as were quoted above their face value provided that the amount so received could be re-invested to fetch better returns. The shares would be sold in small lots only after the unit had achieved the objectives for which the assistance was granted. It was

also decided that there should be no fixed criteria in regard to the disposal of shares and each case would be decided depending upon the circumstances. The guiding principle which the Board of Directors approved, was that the sales should be done only when the return already received appeared to be adequate, taking into account the period during which there was no return. This policy was stated to be inaccordance with the policy of other financial institutions in the country.

(e) Losses in the wake of underwriting of shares

(i) Bist Industrial Corporation

The Company had sanctioned in September 1964 underwriting of shares of Rs.17.98 lakhs (Rs.14.48 lakhs equity and Rs.3.50 lakhs preference) to Bist Industrial Corporation Limited, Kichcha (Naini Tal). The unit, which was formed with the object of setting up and operating a sugar mill, made the public issue in June 1965 and the Company's liability was determined at Rs. 17.89 lakhs. The Company paid application money of Rs.4.47 lakhs on 9th August 1965 and allotment money of Rs.4.47 lakhs on 1st September, 1965. A further sum of Rs.4.47 lakhs was paid as the first call money, on 10th December 1965. The unit could not get its shares enlisted with the approved Stock Exchanges as per the prospectus. A suit for recovery of the amount paid along with interest was filed on this ground by the Company in the Delhi High Court in July 1968, which is still pending (March 1975). The State Government, in the meantime, issued an Ordinance on 12th September 1970, taking over the undertaking mainly on the ground of inordinate delay in completion of the project and commencement of production. In terms of the Act replacing the Ordinance the Company filed another suit on 15th March 1971 with the District Judge, Naini Tal for recovery of Rs.17.07 lakhs being the share money *plus* interest at 5 per cent upto February 1971, which is still pending (March 1975).

The State Government had earlier given two loans to this unit and accordingly recovered Rs.82.12 lakhs (principal *plus* interest) from the total compensation of Rs.1,31.59 lakhs payable to it, leaving a balance of Rs.49.47 lakhs for distribution amongst all the creditors and contributories, including the Company. The amount due to the secured and unsecured creditors of the unit, however, exceeded the balance of compensation received by it from the Government and the Company's Balance Sheet as on 31st March 1974 shows a contingent liability of Rs. 4.47 lakhs on account of the final call money.

(ii) Hind Auto Industries Limited, Lucknow

The unit was established at Lucknow for manufacture of aircraft and automobile parts. In June 1963 the unit issued equity shares of the value of Rs.15.19 lakhs and preference shares of Rs.5.00 lakhs. In terms of an underwriting commitment the Company's liability was Rs.6.44 lakhs in respect of equity and Rs.2.13 lakhs in respect of preference shares. On account of continued losses the unit was merged with the Automobile Products of India Limited, Bombay in 1971-72 under a scheme of reorganisation. Against its holdings of equity in the old unit, the Company was allotted equity shares of the face value of Rs.3.86 lakhs in the new company. The Company suffered a loss of Rs.2.58 lakhs as a result of the merger.

29. *Mining activities*

(a) Limestone mines

In November 1962, the Company obtained from the State Government a mining lease on a total area of 2,532.48 acres, for quarrying limestone in Mirzapur district. Quarrying of limestone was commenced in 1963-64 and limestone was supplied to the Durgapur Steel Plant and the Tata Iron and Steel Company Limited. The quality of limestone extracted from these mines was, however, not found suitable by these two steel plants. The Company decided to continue commercial exploitation of these mines and efforts were made to secure fresh bulk orders. In May 1968, orders were secured for 30,000 M. T. of limestone from Durgapur Steel Plant. Another order for 30,000 M. T. was obtained from the plant in February 1969. Supplies against both these orders were completed in May 1970. On testing in the Steel Plant, the limestone supplied was found to be of substandard quality and a large quantity of the material was rejected and returned. The Company suffered a loss of Rs.1.71 lakhs on this transaction. The consignee recovered the price including freight charges on the rejected limestone by adjustment from the price of dolomite subsequently supplied by the Company. Extraction of limestone was discontinued in 1970 but sale of the left-over stock continued. The production and sales of limestone since inception were as under :—

Year	Production (M.T.)	Sales (M.T.)	Value (*Rupees in lakhs*)
1964-65	21,888	21,888	2.44
1965-66	20,083	20,083	2.02
1966-67	751	750	0.10
1967-68	379	379	0.09
1968-69	9,589	588	0.06
1969-70	27,398	27,349	3.56
1970-71	..	2,404	0.31
1971-72	..	72	0.01
1972-74	..	146	0.06
1973-74	..	16	0.01

The Company has not (November 1974) surrendered the lease rights of these mines and is paying an annual dead lease rent of Rs. 12,666.

(b) Dolomite mines

During the excavation operations of the limestone mines in 1965-66, the Company discovered deposits of dolomite of steel melting grade in nearby Kajarahat area. It obtained lease rights in May 1967, in respect of 1,656·32 acres from the State Government on an annual lease rent of Rs.16,563. Exploitation commenced immediately. As per the preliminary project estimates the operation of these mines was assessed to be commercially viable. For standard quality dolomite (dolochips) the Durgapur Steel Plant and the Tata Iron and Steel Company Limited were expected to be the main purchasers and the inferior grade dolomite, unfit for steel plants, was to be sold out as grit to the State Public Works Department.

Since 1972 there has been a steep fall in production. The last bulk order from the Durgapur Steel Plant for 36,000 M. T., which was to be completed during July 1972 to June 1973, could be completed only in July 1974. There were also large scale rejections of dolochips by the Durgapur Steel Plant. Production, sales and rejections of dolomite since commencement of working of the mines were as under :—

Year	Production (M.T.)	Sale (M.T.)	Value	Rejections
			(In lakhs of rupees)	
1967-68	30,923	30,923	6·33	..
1968-69	36,190	35,299	8·08	0·21
1969-70	23,837	23,255	5·86	0·14
1970-71	23,261	21,447	5·27	0·13
1971-72	25,041	21,523	5·02	..
1972-73	18,518	12,566	3·23	0·50
1973-74	9,923	5,250	1·37	(Not available)

The steep fall in sale registered in 1972 has persisted and there are no orders since May 1974. The Tata Iron and Steel Company Limited have developed their own mines and have, therefore, decided not to give the Company any long-term orders. The Durgapur Steel Plant also expressed their inability to place orders on account of high freight charges from Chopan to Durgapur and also because the dolomite was not of prescribed specification; other steel plants also find it uneconomical to buy Chopan dolomite for similar reasons. The Management assessed in September 1974 that there was no likelihood of getting order for the supply of dolomite to the steel

plant except in an emergency when supplies from alternative sources were held up. The low productivity and irregular supply position were attributed by the Management in September 1974 to labour unrest and non-availability of wagons and power cuts.

The present cost of production of dolochips in these mines works out to Rs.50 per M.T. against the selling price of Rs.26·25 per M.T. No separate accounts to show the working results of this activity were maintained. In September 1974 the Management reported the following figures of losses to the Board of Directors :—

Year	Loss (Rupees in lakhs)
1970-71	1·51
1971-72	1·84
1972-73	2·32
1973-74	2·66

Out of three crushers at Chopan, one of capacity 5 M. T. per hour, installed in 1965 is not being used for crushing chips. It is being used for making rejected materials suitable for supply as grit. The remaining two crushers of 5 and 10 M. T. per hour capacity, purchased during 1966-67, are working at almost half of their capacity as their bodies have cracked. These crushers have outlived their utility and it is neither possible to run the mines properly nor make firm commitments in regard to supplies.

