

## OVERVIEW

### 1. Overview of Government companies and Statutory corporations

- As on 31 March 2005, the State had 94 Public Sector Undertakings (PSUs) comprising 87 Government companies and seven Statutory corporations, as against the 89 Government companies and seven Statutory corporations as on 31 March 2004. One subsidiary of a Central Government company became a State Government company as the share capital was taken over by the Government. Two subsidiaries (out of 89) which were merged with their holding companies and affairs of one company (out of 89) under liquidation were finally dissolved and one working Government Company became non-working company. All the seven Statutory corporations were working corporations. In addition, there were four companies (one working and three non-working) under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2005.

*(Paragraphs 1.1 and 1.37)*

- The total investment in working PSUs increased from Rs.21,778.65 crore as on 31 March 2004 to Rs.25,699.28 crore as on 31 March 2005. The total investment in non-working PSUs increased from Rs.868.52 crore to Rs.873.50 crore during the same period.

*(Paragraphs 1.2 and 1.18)*

- The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs.3,455.73 crore in 2003-04 to Rs.7,410.86 crore in 2004-05. The State Government guaranteed loans aggregating Rs.1,634.28 crore to working PSUs during 2004-05. The guarantees of Rs.1,464.88 crore were outstanding against working PSUs as on 31 March 2005.

*(Paragraph 1.6)*

- Only five working Government companies finalised its account for the year 2004-05. The accounts of 43 working Government companies and seven working Statutory corporations were in arrears for periods ranging from one to 16 years as on 30 September 2005. Ten companies out of 39 non-working companies were under liquidation. Accounts of remaining 29 non-working Government companies were in arrears for periods ranging from one to 28 years as on 30 September 2005.

*(Paragraphs 1.7, 1.18 and 1.22)*

- According to latest finalised accounts, 22 working PSUs (18 Government companies and four Statutory corporations) earned an aggregate profit of Rs.83.11 crore. Against this, 27 working PSUs (24 Government companies and three Statutory corporations) incurred an aggregate loss of Rs.1,723.49 crore as per their latest accounts. Of the 24 loss incurring Government companies, 17 companies had accumulated losses aggregating Rs.6,453.34 crore, which exceeded their aggregate paid-up capital of Rs.4,834.72 crore. Similarly, two Statutory corporations out of three loss incurring statutory corporations had accumulated losses aggregating Rs.1,557.81 crore, which exceeded their paid-up capital of Rs.491.41 crore.

*(Paragraphs 1.8, 1.10 and 1.12)*

## **2. Reviews relating to Government companies**

### **2.1 Review on “Development of Industrial Infrastructures” by Uttar Pradesh State Industrial Development Corporation Limited**

The Uttar Pradesh State Industrial Development Corporation Limited (Company) was incorporated in March 1961 for promoting industrial development in the State in accordance with the State Industrial Policy. The Company failed to develop the requisite industrial infrastructure and ensure completion of industrial corridors, GCs, IIDCs, SEZ, EPIPs and Textile and Hosiery Parks in time; the intended socio-economic benefits of economic development and employment generation in the State could not be derived. Some of the important points noticed were as under:

- The Company could not develop 5,557.656 acre land despite investment of Rs.75.59 crore due to delay in depositing compensation, incorrect categorisation of land and purchase of unsuitable land, etc. which resulted in tardy pace of industrialisation in the State.

*(Paragraph 2.1.9)*

- The Company did not make concerted efforts to get the 1,14,926.25 sq mtr encroached industrial plots valuing Rs.31.41 crore vacated.

*(Paragraph 2.1.31)*

- The Company did not cancel the allotment of 64 plots in its two Very Fast Moving and three Fast Moving Industrial Areas despite its non-utilisation by allottees for more than five to 30 years resulting in delay in augmenting industrial growth in the region.

*(Paragraph 2.1.34)*

### **2.2 Review on Upliftment of Scheduled Castes, Minorities and Women by Social Welfare Sector Companies**

The Government of Uttar Pradesh formed three companies viz. Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited, Uttar Pradesh Alpsankhyak Vitta Avam Vikas Nigam Limited, Uttar Pradesh Mahila Kalyan Nigam Limited with the main objective of narrowing the socio-economic gap between the general level of economic and social development of society and that of Scheduled Castes, Minorities and Women in Uttar Pradesh. These Companies were not able to fully achieve these objectives as the Companies did not adhere to the procedures/guidelines in financing the projects and implementation of schemes. Some of the important points noticed were as under:

- UPSFDC provided economically unviable projects to 5,11,744 scheduled castes beneficiaries at an average cost of Rs.21,923 as against the average project cost of not less than Rs.25,000.

