

CHAPTER-I

1. General view of Government Companies and Statutory Corporations

1.1 Introduction

As on 31 March 2000, there were 98 Government companies (including 37 subsidiaries) and seven Statutory corporations as against 97 Government companies (including 37 subsidiaries) and eight Statutory corporations as on 31 March 1999 under the control of the State Government. During the year one new Government company viz. Uttar Pradesh Power Corporation Limited was incorporated. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by Government of India on the advice of Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit of the Statutory corporations are conducted under the provisions of the respective Acts as detailed below:

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Uttar Pradesh State Road Transport Corporation	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG
2.	Uttar Pradesh Avas Evam Vikas Parishad	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit by CAG
3.	Uttar Pradesh Jal Nigam	Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit by CAG
4.	Uttar Pradesh Forest Corporation	Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit by CAG

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
5.	Uttar Pradesh State Employees Welfare Corporation	Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers & Conditions of Service) Act, 1971	Sole audit by CAG
6.	Uttar Pradesh State Warehousing Corporation	Section 31(8) of the Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG
7.	Uttar Pradesh Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by CAG

1.2 Investment in Public Sector Undertakings (PSUs)

As on 31 March 2000, the total investment in 105 Public Sector Undertakings (98 Government companies and seven Statutory corporations) was Rs. 17313.04 crore (equity: Rs. 4817.71 crore; long term loans¹: Rs. 12114.19 crore; and share application money : Rs. 381.14 crore) as against a total investment of Rs. 20842.20 crore (equity: Rs. 2382.35 crore; long term loans : Rs. 18432.62 crore and share application money: Rs. 27.23 crore) in PSUs (97 Government companies and eight Statutory corporations) as on 31 March 1999. The analysis of investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Total investment in 98 companies (including 37 subsidiaries) as on 31 March 2000 was Rs. 15243.82 crore (equity: Rs. 4384.98 crore; long-term loans: Rs. 10554.77 crore and share application money : Rs. 304.07 crore) as against total investment of Rs. 3358.98 crore (equity: Rs. 1948.01 crore; long term loans: Rs.1383.74 crore and share application money : Rs. 27.23 crore) as on 31 March 1999 in 97 Government companies (including 37 subsidiaries). As on 31 March 2000, investment (provisional) included equity of Rs. 2639.24 crore and long term loan of Rs. 8798.88 crore transferred from erstwhile Uttar Pradesh State Electricity Board (UPSEB) to three Government companies viz. Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL), Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) and Uttar Pradesh Power Corporation Limited (UPPCL) due to re-structuring of erstwhile UPSEB on 14.01.2000.

¹ Long term loans mentioned in para 1.2, 1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.

The classification of the Government companies was as under:

Status of companies	Number of companies	Investment (Rupees in crore)		Number of companies referred to BIFR
		Paid up capital	Long term loans	
(a) Working companies	57 (56)	4585.43 (1871.62)	10394.39 (1226.09)	12 ² (10)
(b) Non working companies:				
(i) Under liquidation	12 ³ (12)	15.86 (15.86)	0.03 (0.03)	Nil
(ii) Under closure	Nil	Nil	Nil	Nil
(iii) Under merger	3 ⁴ (3)	0.47 (0.47)	2.69 (2.69)	Nil
(iv) Others	26 ⁵ (26)	87.29 (87.29)	157.66 (154.93)	Nil
Total	98 (97)	4689.05 (1975.24)	10554.77 (1383.74)	12 (10)

(figures in brackets are previous year figure)

As 41 companies were non working or under process of liquidation/closure under Section 560 of the Companies Act/merger for 3 to 25 years and substantial investment of Rs. 264.00 crore is involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

Due to increase in long term loans in all sectors except textile, cement and tourism, the debt equity ratio increased from 0.70:1 in 1998-99 to 2.25:1 in 1999-2000 (Annexure-1). The summarised financial results of Government companies are detailed in Annexure-2.

Sector-wise Investment in Government companies

As on 31 March 2000, of total investment in Government companies, 30.76 per cent comprised equity capital and 69.24 per cent comprised loans compared to 58.80 per cent and 41.20 per cent respectively as on 31 March 1999. The sector-wise investment (equity including share application money and long term loans) in Government companies as at the end of 1998-99 and 1999-2000 is given on the next page in the pie diagrams.