(c) *Idle labour*

There has been no production of limestone since 1970-71 and the production of dolomite has also been reduced. However, there has been no significant reduction in the labour strength which was 157 in 1970-71, 199 in 1971-72 and 135 in 1972-73. There has also not been any substantial reduction in the amount of wages paid to the labourers and other staff employed as would be evident from the details (separate costing records showing the position of idle labour have not been maintained) given below:—

Year	Wages paid (Rupees in lakhs)
1968-69	0·69
1969-70	0·85
1970-71	1·22
1971-72	2·06
1972-73	1·97
1973-74	1·63

Owing to the declining productivity and mounting losses year after year, the Board of Directors decided in September 1974 :—

(i) to invite offers from different parties willing to operate the mines jointly with the Company or independently, and

(ii) to take up with the State Government the possibility of closing these mines.

Final decision has not (November 1974) been taken to close down or operate these mines effectively.

30. *Almora Magnesite Project*

The Company obtained a licence in December 1963 for putting up a dead-burnt magnesite plant in Almora district with an annual capacity of 36,000 M.T. A feasibility report was obtained for this project from the National Industrial Development Corporation Limited in May 1965. The estimated annual demand in the country during 1973-74 for dead-burnt magnesite, a refractory material used in the manufacture of basic refractories, was assessed at 1.19 lakh M. T. against which the production in the existing units was estimated to rise to 0.95 lakh M. T. In order to meet the anticipated gap of 0.24 lakh M. T. and to prevent the need for imports, this unit was proposed to be taken up at the estimated cost of Rs.3,18.00 lakhs.

According to the feasibility report of the National Industrial Development Corporation Limited, the plant could go into commercial production in 36 months. In December 1967 the capital cost of the project was revised upwards from Rs.318 lakhs to Rs.386 lakhs. The increase was mainly due to devaluation of the Rupee and rise in the cost of materials and labour.

Implementation of the project was, however, commenced in 1970-71 after the Company had obtained in March 1971 revalidation of the licence from the Government of India. On the basis of a collaboration agreement with a refractory manufacturing firm a separate company (Almora Magnesite Limited) was formed on 27th August 1971 as a subsidiary of the Company.

In January 1972 the project was transferred to the subsidiary on its obtaining certificate of commencement of business in January 1972. A final project feasibility report was prepared by the collaborator firm in June 1972, according to which the estimated capital cost is Rs.250 lakhs for a reduced production capacity of 30,000 M.T. per annum. The setting up of

the project was taken up in January 1973. This has not (April 1975) been completed but the first kiln went into production in April 1974 and the other one in October 1974. Upto march 1974. the capital expenditure amounted to be Rs.105.29 lakhs.

The revised estimates (1967) of cost of production and profitability of the project as worked out by the National Industrial Development Corporation Limited and the estimates prepared by the collaborator firm (1972) were as follows :—

	NIDC	Collaborator
Capacity (in M. T.)	38,400	30,000
Cost of production per M. T. (in Rupees)	288	390
Average sale price per M. T. (in Rupees)	374	500
Gross profit per M. T. (in Rupees)	86	110

In August 1974 the Board of Directors have, however, worked out the following details of production cost and sale price based on the targetted production of 30.000 M. T.

Total cost of prouction of packed and bagged material.	Rs.746 per M. T.
Expected selling price	Rs.818 per M.T.
Profit margin	Rs.72 per M. T.

The first kiln started production on 25th April 1974 and continued upto 8th Octobder 1974, when production was stopped for repairs to the kiln. During this period about 1,800 M.T. of dead-burnt magnesite was produced. Due to frequent power failure and voltage fluctuations, the burner arches failed prematurely making consistent good quality production difficult. About 800 M.T. of magnesite (35 wagon loads) were supplied to the collaborator firm; out of this only 4 wagon loads were accepted and the remaining 31 wagon loads were rejected. Subsequently in August 1974 the buyers relaxed their specifications as a special case and accepted about 40 per cent of the rejected material. The remaining material lying at the delivery site and at the loading point at Kathgodam is to be salvaged by sorting out burn/unburnt lumps at the cost of the subsidiary Company

31. *Development of industrial areas*

(A) The Company started in 1961-62, a scheme of development of industrial areas at potential growth points with a view to providing industrial plots of various sizes to entreprenuers at cheap rates with basic

infrastructure of external roads, storm-water drains and power distribution lines. The land at selected places is acquired by the State Government under the provisions of the Land Acquisition Act, and transferred to the Company on the following terms :—

(*a*) the Company will within three years of the date of possession of the land, develop the same for the purpose of industrial areas, arrange lay-out of roads and other utility services and give the plots on lease to third parties for establishing industrial units,

(*b*) the Company will pay to the State Government such sums of money for the land as may be decided by the Collector under the provisions of the Land Acquisition Act, 1894,

(*c*) if the Company fails to develop any portion of the land within the specified period or refuses to offer the developed plots to entreprenuers, the State Government may declare the transfer of unutilised land as null and void and such portion of land will revert back to the Government, and

(*d*) the period of lease is 90 years.

(B.) the allotment of plots is made by the Company to entreprenuers on 90 years lease on 'as is where is' basis and the levelling and site development is to be undertaken by the allottees at their own expense. Each allottee has to make two types of payment, viz., :—

(i) a lease rent at a flat rate of Rs.100 per year per acre during the first thirty years, at the rate of Rs.150 during the next thirty years and at Rs.225 during the last thirty years of the lease period, and

(ii) a premium of which 10 per cent is payable on allotment and the remaining 90 per cent in eight equal yearly instalments (the first instalment falling due on the expiry of two years from allotment) with interest at 9 per cent per annum on the unpaid balance of premium. Interest rate has since been raised to 13½ per cent witha rebate of 3 per cent to 5 per cent depending on the area where the plots are located. Stamp duty, registration charges and legal expenses are to be borne by the allottees.

(iii) Upto December 1973, allotment of plots in the industrial areas was made on first come first served basis. In January 1974 the Company decided that in the fast developing areas, 40 per cent of the land allotments in future should be made on the basis of higher priority for the following types of applicants :—

(*a*) Those holding letters of intent or registered with the D. G. T. D.

(b) Those wishing to transfer industrial units bodily from other States.

(c) Those already running an industrial unit but facing shortage of land.

(d) Electronic Industries.

(e) Units leading to import substitution or production of defence/export oriented items.

(f) Engineering graduates and ex-servicemen.

(g) Ancillary industries.

(h) Units to whom term loans have already been sanctioned by recognised financial institutions.

The position of acquisition of land, development of areas, allotment of plots and coming up of the industrial units upto March 1975 is shown in Appendix VI.

(iv) During about 13 years of the working of the scheme, industries have been established on about 17 per cent of the plots allotted, a major portion of the investment of Rs.8·35 crores on acquisition and development of land up to 31st March 1974 has remained idle. The slow progress in the utilisation of plots in industrial areas was attributed by the Management in November 1974 to the unsatisfactory position of power supply, shortage in supply of cement and of other building materials in the State and the entreprenuers being, by and large, unwilling to make fresh investments including additional investments in units on which construction had already started, in the absence of any assurance from the State Government and the State Electricity Board regarding power supply. Credit squeeze by the Reserve Bank of India was stated to be another factor. The Management also stated that no time bound programme for development of industrial areas could be fixed because of inherent delays in the land acquisition proceedings and involvement of a number of agencies of State Government and local bodies in the overall process of development.

(C) The industrial area scheme is financed entirely out of the loans advanced by the State Government. For acquisition of land and development of industrial areas in the State, the State Government granted term loans, of which an amount of Rs.3·30 crores was outstanding as on 31s March 1974.