*(Paragraph 2.2.9)*

- UPSFDC made repayment of loans amounting to Rs.29.64 crore to NSFDC (Rs.24.34 crore) and RSKVVN (Rs.5.30 crore) during the five years up to 2004-05 in excess of the amount of loan recovered from the beneficiaries.

*(Paragraph 2.2.17)*

- The achievements (physical and financial) reported to the State Government by UPAVVN indicated excess reporting of Rs.6.76 crore in respect of 1,312 beneficiaries.

*(Paragraph 2.2.24)*

- The UPMKN did not devise any system of post-training evaluation to ascertain the number of women who could get employment on a sustained basis after completion of the training programme and earnings of each woman per month.

*(Paragraph 2.2.43)*

### **2.3 Review on Extra High Tension Lines and connected Sub-stations in Uttar Pradesh Power Corporation Limited.**

The main function of the Company was to transmit power to distribution companies through its transmission network by providing reliable power supply from the system to various regions of the State. The Company could not achieve its target for addition in transformation capacity and erection of transmission lines. There was mismatch between transformation capacity created and line erected. Some of the important points noticed were as under:

- Construction of 17 sub-stations was delayed by four to 232 months which resulted in cost overrun of Rs.55.48 crore; the construction of 32 EHT lines (2017.824 ckt kms) was delayed by five to 152 months resulting in extra burden of Rs.461.37 crore.

*(Paragraph 2.3.9)*

- Construction of 400 KV sub-station, Gorakhpur could not be completed in 10 years even after incurring of an expenditure of Rs.34.81 crore against the project cost of Rs.15.80 crore. As a result the 400 KV line from Azamgarh to Gorakhpur erected in 1996 at a cost of Rs.24.66 crore was lying unutilised.

*(Paragraph 2.3.11)*

- 800 KV single circuit Anpara-Unnao line of 409 ckt kms was erected at a cost of Rs.472.64 crore, and remained energized at 400 KV, as construction of required 800 KV sub-station could not take place.

*(Paragraph 2.3.21)*

### **2.4 Review on Fuel Management in Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited**

The Company was established as a power generating Company and was required to manage efficiently the integration of planning, procurement, transportation, storage and utilisation of fuel to achieve the generation targets. The generation targets fixed by the Company could not be achieved. There was excess consumption of coal and fuel oil. Some of the important points noticed were as under:

- Obra, Anpara and Harduaganj TPSs consumed 29.36 lakh MT of coal valued at Rs.297.65 crore in excess of norms during the five years up to 2004-05.

*(Paragraph 2.4.17)*

- Obra, Anpara and Harduaganj TPSs had consumed 37271 KL excess fuel oil valued at Rs.49.13 crore against the norms recommended by UPERC during the five years up to 2004-05.

*(Paragraph 2.4.23)*

- Low thermal efficiency resulted in consumption of excess heat valued at Rs.394.62 crore compared to regressed heat rate adopted by UPERC in Obra, Anpara and Harduaganj TPSs during five years up to 2004-05.

*(Paragraph 2.4.25)*

### **3. Transaction audit observations**

Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Irregular relief, reduction /waiver of dues, penalty for violation of peak hour restrictions resulted in loss of Rs.171.70 crore.

*(Paragraphs 3.3, 3.10 and 3.13)*

- Non-realisation of dues, non-revision of bills and incorrect billing, resulted in loss of Rs.4.21 crore.

*(Paragraphs 3.5, 3.6, 3.7, and 3.9)*

- Relaxing the condition of mortgage of prime security (land and building) and delay in taking over possession of defaulting units resulted in non-recovery of dues amounting to Rs.30.84 crore.

*(Paragraphs 3.15, 3.16 and 3.18)*

Gist of some of the important paragraphs are given below:

- **Uttar Pradesh Electronics Corporation Limited** did not make efforts to sell shares, though buy back of shares was due in December 2002. As a result, it could not avoid interest burden of Rs.2.71 crore in making repayment of its borrowings.

*(Paragraph 3.1)*

- **Kanpur Electricity Supply Company Limited** had given irregular relief of Rs.171.15 crore to Duncan Industries Limited without the approval of Uttar Pradesh Electricity Regulatory Commission.

*(Paragraph 3.3)*

- **Uttar Pradesh Financial Corporation** suffered a loss of Rs.5.65 crore due to release of additional loan without ascertaining the order position for the products of the loanee and delayed takeover of the unit.

*(Paragraph 3.16)*

- **Uttar Pradesh State Road Transport Corporation** had drawn loan before its requirement. This resulted in avoidable payment of interest amounting to Rs.1.19 crore.

*(Paragraph 3.19)*