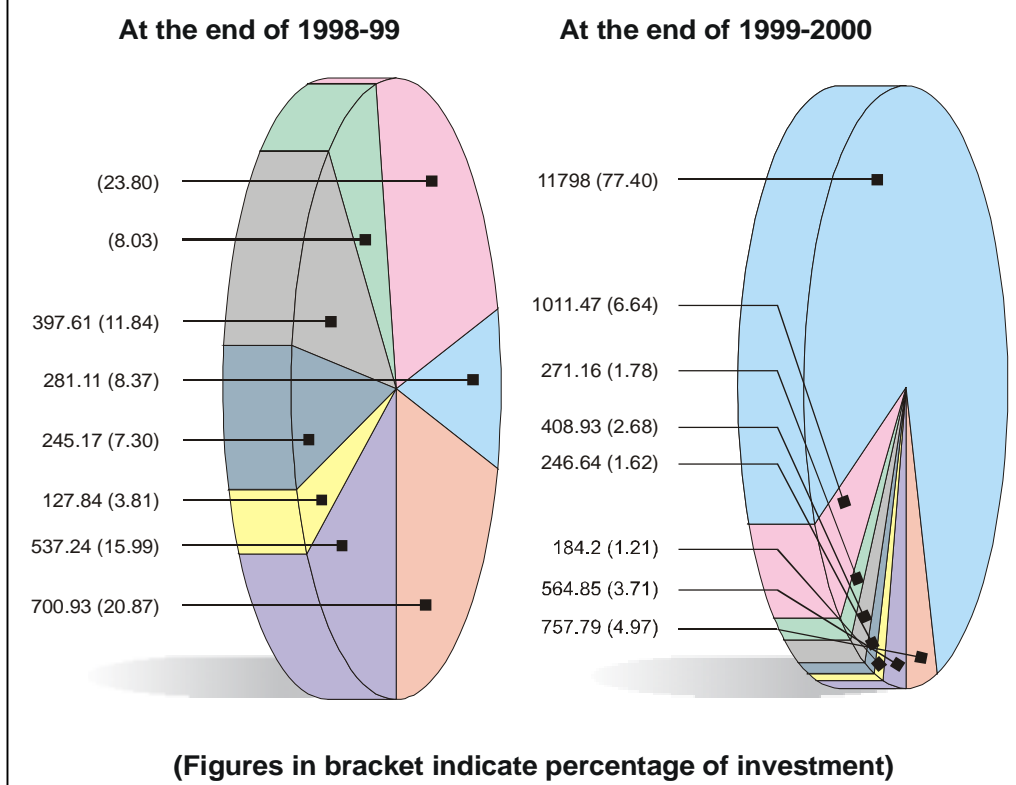
² Reference to Annexure-I serial numbers 16, 31, 32, 41, 42, 43, 75, 77, 78, 79, 80 and 82.

³ Reference to Annexure-I serial numbers 24, 25, 26, 27, 28, 37, 38, 39, 40, 45, 67 and 84.

⁴ Reference to Annexure-I serial numbers 44, 47 and 48.

⁵ Reference to Annexure-I serial numbers 3, 9, 13, 14, 15, 18, 20, 23, 34, 35, 36, 50, 55, 56, 57, 58, 59, 60, 61, 62, 64, 65, 66, 71, 83 and 94.

Sector-wise investment in Government companies



1.2.2 Statutory corporations

The total investment in seven Statutory corporations at the end of March 2000 and eight Statutory corporations at the end of March 1999 was as follows:

(Rupees in crore)

1998-99				1999-2000		
Sl. No.	Name of Corporation	Capital	Loan	Name of Corporation	Capital	Loan
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Uttar Pradesh State Electricity Board ⁶	-	15178.75	--	--	--
2.	Uttar Pradesh State Road Transport Corporation	321.57 ⁷	105.83 ⁷	Uttar Pradesh State Road Transport Corporation	321.57 ⁷	88.41 ⁷

⁶ Uttar Pradesh State Electricity Board has been restructured into three wholly owned Government companies with effect from 14 January 2000.

⁷ Provisional.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
3.	Uttar Pradesh Financial Corporation	100.00	1423.04	Uttar Pradesh Financial Corporation	100.00 ⁷ (74.86)	1283.49 ⁷
4.	Uttar Pradesh State Warehousing Corporation	10.36 (2.41)	1.43	Uttar Pradesh State Warehousing Corporation	11.16 (2.21)	1.08
5..	Uttar Pradesh Avas Evam Vikas Parishad	-	28.26 ⁷	Uttar Pradesh Avas Evam Vikas Parishad	-	19.64 ⁷
6.	Uttar Pradesh Jal Nigam	-	302.20	Uttar Pradesh Jal Nigam	-	131.02 ⁷
7.	Uttar Pradesh Forest Corporation	-	7.00	Uttar Pradesh Forest Corporation	-	32.58 ⁷
8.	Uttar Pradesh State Employees Welfare Corporation	-	2.37 ⁷	Uttar Pradesh State Employees Welfare Corporation	-	3.20 ⁷
	Total	431.93 (2.41)	17048.88		432.73 (77.07)	1559.42⁸