The Company had spent a total amount of Rs.8·33 crores (after deducting the value of material at site) upto 31st March 1974 on this scheme against which it had received premium amounting to Rs.2·50 crores. The balance amount of Rs.5·83 crores is shown as a current asset in the Company's balance sheet as on that date. The accounts do not show the total cost of the land leased out and the total value of the premium against which the leases have been granted. It could not be verified whether the value of the current assets shown in the balance sheet (Rs.5·83 crores) represented the premium value of the land still to be allotted *plus* the premium due (including overdue premium) on allotted land.

Some features of the scheme area-wise are described below : —

(i) At Gorakhpur, 187·57 acres of land was taken possession of, but due to resistance from the local residents, only 63 acres could be developed. In April 1974 the State Government stated that the Company was considering giving up the remaining land to avoid large scale litigation. For reason not kept on record, concessional terms of payment of premium were allowed by the Company treating the district as "backward", though Gorakhpur was not listed as a backward district by the State Government nor has the Company taken a general decision to allow concessional terms in backward areas.

(ii) In the industrial area at Naini, out of 777 acres of land, only 550 acres could be developed due to unsuitability of the land for for development and the need for a green belt.

(iii) At the industrial area at Hardwar, out of 104 acres of land taken possession of, only 55 acres could be developed as the land was hilly and rocky.

(iv) Rupees 17·50 lakhs spent on electrification were not taken into account while calculating the premium in respect of the Ghaziabad industrial area. Similarly, in respect of industrial area at Naini interest on capital for the construction period was provided for two years instead of four years. To set off these underestimates and also the losses in slow-moving industrial areas, the rates of premium were enhanced by Rs.2 per square yard in respect of plots at Ghaziabad and Kanpur and by Re. 1 per square yard at Lucknow from 14th October 1971. Government stated in April 1974 that fixing the rates of fast-moving areas in such a manner as to make good the losses in slow-moving areas was under

consideration. In spite of the low rate of premium fixed for industrial areas at Naini and Bareilly, a sufficient number of entreprenures were not attracted to those areas.

(v) It was originally envisaged that the scheme of development of each industrial area would run on "no profit no loss basis" as a separate scheme and the amount of premium of plots in each industrial area was to be determined accordingly. This was reviewed by the Management in November 1972 and it was decided that fixing of rates of premium on 'no profit no loss' basis should be restricted to individual industrial areas, but it should be applied to the net return from all the industrial areas taken together. Separate accounts of the actual cost of plots in each industrial area were not available because, as stated by the Management in November 1974, the work still remained to be completed practically on every area and a correct picture of the cost would emerge only after the entire work on an area had been completed. The Management also stated that it would not be possible to predict the gain or deficit on each area. Since the development of an industrial area is a continuous process with additions of new areas from time to time, it would not be possible, in view of the above decision, to work out in the foreseeable future whether the scheme of industrial areas as a whole is running at a profit or loss or on 'no profit no loss' basis. No assessment, based on actual and further estimated expenditure and cost analysis, of the working results of the scheme has been made (April 1975)

(vi) In the standard lease deed a time limit is specified within which the work of setting up the industrial unit should commence and also be completed in all respects. If the lessee fails to do this within the specified period (or within the periods of extension allowed) and/or fails to pay the amounts of premium together with interest and the lease rent in time, the Company has a right to re-enter upon the premises and forfeit all moneys paid by the lessee and recover the unpaid arrears with interest at the rate of 9 per cent. This condition was relaxed by the Company in April 1972 when it was decided that only 20 per cent of the total premium be forfeited and the blance, if any, be refunded or adjusted towards the allotment of new plots.

There has been lack of promptness in making recoveries from the defaulters and in taking legal action against them with the result that sums aggregating Rs.54.36 lakhs were due from various lessees

as on 31st March 1974 on account of unpaid dues of premium and interest as per industrial area-wise details (year-wise break-up was not available) given below :—

Industrial area	Number of defaulters	Amount of premium due	Amount of interest due	Total amount due	Numberof defaulters to whom notice was issued
		(Rupees in lakhs)			
Ghaziabad	250	13.44	14.89	28.33	12
Lucknow	26	1.89	2.15	4.04	5
Naini	12	1.28	1.57	2.85	4
Bareilly	4	0.22	0.27	0.49	1
Gorakhpur	3	0.06	0.17	0.23	..
Sandilla	1	0.55	0.83	1.38	..
Hardwar	10	0.20	0.33	0.53	..
Sahibabad	44	7.77	8.74	16.51	19
Total	350	25.41	28.95	54.36	41

Since the inception of the scheme the right of re-entry (by forfeiture of lease) on account of non-payment of dues has been enforced in 73 cases (53 cases in 1971 and 20 cases in 1972). There was, however, no case of re-entry on account of failure to commence work on the unit or to complete it within the agreed period.

(vii) The State Government has declared 36 districts of the State as backward areas. The Government and its undertakings, *viz.*, U. P. Small Industries Corporation Limited and U. P. Financial Corporation made special schemes and gave concessions for the industrial units to be set up in those districts. The question of subsidising the rates of premium and liberalising other terms and conditions for indusrtial areas in backward districts was considered by the Board of Directors in November 1972 but no decision has been taken in the matter (April 1975).

32. *Joint sector projects*

The Company decided in October 1970, in consultation with the State Government, that some of the indnstrial projects sponsored by it would be in the joint sector. In order to explore and examine the potential fields for jonit sector projects, the company, at the same time, set up a committee consisting of the Chairman of the Company, its Managing Director and the Director of Industries. This committee has not, however, met so far (November 1974). Another comittee consisting of the Managing Director, the Managing Director of Pradeshiya Industrial Investment Corporation, the Director of Industries, and an industrialist of Kanpur (also a Director of the Company) was constituted by the Board of Directors on 10th September 1973 to evolve a policy for applying to the Government of India for new letters of intent and licences. This committee does not seem to have met regularly. Proposals for setting up joint sector projects were, however, taken up for consideration on an *ad hoc* basis from time to time at the initiative of the Chairman/Managing Director after consultation with concerned officers of the Central and State Governments. There was no systematic planning or feasibility studies before selection of the projects, the deciding factor being the prospects of obtaining a licence under the Industries Development and Regulation Act. It was contemplated that the preliminary feasibility studies would be undertaken by the prospective collaborators in the joint ventures.

The Company after selection of a project considered to be viable, obtains a letter of intent from the Government of India and thereafter advertises in the press inviting applications from entrepreneurs with know-how in the field and ability to invest the required funds for setting up the projects. The feasibility reports, submitted by the applicants are examined and a selection is made. Further steps for setting up the unit are then considered in consultation with the collaborators.

The standard terms for participation of the private sector entrepreneurs in joint sector projects include the following :—

(*a*) the industrial unit would be owned by a public limited company registered in the State,

(*b*) the registered office of the company and the production unit would be located in the State,

(*c*) the Company would subscribe 26 per cent of the share capital, 25 per cent would be taken by the collaborators or their associates and

the remaining 49 per cent was to be offered to the public for subscription. If either party wished to dispose of all or any of the shares, the other party would have the first right of refusal,

(*d*) except in cases where know-how was to be imported from abroad, the collaborator would provide the technical know-how and other technical services including preparation of the detailed project report, for which they were to be paid a fixed amount in instalments plus a recurring royalty calculated on the net sale proceeds, and

(*e*) the preliminary expenses would be shared equally between the Company and the collaborators.

The table below lists out the various projects which were approved by the Government of India and for which letters of intent were obtained up to 31st March 1974.

Name of the project	Capital investment (*Rupees in crores*)	Capacity per annum		Letter of intent/ date of approval by the Government of India
Printing machinery	3.60	640	machines	8th January 1971
Graphites electrodes projects	8.00	3,000	M.T.S. Anndes	22nd February 1971
		6,000	M. T. S. electrodes	
Scooters	3.75	24,000		22nd May 1971
Safety razor blades	4.00	600	millions	11th June 1971
Steel billets	8.00	1,00,000	M.T.	28th June 1971
G. L. S. Lamp Project	1.00	7.50	million	7th February 1972
Light Commercial Vehicles	10.00	20,000		12th April 1972
Nylon Filament Yarn Project	19.00	2,100	M. T.	26th July 1972
Refractories for Jhansi	5.00	50,000	M.T.	28th October 1972
Writing and Printing Paper Project	50.00	1,00,000	M.T.	29th November 1972
Caustic Soda Project	10.00	33,000	M.T.	12th April 1973
T. V. Receiver Sets	0.30	5,000		2nd May 1973
Refractories for Mirzapur	1.85	25,000	M.T.	28th January 1974
Synthetic Detergent (for eastern region)	2.00	10,000	M.T.	21st March 1974
Scooter tyres and tubes	1.30	5,00,000		30th March 1974

The position in regard to these projects is given below :—

(i) *Printing mechinery project*

The agreed location of the project is at Unnao and collaboration arrangements with a firm of Kanpur have been finalised. The collaborators will obtain technical know-how from West-Germany. The collaboration agreement was signed on 10th September 1973 but the foreign technical consultancy agreement has not been finalised so far (July 1975). A company, *viz.*, Printing Machines (India) Limited, was incorporated on 30th November 1973 with an authorised capital of Rs.150 lakhs. The letter of intent contemplated annual production of 640 machines of three different types (300 plates press, 300 cylinder machines and 40 single colour offset machines). Production of 300 cylinder machines only is, however, being planned for the present. The construction of the factory building has not commenced and the requisite plant and machinery not ordered so far (May 1975). The Company has contributed Rs.3 .19 lakhs as share capital to meet the initial expenses against Rs.3 .06 lakhs contributed by the collaborator firm. The present expectation is that the unit will go into production in October 1977.

(ii) *Writing and printing paper project*

Besides the Company, two other firms have also been granted letters of intent by the Government of India for setting up similar units in the State. The Company assessed in March 1973 that in case the two other units actually came up, there would not be sufficient raw material for the third unit proposed to be established by it.

(iii) *Caustic soda project*

Collaboration offers were invited in May 1973 and twelve firms applied. This is a power intensive industry. Arrangements for supply of power by the U. P. State Electricity Board have not been finalised with the result that there has been no progress in the joint colloborattion arrangements and establishment of the unit (May 1975).

(iv) *T. V. receiver set project*

It was decided by the Company in October 1974 to transfer this project to the Electronics Corporation Limited (a subsidiary of Pradeshiya Industrial Investment Corporation of Uttar Pradesh) on their request, for further implementation.

(v) *G. L. S. lamps project*

Collaboration arrangements were finalised with a firm of Delhi in October 1973. The firm had originally quoted a technical know-how fee of Rs.3 lakhs for a plant of 12 million G. L.S. lamps capacity but in June 1974, an increased fee of Rs.6 lakhs was demanded ; a compromise was effected at Rs.5 lakhs under the direction of the State Government. The execution of the project will start after the new Company has been registered.

(vi) *Steel billets project*

The Company entered into collaboration arrangements with a firm of Muzaffarnagar for setting up the project at Ballia. The construction of the factory building was to commence in January 1974. The industry is power intensive requiring about 50 MW uninterrupted power supply. When the matter was referred to the State Government in November 1973 no assurance about regular power supply could be obtained . However, the Company considered the alternative to run only two electric furnaces of 12 M. T. capacity each with 15 MW power. Even this reduced power load was not guaranteed by the State Electricity Board and the collaborators stopped taking any active interest in the implementation of the project. The company could not submit application for import licence for capital goods which according to the terms of the letter of intent, should have been submitted by June 1974.

The remaining projects have not made much headway. Thus the Company's efforts to set up industries in the joint sector have not made any impact so far (May 1975). In only one case a company has been registered but even this unit has not obtained a certificate of commencement of business. In no case has construction work commenced or plant and equipment been ordered.

33. *Accounting procedure and internal audit*

The Company has not so far (May 1975) introduced any internal audit. The Company has also not prepared any Accounting Manual defining the functions, duties and responsibilities of the various wings, branches and officers and for exercising effective financial control.

SECTION V

34. *Uttar Pradesh Parvatiya Vikas Nigam Limited*

In order to promote and advance the development of the hill areas, the Uttar Pradesh Parvatiya Vikas Nigam Limited was incorporated on 30th March 1971. The main objects of the Company are to (i) develop tourist trade and industry, (ii)encourage sale of vegetables, fruits, etc., and (iii) promote and advance the economic, industrial and agricultural development of the region.

(a) *Package tour scheme*

The Company decided in April 1971 to conduct package tours to Kedarnath and Badrinath starting from Rishikesh during the following summer (1971) to encourage tourism in the hill areas. The facilities to be provided to the pilgrims/tourists included transport, accommodation, catering, sight seeing, etc. On the basis of a feasibility report prepared by the Company, expenditure of Rs.250 per passenger for combined tour to Kedarnath and Badrinath and Rs.150 per passenger for Badrinath alone was anticipated. Against this the Company fixed the rates of Rs.265 and Rs.160 per passenger for combined tour to Kedarnath and Badrinath and for tour to Badrinath respectively. Assuming that the tours would be economically viable, the Company spent Rs. 1.19 lakhs on pay and allowances (Rs.40,300), transport (Rs.27,600), accommodation and catering (Rs.40,300) and sight seeing, etc. (Rs.10,800). Conducted tours were started on 1st June 1971 and were abandoned after seven days (7th June 1971) beause of bad condition of roads and road breaches due to rains. Receipts in conducting the tours amounted to Rs.49,700 only. The loss was attributed by the Management to late start of the conducted tours and unfavourable weather conditions.

(b) *Scheme for sale of apples*

The Company decided (April 1972) to undertake marketing of apples and fixed a target for annual sale at 500 quintals (value Rs.10.00 lakhs). In July 1972 the Company entered into an agreement with Maharashtra Agricultural Development and Fertiliser Promotion Corporation Limited, Bombay to act as agents for retail sale of apples in the Bombay/Poona area. Apples were required to be transported to Bombay for storage and sale at Bombay and Poona according to requirements. An agreement executed (July 1972) by the MAFCO, Bombay stipulated payment of a commission

(5 per cent) to the agents who were required to send to the Company statements of sales (quantity and value) every week. As per the agreement apples were to be graded into three varieties, viz., Royal Delicious, Golden and Rajmer in three grades 'A' 'B' and 'C', by the Company before their despatch in boxes.

On receipt of the first consignment, MAFCO reported to the Company on 9th August 1972 that the apples sent were not according to grade and unfit for storing in cold storage and that sales were being made as of degraded quality due to less demand. The Company was asked to depute its representative for spot duty. Again on 14th August 1972 MAFCO intimated that the apples sent were sour, rotten, and fungus infected and hence these were being sold below Rs.2 per Kg. The company was advised not to despatch further consignments. By that time apples costing Rs.9·65 lakhs had already been despatched and Rs. 6·34 lakhs had been spent on transportation (Rs. 3·19 lakhs), establishment (Rs. 1·40 lakhs), cold storage charges (Rs. 0·95 lakh) and other miscellaneous expenses (Rs. 0.80 lakh including commission of Rs. 0·42 lakh). The apples could, however, be sold for Rs. 6·25 lakhs only resulting in a loss of Rs. 9.74 lakhs. In January 1973 the General Manager who investigated the loss, found that the apples received by the agents upto 19th August 1972 were not kept in cold storage (due to delay in commissioning of their cold storage at Poona with the result that the apples had become rotten and unfit for sale. Responsibility for the loss of Rs.9·74lakhs could not be fixed on the agents (MAFCO, Bombay) in the absence of any penal clause in the agreement. The draft agreement was not vetted by the Law Department or by the Finance Manager, before finalisation in July 1972. In January 1975 it was stated by Government that the case was under arbitration.