(Figures in bracket indicate share application money)

Out of seven corporations, four corporations have no share capital. The total loans of these Statutory corporations outstanding as on 31 March 2000 was Rs. 1559.42 crore as against Rs. 1870.13 crore (excluding Rs. 15178.75 crore pertaining to erstwhile UPSEB which has been re-structured on 14.01.2000) as on 31 March 1999. The decrease in outstanding loans is attributed mainly due to repayment of loans by Uttar Pradesh Jal Nigam, Uttar Pradesh State Road Transport Corporation and Uttar Pradesh Financial Corporation and also conversion of loan into equity (Rs. 11.26 crore) in respect of Uttar Pradesh Financial Corporation.

The summarised financial results of all Statutory corporations as per latest finalised accounts are given in Annexure-2 and financial position and working results of individual⁹ Statutory corporations for the three years up to 1999-2000 are given in Annexures-4 and 5 respectively.

1.3 Disinvestment, Privatisation and Restructuring¹⁰ of Public Sector Undertakings in Uttar Pradesh

1.3.1 The policy for privatization/disinvestment of PSUs formulated (June 1994) by the Government provided for the review of all enterprises, excluding those engaged in social and welfare activities and public utilities, whose annual loss was more than Rs. 10 crore and which eroded their net worth by 50 per cent or more. A comprehensive policy detailing the various modalities and basis of valuation of assets and liabilities, selection of entrepreneurs etc. is yet to be made by the Government.

An Empowered Committee (EC) was constituted (December 1995) to review and decide cases for privatisation/disinvestment/reference to BIFR and to recommend other alternatives such as partial privatisation, management by

⁸ The decrease in loans as compared to previous year was mainly on account of restructuring of Uttar Pradesh State Electricity Board into three Government companies.

⁹ Except Uttar Pradesh State Employees Welfare Corporation whose audit was entrusted to the Comptroller and Auditor General of India during 1997-98 but no account has been received so far.

¹⁰ Restructuring includes merger and closure of PSUs.

private entrepreneurs, lease to private entrepreneurs etc. The recommendations of the EC have not been made available to Audit. The Government intimated (May 2000) that on the recommendation of EC, State Disinvestment Commission has since been constituted.

1.3.2. Under the Uttar Pradesh Electricity Reforms Act, 1999, the Uttar Pradesh State Electricity Board (UPSEB) was restructured on 14.01.2000 and its functions relating to thermal generation and hydro generation were transferred to the existing Government companies viz. Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) and Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) respectively and functions relating to transmission and distribution of electricity were transferred to a wholly owned Government company viz. Uttar Pradesh Power Corporation Limited (UPPCL) formed in November 1999. In order to exercise the regulatory function, Uttar Pradesh State Electricity Regulatory Commission was also formed with effect from 10 September 1998. The assets and liabilities of erstwhile UPSEB as on 31 March, 1999 were transferred (14.01.2000) on provisional basis to UPPCL (Rs. 8793.58 crore), UPRVUNL (Rs.5248.03 crore) and UPJVNL (Rs.1100.90 crore). The liabilities of Rs. 3045. 50 crore and assets of Rs. 203.19 crore were retained by the State Government on provisional basis as detailed below:

(Rs. in crore)	
A. Liabilities	
1. Surcharge claim for delayed payment of bills for power purchase	306.64
2. Surcharge claim for delayed payment of transmission charges	61.95
3. Dues payable to Central Government Undertakings/Corporations/ Institutions claims for adjustment against Central Plan allocation	2327.13
4. Contingent liabilities	349.78
Total	3045.50
B. Assets	
1. Investment in Tehri Hydro-Electric Project standing in the name of UPSEB	176.69
2. Investment in Betwa Hydro-Electric Project	26.50
Total	203.19

1.4 Budgetary outgo, Subsidies, Guarantees and Waiver of dues

The details of budgetary outgo, subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to Government companies and Statutory corporations are given in Annexure-1 and 3.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the three years up to 1999-2000 in the form of equity capital, loans, grants and subsidy is given below:

(Amount : Rupees in crore)

	1997-98				1998-99				1999-2000			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital	11	48.94	2	1.16	9	26.48	2	7.14	4	3.06	2	36.46
Loans	12	109.95	2	829.50	13	113.80	4	1149.49	13	215.84	2	1.17
Grants	-	-	1	60.28	-	-	-	-	-	-	-	-
Subsidy towards (i)Projects/ Programmes/ Schemes	-	-	-	-	-	-	3	3.01	5	75.80	1	404.55
(ii)Other Subsidy	13	197.77	1	638.03	4	80.62	1	133.92	4	4.78	1	1.73
(iii) Total Subsidy	13	197.77	1	638.03	4	80.62	3	136.93	9	80.58	2	406.28
Total outgo	26	356.66	2	1528.97	21	220.90	8	1293.56	21	299.40	5	443.91