(c) *Abandonment of apple processing project*

In September 1971 the Company decided to set up an apple processing plant in hill areas for manufacture of apple cider and apple pectin. The Management, accordingly, requested (October 1971) the Central Food Technological Research Institute, Bangalore for preparing a feasibility report and paid Rs.10,000 for this work (May 1972). According to the feasibility report received on 14th June 1972, the products proposed to be manufactured were not popular

in the country and extensive publicity would be necessary before production could be taken up on commercial basis. In addition to apple cider other products like apple brandy and plum brandy would have to be manufactured. The Company decided in July 1972 to establish the processing plant at a capital cost of Rs. 13.05 lakhs in collaboration with the U. P. State Agro-Industrial Corporation Limited. The project was, however, abandoned (August 1973) on the advice of the State Government as a similar plant was being established by the U. P. Agro-Industrial Corporation Limited, at Haldwani where it had already got an apple concentrate plant and it was also to take up manufacture of apple brandy. The expenditure of Rs.10,000 was unfruitful.

In January 1975 it was stated by the Government that the suggestion of the Planning Commission for manufacture plum brandy, apple brandy and Vodka were under the consideration of the Company.

U. P. State Cement Corporation Limited

35. (a) *Collapse of a shed*

On 22nd August 1971, the fabricated steel structure over the kilns of the Vickers plant of the Government Cement Factory, Churk, collapsed. The Factory remained closed for 143 days for removal of debris (expenditure incurred thereon being Rs.0·25 lakh) and erection of a new shed (cost Rs.2·25 lakhs). The closure resulted in loss of production of 47538 tonnes of cement clinker (at the average daily production of 665 tonnes) valued at Rs.35·18 lakhs. An Enquiry Committee, consisting of the Deputy Director and the Chief Engineer of the Factory and the Chief Engineer of the Government Cement Factory, Dalla set up by the management in August 1971, held (April 1972) "the collapse of the shed was due to eccentric accumulation of clinker dust blown out through the chimney along with hot gases from the kilns, which had not been regularly cleaned from the roof of the shed by the staff (kept separagely at an expenditure of Rs. 0·25 lakh annually) for some time before this collapase". It held one official and eight labourers responsbile for the mishap and recommended departmental action against them. The official has been warned and the eight labourers were punished by stoppage of two increments.

(b) *Extra payment of tax*

Sales tax is payable on the purchase price which has been defined as the amount of consideration paid/payable by a person for the

purchase of any goods excluding among other things the cost of freight or delivery when such cost is separately charged. Government Cement Factory, Chruk, a registered dealer under the Central and State sales tax laws, could not, however, charge railway freight separately in the bills (included it in f.o.r. destination price) on sale of cement made under rate contract with D. G. S. & D., even though instruction for charging freight separately in the bills had already been issued by the D. G. S. & D. in April 1970. Consequently the Factory was assessed to sales tax (State and Central) on the freight element also, which amounted to Rs.15·34 lakhs (Rs. 14·68 lakhs and Rs.0·66 lakh on account of State and Central sales tax respectively) during the years 1970-71 and1971-72. Rupees 14·68 lakhs were paid by the Factory (Central sales tax amounting to Rs. 0·66 lakh still to be paid) in March 1974. Out of this Rs.6·92 lakhs could not be recovered from the concerned customers.

(c) *Hire charges for transformers*

With a view to streamlining the production of cement in Dalla Unit of the Government Cement Factory, two compressors were purchased and commissioned in November 1971. It was also decided by the Management (September 1971) to purchase two transformers and pending that transformers were hired from the U. P. State Electricity Board on a rental of Rs.1,035 per month. Two orders for the supply of two transformers, including switch gear were placed by the Factory in February 1972 on a Bombay firm for Rs.93,500. The firm did not effect the supply in accordance with the schedule (June 1972). Tenders were again invited in April 1973 for the purchase. The offer of a firm of New Delhi for Rs.1.02 lakhs stipulating completion of supplies within eight months from the date of supply order, was recommended for acceptance by the Officer Incharge, Purchase Organisation. However, a decision could not be taken by the Management and in April 1973 a short-term tender was again invited and the sixth lowest offer quoted by the same New Delhi firm for Rs. 1·02 lakhs plus 29·15 per cent increase was accepted ; orders for supply of the two transformers were placed in July 1973. The cost of the transformers (received in June 1974) amounted to Rs.1·36 lakhs. In the meantime, the Company continued to pay hire charges to the State Electricity Board which amounted to Rs.0·36 lakh for the period from November 1971 to July 1974. Non-acceptance of the earlier offer of the firm of New Delhi (for Rs.1·02 lakhs), thus, resulted in extra expenditure of Rs.0·34 lakh besides avoidable payment of hire charges (R.0·07 lakh).

Government stated (January 1975) that the transformers had to be hired as there was delay in supply by the Delhi firm.

(d) Purchase of gunny bags

Against its annual requirement of 60 lakh new gunny bags, the Company had (April 1972) pending orders for supply of 77 lakh new gunny bags during 1972-73. On the apprehension that the delivery schedule would not be adhered to by the suppliers, the Company (on the basis of enquiries issued to gunny Traders Association) placed an order on 16th June 1972 for supply of 48 lakh new gunny bags on a Calcutta firm at Rs.190·70 per 100 bags, f.o.r. Churk. The rate of this firm was higher by Rs.3.95 per 100 bags than the rate at which supplies were being obtained from other suppliers during the same period. On the grounds that the supply position had improved by August 1972 (22 lakh new gunny bags were held in stock), the storage capacity with the Company was limited and that the rate of the Calcutta firm was 'unreasonably excessive', this order (which was for the Churk factory) was cancelled on 14th September 1972. By that time 17.59 lakh new gunny bags had already been supplied by the firm. The purchase of the bags at higher rate resulted in an extra expenditure of Rs.0.62 lakh.

On 12th September 1973 the Calcutta firm represented for resumption of supplies of the balance quantity of bags against the cancelled order. During negotiations conducted with the supplier on 23rd October 1973, the Company agreed to accept 29 lakh new bags at Rs.180.70 per 100 bags, supplies to be completed by March 1974. The rate negotiated with this supplier was higher by Rs.6.95 per 100 bags compared to the rate of other suppliers of new gunny bags during that period. This also resulted in further extra expenditure of Rs.2.01 lakhs.

In November 1974 it was stated by the Government that these purchases of gunny bags were made due to (i) possible failure of supplies in the earlier case and (ii) anticipated rise in price of bags in the later case.

Indian Turpentine and Rosin Company Limited

36. ***Purchase of coal***

Tenders were invited by the Company in November 1973 for supply of 1,200 M. T. of coal. On opening of the tenders (5th December 1973) the lowest offer of a firm of Bareilly of Rs.248 per M. T. which was valid upto 4th January 1974, was accepted by the Company. Orders could, however, be placed on the supplier on 22nd February 1974, which were

not accepted on the ground that the validity period of the tender had expired. Tenders were invited again on 4th March 1974 and the offer of another firm of Bareilly for supply at Rs.332 per M. T. was accepted. Order for supply of coal (1,200 M.T.) was accordingly placed on this supplier on 6th March 1974. Failure to place the purchase order on the basis of tenders of November 1973 within the validity period resulted in extra expenditure of Rs.1·008 lakhs.

The Management stated (December 1974) that the orders could not be placed earlier as the Company was expecting coal supplies at controlled prices.

Turpentine Subsidiary Limited

37. *Non-recovery of hire charges*

In April 1971, the Company decided to recover hire charges on barrels at Rs.10 per barrel on consignments of varnish sent to agents for sale ; the Company also decided to impose a penalty of Re.1 per barrel per fortnight's delay in case the barrels were not returned within ninety days. The hire charges were, however, not recovered from the agents nor was any penalty levied on them for non-return of the barrels within the prescribed time. This resulted in non-recovery of hire charges amounting to Rs.0·93 lakh during the period April 1971 to March 1974.

While accepting the facts, the Government stated (December 1974) that as none of the agents was prepared to take supplies in returnable barrels, recovery was not made.

38. ***Agro-Industrial Corporation Limited***

(a) ***Appointment of clearing agents***

In January 1969 a firm of Calcutta was appointed for twelve months as clearing agent of the Company at the Calcutta port for handling imported 'Zetor' tractors, spare parts, etc., with effect from 1st January 1969. In accordance 'with an agreement executed in January 1969 the clearing agent was to be paid a commission of 24 paise per Rs.100 on c.i.f. value of the consignments. In April 1969 the clear ng agent expressed its inability to handle the clearing work at the agreed rate and pressed for commission of 40 paise per Rs.100, which was agreed to by the Company in respect of the consignment awaiting clearance at the port. In September 1969 fresh tenders were invited and the work was awarded to the same firm of Calcutta

in October 1969 on the negotiated rate of 40 paise, against the tendered rate of 55 paise per Rs.100 for one year commencing from October 1969. In April 1970 the clearing agent was paid an advance of Rs.2.70 lakhs (without any provision in the agreement) for payment of customs duty and port charges and for meeting other incidential expenses in connection with import of tyres and tubes. The clearing agents, however, could not get the consignment cleared from the port and the Company had to pay demurrage of Rs.1.02 lakhs to the port authorities, besides bearing the customs duty and other port charges. The clearing agent had utilised the amount of the advance for carrying out its business operations and retained the funds even after the expiry of the term. At the end of October 1970, Rs.6.36 lakhs were recoverable from the agent on account of demurrage (Rs.1.02 lakhs), advances paid (Rs.3.66 lakhs), refund received from the Port Commissioner and retained by the agent(Rs.1.02 lakhs) and other dues (Rs.0.66 lakh) against a security deposit of Rs.10,000 made by the agent.

In accordance with the terms of the agreement, disputes were to be settled by a sole arbitrator nominated by the Company Chairman whose decision would be binding on both the parties. The Company nominated an arbitrator on 19th February 1971 who awarded (27th April 1972) Rs.5.65 lakhs as payable by the agent to the Company. As the agent firm had already gone into liquidation, recovery of this amount has not been made so far (April 1975). The Company ranks as an unsecured creditor in the liquidation proceedings.

The matter was reported to the Company in September 1973; reply is awaited (April 1975)

(b) *Purchase of steel*

In July 1970 tenders for the supply of steel materials (592 M. T.) were invited by the Company. Out of the eleven tenders received and opened on 15th July 1970, seven were rejected as the required earnest money was not deposited. The remaining four tenders, which were valid up to 15th August 1970, were considered to be high (by 25 to 50 per cent) compared to the prevailing J. P. C. rates. On 10th August 1970 the Company decided to restrict the purchases to 300 M.T. and on 20th August 1970 orders were placed on three firms of Kanpur. However, the firms refused to make the supply because the orders were placed after the expiry of the validity

period. In September 1970, tenders were again invited and the rates received were found higher than the rates received earlier in July 1970. One hundred and five tonnes of steel was purchased in November 1970 from two firms of Kanpur (including 38 M. T. from one of the firms on whom orders were placed in August 1970) at higher rates (25 to 50 per cent higher as compared with J. P. C. rates). Non-finalisation of the tenders within the validity period, resulted in extra expenditure of Rs.0·40 lakh.

In January 1975 it was stated by Government that variations in rates of iron and steel could not be anticipated by the Company.

D. Jerath

(D. JERATH)

ALLAHABAD :

Accountant General, Uttar Pradesh-I

30 SEP 1975

Countersigned

A. Baksi

(A. BAKSI)

NEW DELHI :

Comptroller and Auditor General of India

1 OCT 1975

Appendices

APPENDIX I

(*Reference* : *paragraph* 1, *page* 1)

Statement showing summarised financial results of U. P. State Electricity Board for 1973-74

Serial no.	Name of the Corporation	Name of the administrative department	Date of incorporation	Total capital invested	Profit(+)/ Loss (—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13
											(*In lakhs of rupees*)	
1	U. P. State Electricity Board	Power	1st April 1959	9,63,51·80	(—) 3,307·50	4,064·65	4,064·65	757.15	0·78	9,02,49·16	757·15	0·84

APPENDIX II

(*Reference*: *Paragraph* 10(B), *page* 30)

Statement showing Generating stations completed and commissioned after the formation of State Electricity Board

Thermal stations	Installed capacity (MW)	Source of supply of machineries	Target date of commissioning	Actual date of commissioning	Extent of delay in commissioning	Cost of project: As per original estimate	Cost of project: As per revised estimate	Cost of project: Actual up to March 1974	Percentage of actual cost as compared to original estimate	Cost per KW of installed capacity: As per original estimate	Cost per KW of installed capacity: As per actual cost
						(*In lakhs of rupees*)				(*Rupees*)	
Harduaganj Stage-I	60					5,59·31	5,49·00	5,49·00	98	932	915
Unit—I (30 MW)		Foreign	Not available	April 1962							
Unit—II (30 MW)		Ditto	Ditto	June 1962							
Harduaganj Stage—II	30	Ditto	Ditto	April 1964		2,59·20	3,30·72	4,46·59	172	861	1,489
Harduaganj Stage—III	100					10,44·49	19,99·53	19,49·39	181	1,044	1,949
Unit—I (50 MW)		Ditto	Ditto	March 1968							
Unit—II (50 MW)		Ditto	Ditto	January 1969							
Harduaganj Stage—IV	110					10,97·44	21,56·12	25,42·40	232	998	2,339
Unit—I (55 MW)		Indigenous	April 1970	July 1971	About 1¼ years						
Unit—II (55 MW)		Ditto	October 1970	November 1972	About 2 years						
Obra	250					27,25·00	40,56·69	39,69·39	145	1,090	1,588
Unit—I (50 MW)		Foreign	Not available	August 1967							

APPENDIX II—*Concld.*

Thermal stations	Installed capacity (MW)	Source of supply of machineries	Target date of commissioning	Actual date of commissioning	Extent of delay in commissioning	Cost of project: As per original estimate	Cost of project: As per revised estimate	Cost of project: Actual upto March 1974	Percentage of actual cost as compared to original estimate	Cost per KW of installed capacity: As per original estimate	Cost per KW of installed capacity: As per actual cost
						(*In lakhs of rupees*)				(*Rupees*)	
Unit—II (50 MW)		Foreign	Not available	March 1968							
Unit—III (50 MW)		Ditto	Ditto	October 1968							
Unit—IV (50 MW)		Ditto	Ditto	June 1969							
Unit—V (50 MW)		Ditto	Ditto	July 1971							
Obra Extension Stage—I	300					31,31·00	53,33·82	60,35·03	192	1,778	2,012
Unit I (100 MW)		Indigenous	August 1971	July 1973	About 2 years						
Unit II (100 MW)		Ditto	April 1972	December 1974	About $3\frac{3}{4}$ years						
Unit III (100 MW)		Ditto	November 1972	Not yet commissioned							
Panki	64					6,81·61	10,51·00	12,78·54	187	1,065	1,966
Unit I (32 MW)		Foreign	Not available	November 1967							
Unit II (32 MW)		Ditto	Ditto	March 1968							