During the year 1999-2000, the Government had guaranteed the loans aggregating Rs. 824.63 crore obtained by 11 Government companies (Rs. 762.28 crore) and two Statutory corporations (Rs. 62.35 crore). At the end of the year, guarantees amounting to Rs. 1564.72 crore against nine Government companies (Rs. 937.50 crore) and two Statutory corporations (Rs. 627.22 crore) were outstanding. Government had forgone Rs. 177.58 crore by way of interest waived or giving moratorium on loan repayment in two companies (Rs. 26.92 crore) and two corporations (Rs. 150.66 crore). The Government also converted its loans amounting to Rs. 79.17 crore into equity capital in six companies (Rs. 67.91 crore) and one corporation (Rs. 11.26 crore) during the year. Unlike other States, no guarantee commission is being charged from Government companies and Statutory corporations by the Government.

1.5 Finalisation of accounts by PSUs

1.5.1 The accounts of the companies for every financial year are to be submitted for audit within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from Annexure-2, out of 98 Government companies only three companies (including one company which finalised accounts for the period from October 1998 to September 1999) and out of seven Statutory corporations, only one corporation has finalised its accounts for the year 1999-2000, within the stipulated period. During the period from October 1999 to September 2000, 49 Government companies (including three companies which are under liquidation/merger) finalised 52 accounts (including four accounts of companies under liquidation/merger) for the year

1999-2000 or previous years (49 accounts for previous years by 46 companies and three accounts for 1999-2000 by three companies including one account for the period from October 1998 to September 1999). Similarly, during this period, four Statutory corporations finalised four accounts for 1999-2000 or previous years (three accounts for previous years by three corporations). The accounts of other 91¹¹ Government companies (including 9 companies under liquidation and 3 companies under merger) and six Statutory corporations were in arrears for period ranging from one year to 25 years as on 30 September 2000 as detailed below:

Sl No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	No. of Companies/Corporations		Reference to Serial No. of Annexure-2	
			Government Companies	Statutory Corporations	Government Companies	Statutory Corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	1975-76	25	1		14	
2.	1977-78	23	1		13	
3.	1978-79	18	1		40 ¹²	
4	1982-83	18	1		60	
5.	1983-84	17	1		71	
6.	1980-81	16	1		38 ¹²	
7.	1984-85	16	1		58	
8.	1985-86	15	2		9,59	
9.	1986-87	14	2		62, 70	
10.	1987-88	13	4		35,57,61,74	
11	1988-89	12	4		50,56,65,69	
12.	1989-90	11	2		36,66	
13.	1976-77	10	1		26 ¹²	
14.	1990-91	10	4		18,34,46,90	
15.	1991-92	9	2		21,91	
16.	1992-93	8	4		11,15,20,55	
17.	1993-94	7	2		3,96	
18.	1994-95	6	5		12,33,63,64,68	
19.	1995-96	5	-	1		5
20.	1993-94	4	1		37 ¹²	
21.	1996-97	4	9		2,17,23,32,49,73,75,80,98	
22.	1988-89	3	1		48	
23	1993-94	3	1		27 ¹²	
24.	1997-98	3	6	1	22,54, 78,83,93,97	7
25	1989-90	2	1	-	28 ¹²	
26.	1998-99	2	10	1	1,7,16,41,51,77,79,92,94,95	6
27.	1990-91	1	2		44 ¹³ ,47 ¹³	

¹¹ Companies at Sl No 24, 25 and 67 of Annexure-2 are under liquidation having no arrears and accounts of company at Sl No. 87 is not due.

¹² Companies at Sl. Nos. 26, 27, 28, 37, 38, 39, 40, 45 and 84 of Annexure-2 are under liquidation, therefore the arrears are up to the date of their going into liquidation.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
28.	1993-94	1	1		84 ¹²	
29.	1995-96	1	1		45 ¹²	
30.	1996-97	1	1		39 ¹²	
31.	1999-2000	1	18	3	4,5,6,8,10,19,29, 42,43,52,53,72,76, 81, 85,86, 88,89	1,2,4

Of the above 91 Government companies whose accounts are in arrears, 38¹⁴ companies were non working companies.

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the financial position of these PSUs could not be assessed in Audit.

1.5.2 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The table given below indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory Corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government.