APPENDIX III

(*Reference* : *Paragraph* 16 (7), *page* 92)

Statement showing the actual holding of stock in sixty-one divisions as on 31st August 1974

Name of the division	Limit suggested by staff committee	Stock actually held	Excess value of stock held
		(*Rupees in crores*)	
Kumaun Division, Almora	0·15	1·28	1·13
Electricity Maintenance Division, Mainpuri	0·15	1·05	0·90
Electricity Maintenance Division, Moradabad	0·15	0·91	0·76
Electricity Maintenance Division, Lakhimpur-Kheri	0·15	0·81	0·66
Electricity Maintenance Division, Modinagar	0·15	0·65	0·50
Electricity Maintenance Division, Faizabad	0·15	0·70	0·55
Electricity Maintenance Division, Basti	0·15	0·68	0·53
Electricity Maintenance Division, Kanpur	0·15	0·65	0·50
Electricity Maintenance Division, Allahabad	0·15	0.34	0.19
Electricity Maintenance Division, Jhansi	0·15	0·23	0.08
Electricity Maintenance Division, Banda	0·15	0·42	0·27
Electricity Maintenance Division, Lucknow	0·15	0·40	0·25
Electricity Maintenance Division, Hardoi	0·15	0·37	0·22

APPENDIX III—*Contd.*

Name of the division	Limit suggested by staff committee	Stock actually held	Excess value of stock held
		(*Rupees in crores*)	
Electricity Maintenance Division, Sitapur	0·15	0·23	0·08
Electricity Maintenance Division, Unnao	0·15	0·30	0·15
Electricity Maintenance Division, Hathras	0·15	0·20	0·05
Lucknow Electricity Supply Undertaking, Lucknow	0·15	0·28	0·13
Electricity Maintenance Division, Mathura	0·15	0·26	0·11
Electricity Maintenance Division, Agra	0·15	0·22	0·07
Electricity Maintenance Division, Etah	0·15	0·25	0·10
Electricity Maintenance Division, Meerut-I	0·15	0·28	0·13
Electricity Maintenance Division, Ghaziabad	0·15	0·50	0·35
Electricity Maintenance Division, Meerut-II	0·15	0·19	0·04
Electricity Maintenance Division, Bulandshahr (South)	0·15	0·41	0·26
Electricity Maintenance Division, Bulandshahr (North)	0·15	0·31	0·16
Electricity Maintenance Division, Shamli	0·15	0·75	0·60
Electricity Maintenance Division, Bareilly	0.15	0·32	0·17
Electricity Maintenance Division, Pilibhit	0·15	0·53	0·38
Electricity Maintenance Division, Bijnor	0·15	0·57	0·42
Kumaun Division, Pithoragarh	0·15	0·32	0·17

APPENDIX III—*Contd.*

Name of the division	Limit suggested by staff committee	Stock actually held	Excess value of stock held
	(Rupees in crores)		
Kumaun Division, Haldwani	0·15	0·60	0·45
Kumaun Division, Kashipur	0·15	0·38	0·23
Garhwal Division, Uttarkashi	0·15	0·20	0·05
Distribution Division, Moradabad	0·15	0·30	0·15
Electricity Maintenance Division, Rampur	0·15	0.62	0·47
Electricity Maintenance Division, Budaun	0·15	0·38	0·23
Electricity Maintenance Division, Bara Banki	0·15	0.49	0·34
Electricity Maintenance Division, Gonda	0·15	0·48	0.33
Electricity Maintenance Division, Sultanpur	0·15	0·31	0.16
Electricity Maintenance Division, Pratapgarh	0·15	0·36	0.21
Electricity Maintenance Division, Deoria	0.15	0.35	0.20
Electricity Maintenance Division, Ghazipur	0.15	0.53	0.38
Electricity Maintenance Division, Varanasi	0.15	0.27	0.12
Electricity Maintenance Division, Mirzapur	0.15	0.39	0.24
Operation and Maintenance Division 'B' Power House, Kasimpur	0.15	0.88	0.73
Stores Payment Division 'A', Power House, Kasimpur	0.15	0.76	0.61
Rural Electrification Division, Allahabad	0.30	0.47	0.17

APPENDIX III—*concld.*

Name of the division	Limit suggested by staff committee	Stock actually held	Excess value of stock held
	(Rupees in crores)		
Rural Electrification Division, Farrukhabad	0.30	0.50	0.20
Rural Electrification Division, Mathura	0.30	0.38	0.08
Rural Electrification Division, Meerut	0.30	0.36	0.06
Rural Electrification Division, Saharanpur	0.30	0.38	0.08
Rural Electrification Division, Bareilly	0.30	0.42	0.12
Rural Electrification Division, Moradabad	0.30	0.37	0.07
Rural Electrification Division, Bijnor	0.30	0.42	0.12
Rural Electrification Division, Gonda	0.30	0·38	0.08
Rural Electrification Division, Gorakhpur	0.30	0.37	0.07
Rural Electrification Division, Azamgarh	0.30	0.59	0.29
Rural Electrification Division, Ghazipur	0.30	0.47	0.17
Rural Electrification Division, Varanasi	0.30	0.75	0`45
Test Division, Roorkee	0.08	0.30	0.22
Test Division, Faizabad	0.08	0.34	0.26
Total	10.96	28.21	17.25

APPENDIX IV

(Reference : Paragraph 18, page 99)

Statement showing customer-wise break-up of the connected load, energy sold and revenue earned during the years 1971-72 to 1973-74

1971-72

Category of consumers	Connected load (MW)	Percentage to total connected load	Energy sold (KWh in millions)	Percentage to total energy sold	Revenue (Rupees in lakhs)	Percentage to total revenue
Domestic	388	14.2	264	5.9	833	13.7
Commercial	101	3.7	54	1.2	165	2.7
Industrial	1,095	40.2	2,682	59.9	2,708	44.6
Public Lighting	7	0.3	17	0.4	49	0.8
Railway Traction	77	2.0	130	2.9	179	3.0
Irrigation/Agriculture	926	33.9	694	15.5	1,365	22.5
Public Water Works and Sewage Pumping	16	0.6	57	1.3	71	1.2
Licensees	101	3.7	413	9.2	567	9.4
Extra State consumers	16	0.6	164	3.7	130	2.1
Total	2,728	100	4,475	100	6,067	100

1972-73

Category of consumers	Connected load (MW)	Percentage to total connected load	Energy sold (KWh in millions)	Percentage to total energy sold	Revenue (Rupees in lakhs)	Percentage to total revenue
Domestic	421	14.0	272	5.7	935	12.2
Commercial	102	3.4	57	1.2	189	2.5
Industrial	1,178	39.2	2,823	58.9	3,240	42.4
Public Lighting	8	0.3	17	0.4	51	0.7
Railway Traction	81	2.7	172	3.6	271	3.5
Irrigation/Agriculture	1,091	36.3	795	16.6	2,027	26.5
Public Water Works and Sewage Pumping	18	0.6	59	1.2	81	1.0
Licensees	91	3.0	447	9.3	719	9.4
Extra State consumers	16	0.5	148	3.1	135	1.8
Total	3,000	100	4,790	100	7,648	100

1973-74

Category of consumers	Connected load (MW)	Percentage to total connected load	Energy sold (KWh in millions)	Percentage to total energy sold	Revenue (Rupees in lakhs)	Percentage to total revenue
Domestic	491	14.4	274	6.4	953	12.8
Commercial	116	3.4	61	1.4	199	2.7
Industrial	1,289	37.8	2,304	53.5	3,132	2.0
Public Lighting	9	0.3	16	0.4	50	0.7
Railway Traction	81	2.4	166	3.9	256	3.4
Irrigation/Agriculture	1,295	37.9	827	19.0	1,901	25.5
Public Water Works and Sewage Pumping	22	0.6	63	1.5	90	1.2
Licensees	94	2.7	433	10.0	718	9.6
Extra State consumers	16	0.5	167	3.9	153	2.1
Total	3,413	100	4,310	100	7,452	100

APPENDIX V

(*Reference* : *Para* 23, *page* 113)

Statement showing summarised financial results of Government Companies for 1973-74

Serial no.	Name of the company	Name of the administrative department	Date of incorporation	Total capital invested	Profit (+)/ Loss (—)	Total interest charged to Profit and Loss Account	Interest on long term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13
				(*Rupees in lakhs*)								
Running concerns												
1.	Indian Turpentine and Resin Company Limited, Bareilly	Industries	22nd February 1924	2,70.97	(—) 18.40	0.81	0.81	(—)17.59	..	2,49.31	(—)17.59	..
2.	Mohammadabad People's Tannery Limited, Mohammadabad (Farrukhabad)	Planning	2nd December 1964	5.91	(—) 0.15	0.04	0.04	(—)0.11	..	1.68	(—)0.11	..
3.	U. P. State Agro-Industrial Corporation Limited, Lucknow	Agriculture	29th March 1967	6,11.10	(+) 47.68	14.81	14.81	62.49	10.22	6,38.21	(+)62.49	9.79
4.	U. P. State Sugar Corporation Limited, Lucknow	Industries	26th March 1971	9,75.33	(—) 1,68.41	40.27	16.27	(—)1,52.14	..	3,29.83	(—)1,28.14	..
5.	U. P. State Cement Corporation Limited, Mirzapur	Ditto.	29th March 1972	28,28.61	(—) 2,13.73	1,05.38	97.93	(—)1,15.80	..	24,95.88	(—)1,08.35	..

APPENDIX V—*Contd.*

Serial no.	Name of the company	Name of the administrative department	Date of incorporation	Total capital invested	Profit(+)/ Loss(—)	Total interest charged to Profit and Loss Account	Interest on long-term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13
Promotional and Developmental concerns					*(Rupees in lakhs)*							
6.	U. P. State Industrial Development Corporation Limited, Kanpur	Industries	29th March 1961	12,27.50	(+)60.21	18.40	18.40	78.61	6.4	12,26.67	78.61	6.41
7.	U. P. Small Industries Corporation Limited, Kanpur.	Ditto	June 1958	5,16.78	(+)48.87	33.50	33.50	82.37	15.94	5,15.39	82.37	15.98
8.	U. P. Textile Corporation Limited Kanpur	Ditto	2nd December, 1969	7,33029	(+)78.68	5.29	..	78.68	10.73	7,38.53	83.97	11.38
9.	U. P. Poorvanchal Vikas Nigam Limited, Faizabad	Agriculture	30th March 1971	75.81	(+)6.34	0.32	0.24	6.58	8.68	75.39	6.66	8.83
10.	U. P. Parvatiya Vikas Nigam Limited, Naini Tal	Ditto	30th March 1971	50.00	(—)7.77	0.17	..	(—)7.77	..	43.94	(—)7.60	..
11.	Pradeshiya Industrial Investment Corporation of Uttar Pradesh, Lucknow	Industries	29th March 1972	3,05.42	(+)0.41	0.17	0.16	0.57	0.19	3,05.27	0.58	0.19
12.	U. P. State Handloom, Power loom, Finance and Development Corporation, Kanpur	Ditto	9th January 1972	71.00	(—)2.26	2.06	2.06	(—)0.20	..	68.01	(—)0.20	..

APPENDIX V—*Concld.*

Serial no.	Name of the company	Name of the administrative department	Date of incorporation	Total capital invested	Profit(+)/ Loss(—)	Total interest charged to Profit and Loss account	Interest on long-term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13
					(Rupees in	*lakhs)*						
Concerns under closure												
13	Indian Bobbin Company Limited, Bareilly	Industries	22nd February 1924	3.07	(+)0.03	..	..	0.03	0.97	3.67	0.03	0.82
Subsidiary concerns												
14	Turpentine Subsidiary Industries Limited, Bareilly	Ditto	11th July 1939	13.61	(+)0.50	..	..	0.50	3.67	13.79	0.50	3.63
15	Kichha Sugar Company Limited, Kichha, (Naini Tal)	Ditto	17th February 1972	4,99.37	(—)1,05.64	20.60	17.08	(—)88.56	..	2,42.99	(—)85.04	..
16	Almora Magnesite Limited, Almora	Ditto	27th August 1971	100.00	(—)42·85	6·99*	6·28	(—)36·57	..	128·54	(—)35·86	..

* Exclusive of Rs. 3·37 lakhs paid during construction period (30th April 1974).

NOTES :—(i) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves (all figures at the close of the year).

(ii) Capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital (all figures at the close of the year).

(iii) The particulars given against serial nos. 4 and 15, *viz.*, U. P. State Sugar Corporation Limited and Kichha Sugar Company Limited, are as per accounts for the year ended 30th September 1973.

(iv) The particulars given against serial no. 16, *viz.*, Almora Magnesite Limited, Almora, are as per accounts of the company for the year ended 31st October 1974.

APPENDIX VI

(*Reference : Para* 31 (*B*) (*iii*), *page* 128)

Statement showing position of acquisition of land, developmet of areas, allotment of plots and the coming up of the industrial units upto March 1975

Site	Total area in possession	Area developed	Allottable area of land	Allottable number of plots	Area of land allotted	Number of plots allotted	Number of plots on which units are in production	Number of plots on which units have started construction	Remarks
1	2	3	4	5	6	7	8	9	10
			(*In acres*)						
Ghaziabad	3,807	3,341	2,538	1,187	2,538	1,187	298	395	About 250 acers land is under development.
Hardwar	104	80	52	189	44	122	6	18	
Bareilly	357	357	268	111	40	17	9	..	
Lucknow (Amausi and Sarojaninagar)	454	454	394	164	394	91	28	14	150 acres allotted to Scooters India Limited, in one block in Sarojaninagar.
Kanpur	307	307	241	327	191	294	24	28	
Gorakhpur	63	63	45	41	24	24	1	3	
Naini	777	777	550	230	107	93	8	4	37 plot of 25 acres have been transferred to Director of Industries for ancillaries.
Unnao	381	310	215	144	209	132	..	10	75 acres allotted to one unit in undeveloped form.
Sandila	1,734	300	1,684 (250 developed 1,434 undeveloped)	31	250	9	..	2	150 acres allotted in undeveloped block to Insov Auto Limited.
Sikandarabad	1,243	1,243	990	277	292	184	..	3	
Varanasi	281	281	184	187	59	17	..	1	
Agra	37	..	..	..	..	..	..	..	27 acres under development.
Rae Bareli	366	287	169	136	132	49	1	1	30.42 acres have been allotted to Swadeshi Cotton Mills, undeveloped. 25·40 acres of 14 plots have been allotted to P. I. C. U. P. 28·71 acres of 18 plots have been allotted to U. P. S. I. C. 2·40 acres of one plot has been allotted for sub-station. 50·00 acres lying undeveloped on both sides.
Jhansi	25	..	..	..	..	..	..	..	
Total	9,936	7,800	7,280	3,024	4,280	2,219	375	479	

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ALLAHABAD:
SUPERINTENDENT, PRINTING AND STATIONERY, U. P.
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