Sl No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
(1)	(2)	(3)	(4)	(5)	(6)
1.	Uttar Pradesh State Road Transport Corporation	1993-94	1994-95 1995-96 1996-97 1997-98	08.11.1996 20.01.1998 10.09.1999 12.01.2000	Information is awaited.
2.	Uttar Pradesh Financial Corporation	1992-93	1993-94 1994-95 1995-96 1996-97 1997-98	07.07.1995 18.04.1996 28.08.1998 17.12.1999 27.07.2000	Information is awaited
3.	Uttar Pradesh State Warehousing Corporation	1997-98	1998-99	27.07.2000	Information is awaited
4.	Uttar Pradesh Forest Corporation ¹⁵	--	1997-98	17.08.2000	Information is awaited
5.	Uttar Pradesh Avas Evam Vikas Parishad	----- ¹⁶	1990-91 1991-92 1992-93 1993-94	23.02.1998 23.02.1998 27.02.1998 19.08.1999	Information is awaited
6.	Uttar Pradesh Jal Nigam	----- ¹⁶	1995-96 1996-97 1997-98	21.10.1997 18.02.1999 03.07.2000	Information is awaited
7.	Uttar Pradesh State Employees Welfare Corporation ¹⁷	--	--	--	--

¹³ Companies at Serial Numbers 44, 47 and 48 of Annexure-2 are under merger, therefore the arrears are up to the date of merger.

¹⁴ Serial numbers 3, 9, 13, 14, 15, 18, 20, 23, 26, 27, 28, 34, 35, 36, 37, 38, 39, 40, 44, 45, 47,48,50,55,56,57 , 58,59,60,61,62,64,65,66,71,83,84 and 94 of Annexure-2.

¹⁵ Audit was entrusted from 1997-98.

¹⁶ Information as regards to Uttar Pradesh Avas Evam Vikas Parishad prior to 1990-91 and Uttar Pradesh Jal Nigam prior to 1995-96 awaited from Government.

1.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 94¹⁸ Government companies and six Statutory corporations, 65 companies and three corporations had incurred an aggregate loss of Rs. 325.17 crore and Rs. 147.52 crore, respectively, and the remaining 28 companies and three corporations earned aggregate profit of Rs. 28.02 crore and Rs. 43.17 crore, respectively.

The summarised financial results of Government companies and Statutory corporations as per latest finalised accounts are given in Annexure-2. Besides, working results of individual corporations for the latest three years for which accounts are finalised are given in Annexure-5.

1.6.1 Government companies

1.6.1.1 Profit earning companies and dividend

Out of three companies (including two subsidiaries) which finalised their accounts for 1999-2000 by September 2000 (including one subsidiary which finalised accounts for October 1998 to September 1999), one company (Sl. No. 31 of Annexure-2) earned a profit of Rs. 1.56 lakh but did not declare dividend.

Similarly, out of 46 companies which finalised their accounts for previous years by September 2000, 15 companies earned an aggregate profit of Rs.17.49 crore and only 13¹⁹ companies earned profit for two or more successive years.

The Government has not formulated any dividend policy for PSUs. However, the Government ordered (June 1994) for formulating of corporate plans by the PSUs. The Government intimated (May 2000) that no such plans were made available to them.

1.6.1.2 Loss incurring companies

Out of three companies (including two subsidiaries) which finalised their accounts for 1999-2000 by September 2000, two company (Sl. No. 30 and 82 of Annexure-2) incurred a loss of Rs. 6.19 crore.

Similarly, out of 46 companies which finalised their accounts for previous years by September 2000, 31 companies incurred an aggregate loss of Rs.228.07 crore.

Of the 65 loss incurring companies, 38 companies had accumulated losses aggregating Rs. 2311.73 crore which had far exceeded their aggregate paid-up capital of Rs. 1135.98 crore.

¹⁷ Audit has been entrusted from 1997-98. Accounts have not been received so far.

¹⁸ Three companies at serial number A-35,36 and 40 of Annexure-2 have not finalised their accounts since inception and accounts of company at serial number 87 are not due.

¹⁹ Serial numbers 5,10,43,48,53,63,68,76,81,86,88,91 and 96 of Annexure-2.

In spite of poor performance leading to complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government by way of contribution for equity, further grant of loans, grant of moratorium on loans and conversion of loans into equity during 1999-2000 to 12 companies out of these 38 companies amounted to Rs. 246.56 crore.

1.6.2 Statutory corporations

1.6.2.1 Profit making Statutory corporations and dividend

One Statutory corporation (Sl. No. 3 of Annexure-2) which finalised its accounts for 1999-2000 by September 2000 earned a profit of Rs.13.03 crore and declared a dividend of Rs. 52.00 lakh. The dividend as percentage of share capital in above profit earning corporation worked out to 4.66 *per cent*. The total return by way of above dividend of Rs. 52.00 lakh worked out to 0.12 *per cent* in 1999-2000 on total equity investment of Rs. 432.73 crore in all Statutory corporations as against 0.07 *per cent* in the previous year.

Similarly, out of 5 corporations which finalised their accounts for previous years by September 2000, two corporations (Sl. Nos. 4 & 5 of Annexure-2) earned an aggregate profit of Rs. 30.14 crore and both the corporations earned profit for two or more successive years.

1.6.2.2 Loss incurring Statutory corporations

Out of five corporations which finalised their accounts for previous years by September 2000, three corporations incurred an aggregate loss of Rs. 147.52 crore.

Out of three loss incurring corporations, two corporations (Sl. Nos.1 & 2 of Annexure-2) had accumulated losses aggregating to Rs. 899.15 crore which had far exceeded their aggregate paid-up capital of Rs. 413.69 crore.

In spite of poor performance leading to complete erosion of paid-up capital, the State Government continued to provide financial support to these corporations in the form of contribution towards equity and further grant of loans, conversion of loans into equity, subsidy etc. According to available information, the total financial support so provided by the State Government by way of contribution towards equity and conversion of loans into equity during 1999-2000 to one corporation amounted to Rs.47.51 crore.

1.6.2.3 Operational performance of Statutory corporations

The operational performance of the Statutory corporations is given in Annexure-6 which brings out the following facts:

- (i) While the average number of own vehicles held by **Uttar Pradesh State Road Transport Corporation** dropped by 11.2 *per cent* in 1999-2000 as compared to 1997-98, the average number of hired buses held increased by 61.6 *per cent* during the same period. This showed increased dependence on hired buses. The occupancy ratio also declined from 64 in 1997-98 to 61 in 1999-2000.
- (ii) The amount overdue for recovery has increased from Rs. 508.17 crore (principal:Rs. 137.65 crore and interest:Rs. 370.52 crore) in 1996-97 to Rs. 737.11 crore (principal Rs. 238.22 crore and interest Rs. 498.89 crore) in 1998-99 (45.05 *per cent*) which indicates poor follow-up by the corporation (**Uttar Pradesh Financial Corporation**).
- (iii) In addition, the disbursement of loan by the **Uttar Pradesh Financial Corporation** decreased from Rs. 423.14 crore (1491 cases) in 1996-97 to Rs. 129.39 crore (637 cases) in 1998-99 which was detrimental to the industrial development of the State.

1.7 Return on Capital Employed

As per the latest finalised accounts (up to September 2000) the capital employed²⁰ worked out to Rs. 2302.58 crore in 94²¹ companies and total return²² thereon amounted to Rs. 10.89 crore which is 0.47 *per cent* as compared to total return of Rs. 96.43 crore (4.68 *per cent*) in the previous year (accounts finalised up to September 1999). Similarly, during 1999-2000, the capital employed and total return thereon in case of Statutory corporations amounted to Rs. 5466.47 crore and Rs.142.54 crore (2.61 *per cent*) respectively against the total return of Rs.174.50²³ crore (3.20 *per cent*) for 1998-99. The details of capital employed and total return on capital employed in case of Government companies and corporations are given in Annexure-2.

²⁰ Capital employed represents net fixed assets (including capital work in progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid up capital, free reserves and borrowings (including refinance)

²¹ Excluding companies at serial numbers A-35,36 and 40 of Annexure-2 which have not finalised accounts since inception and serial A-87 of Annexure-2 whose accounts is not due.

²² For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

²³ Excluding Uttar Pradesh State Electricity Board.

1.8 Results of audit by Comptroller and Auditor General of India

During the period from October 1999 to September 2000, the audit of 35 companies and four corporations were selected for review. As a result of the observations made by CAG, two companies (Uttar Pradesh State Agro Industrial Corporation Limited and Uttar Pradesh Textile Printing Corporation Limited) revised their accounts. In addition, the net impact of the important audit observations as a result of review of the remaining PSUs was as follows:

Details	No. of accounts		Rupees in lakh	
	Government companies	Statutory corporations	Government companies	Statutory corporations
(i) Decrease in profit	5	1	32.69	12.12
(ii) Increase in profit	1	1	0.46	2.53
(iii) Increase in losses	11	2	633.98	9783.22
(iv) Decrease in losses	2	1	33.40	31.14
(v) Non disclosure of material facts	8	2	752.67	1938.64
(vi) Errors of classification	6	1	291.98	1816.39

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

A. Errors and omissions noticed in case of Government companies

U.P. State Industrial Development Corporation Limited (1998-99)

Sundry Debtors (Rs. 1268.68 lakh) included Rs. 8.15 lakh outstanding against two closed Mandal Vikas Nigams (Rs. 3.27 lakh) and three companies (Rs. 4.88 lakh) for more than 10 years, recovery of which was doubtful and for which no provision had been made.

U.P. State Yarn Company Limited (1998-99)

- (i) Secured Loans (Rs. 715.25 lakh) was understated by Rs. 50.00 lakh due to exclusion of the amount received from investors during 1998-99 against the issue of bonds carrying interest of 14.90 per cent resulting in understatement of current assets also.
- (ii) Current liabilities and provisions (Rs. 2200.70 lakh) were understated by Rs. 93.92 lakh due to non provision of electricity dues payable to U.P. State Electricity Board up to March 1999.

The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (1998-99)

Loss for the year, after Provision and Taxation (Rs. 5322.83 lakh) was understated by Rs. 385.25 lakh on account of under provision of:

- (i) Rs. 320.74 lakh for assets classification; and
- (ii) Rs. 64.51 lakh towards permanent diminution in the value of equity investments in 18 companies.

Ghatampur Sugar Company Limited (1997-98)

Loans & Advances (Rs.: 132.08 lakh) were overstated on account of:

- (i) Inclusion of Rs. 3.78 lakh as part of security deposit with Central Excise Department which was not refundable to the company because it had already been adjusted against Central Excise dues.
- (ii) Non provision of doubtful advances amounting Rs. 13.56 lakh due from closed units of the holding company.

U.P. Export Corporation Limited (1996-97)

Income (Rs. 1337.69 lakh) was overstated due to treating Rs. 6.94 lakh, amount of interest earned on unutilised portion of grants received from the Government, payable to the Government, as income of the company.

U.P. Projects and Tubewells Corporation Limited (1998-99)

Sundry Debtors were overstated and loss understated by Rs. 35.06 lakh due to account of :

- (i) inadmissible escalation Rs. 17.25 lakh; and
- (ii) charges for inadmissible contingencies Rs. 17.81 lakh.

U.P. State Leather Development & Marketing

Corporation Limited (1997-98)

- (i) Current Liabilities (Rs. 209.61 lakh) were understated by Rs. 7.65 lakh on account of non provision of water tax (Rs. 3.80 lakh) and house tax (Rs. 3.85 lakh).
- (ii) Fixed Assets were overstated by Rs. 58.35 lakh on account of non provision of depreciation on buildings of High Frequency Center, Agra (Rs. 41.72 lakh) and three Common Facility Centres (Fathehpur, Jais and Basti Rs. 16.63 lakh).

The Indian Turpentine & Rosin Company Limited (1998-99)

Current Liabilities & Provisions (Rs. 2348.44 lakh) were understated by Rs. 7.86 lakh due to non provision of license fee for alcohol plant payable to Excise Department.

U.P. State Bridge Corporation Limited (1997-98)

- (i) Works Expenses (Rs. 17356.54 lakh) were understated by Rs. 38.29 lakh on account of deduction of amount of old unclaimed sundry creditors written back instead of treating it as Miscellaneous Income.

- (ii) Depreciation was short provided by Rs. 35.54 lakh (including Rs. 3.65 lakh for the current year) on account of non-adoption of depreciation rates prescribed in Schedule XIV of the Companies Act, 1956.

Teletronix Limited (Under Liquidation) (1992-93)

Unsecured Loans (Rs. 258.13 lakh) as well as current assets (Rs. 309.61 lakh) were understated by Rs. 21.99 lakh due to non accountal of loan obtained from the Government through holding company.

Handloom Intensive Development Corporation

(Gorakhpur-Basti) Limited (1989-90)

Provisions (Rs. 33.98 lakh) were understated by Rs. 11.18 lakh due to non provision of gratuity payable to employees.

U.P. Matsya Vikas Nigam Limited (1991-92)

Fixed assets (Rs. 433.12 lakh) was understated and depreciation was overstated by Rs. 50.41 lakh due to adoption of higher rates of depreciation than those prescribed in Schedule XIV of the Companies Act, 1956.

B. Errors and omissions noticed in case of Statutory corporations

Uttar Pradesh State Warehousing Corporation (1998-99)

Other Income (Rs. 12.10 lakh) included Rs. 9.97 lakh being interest earned on fixed deposits made out of funds received from the Government for construction of godowns which should have been credited to the Government in terms of order dated 04.12.1993.

Uttar Pradesh Jal Nigam (1997-98)

Income – centage (Rs. 5650.01 lakh) was overstated on account of:

- (a) Accountal of centage Rs. 941.67 lakh on all ‘cost plus’ and deposit works of the Government executed by the corporation during 1997-98 at 15 *per cent* instead of admissible 12.5 *per cent*.
- (b) Accountal of inadmissible centage of Rs. 7905.22 lakh including Rs. 1347.82 lakh for the year at 15 *per cent* on Accelerated Rural Water Supply Programme (ARWSP) of Government of India.
- (c) Accountal of inadmissible centage Rs. 25.69 lakh on Accelerated Urban Water Supply Programme (AUWSP).

C. Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in the financial matters of PSUs has been repeatedly pointed out during the course of Audit of their accounts but no corrective action had been taken by these PSUs so far.

C.1 Government Companies

Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited

- (i) Under the procedure followed in respect of Special Component Plan and Self Employment Scheme financing, company's share of the admissible amount of subsidy and margin money loan is paid by field offices to the lead banks by cheques. Thus, accountal of subsidy utilised and margin money loan distributed by the company during a year represented the subsidy and margin money paid to the banks for disbursement to the beneficiaries and not the actual utilisation. Undisbursed amount lying with various banks in respect of 61 units of the Company up to 31 March 1994 amounted to Rs. 403.31 lakh (previous year: Rs. 271.44 lakh).
- (ii) The amount of undisbursed loans refunded by the banks are not being credited to the loanees' account, consequently, the interest is being charged on the undisbursed amount. This resulted in overstatement of interest (amount indeterminate) on refunded amount of Rs. 78.02 lakh up to 31 March 1994 (previous year: Rs. 33.35 lakh).

Uttar Pradesh State Industrial Development Corporation Limited

- (i) Industrial Land under Development at cost (Rs. 21,348.89 lakh) under Current Assets, Loans and Advances had been understated by Rs. 67.76 lakh being cumulative amount of earnest money/premium forfeited which had been shown by way of deduction from development expenses instead of being credited to Profit and Loss Account.
- (ii) This also included Rs. 23.51 lakh incurred in respect of acquisition processing of land at Agra although acquisition proposal had been withdrawn by the Company which should have been charged to Profit and Loss Account.

D. Closure

Even after completion of five years of their existence, the turnover (sales and other income) of 23 Government companies (Annexure-7) have been less than Rs. 5 crore. Similarly, 13 Government companies (Annexue-8) have been making losses for five consecutive years leading to a negative net worth. In spite of poor performance and erosion of paid-up capital, the Government did not consider any action for improvement in their working or liquidation.

1.9 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings

Period of Audit Report	Total No. of reviews and paragraphs appeared in the Audit Report		No. of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
(1)	(2)	(3)	(4)	(5)
1976-77	2	53	-	5
1977-78	5	28	1	3
1979-80	6	59	-	7
1980-81	6	30	-	2
1981-82	4	73	4	39
1982-83	5	50	4	21
1983-84	4	60	4	10
1984-85	2	14	1	7
1985-86	6	22	6	11
1986-87	3	28	2	19
1987-88	8	23	7	12
1988-89	5	22	5	13
1989-90	6	14	3	10
1990-91	6	21	5	21
1991-92	4	38	4	35
1992-93	5	33	4	28
1993-94	5	31	5	31
1994-95	5	41	5	38
1995-96	7	39	7	26
1996-97	8	40	8	28
1997-98	5	67	5	66

1.10 619-B Companies

Some non-Government companies are deemed to be Government companies under Section 619-B of the Companies Act, 1956 for the limited purpose of extending to them the provisions relating to audit of Government companies contained in Section 619 of the Act. There were five such companies covered under Section 619-B of the Act. The following table indicates the details of paid-up capital and working results of these companies based on the latest available accounts.

(Rupees in crore)

Name of company	Year of accounts	Paid-up capital	Investment By			Profit (+) /Loss (-)	Accumulated loss
			State Government	Government Companies	Others		
Almora Magnesite Limited	1999-2000	2.00	--	1.22	0.78	(+) 0.08	2.27
Command Area Poultry Development Corporation Limited	1994-95	0.24	--	--	0.24	(+) 0.00003 ²⁴	0.07
Electronics and Computers (India) Limited	Accounts not finalized since inception (1975-76)						
Steel and Fasteners Limited	1978-79	0.90	--	0.55	0.35	(-) 0.45	--
Uttar Pradesh Seeds and Tarai Development Corporation Limited	1998-99	2.77	0.83	--	1.94	(+) 1.49	--

1.11 Companies not subject to audit by Comptroller and Auditor General of India

The State Government had invested Rs. 10.16 lakh in 27 companies which were not subject to audit by the Comptroller and Auditor General of India as the aggregate amount of investment made by the State Government was less than 51 per cent of the equity capital of respective companies.

There was no company in which the investment by State Government by way of share capital was more than Rs. 10.00 lakh.

²⁴ Rs 316 only.