

OVERVIEW

1. Overview of Government companies and Statutory corporations

- As on 31 March 2004, the State had 96 Public Sector Undertakings (PSUs) comprising 89 Government companies and seven Statutory corporations, as against the 86 Government companies and seven Statutory corporations as on 31 March 2003. One Government company (out of 86) became private company and four new companies were incorporated during the year. Out of 89 Government companies, 48 were working Government companies, while 41 were non-working Government companies. 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 2004.

(Paragraphs 1.1 and 1.38)

- The total investment in working PSUs increased from Rs.17,135.24 crore as on 31 March 2003 to Rs.21,778.65 crore as on 31 March 2004. The total investment in non-working PSUs increased from Rs.861.45 crore to Rs.868.52 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.1,990.21 crore in 2002-03 to Rs.3,455.73 crore in 2003-04. The State Government guaranteed loans aggregating Rs.1,676.95 crore to working PSUs during 2003-04. The guarantees of Rs.2,292.08 crore were outstanding against working PSUs as on 31 March 2004.

(Paragraph 1.6)

- Only two working Government companies finalised their accounts for the year 2003-04. The accounts of 41 working Government companies and seven working Statutory corporations were in arrears for periods ranging from one to 15 years as on 30 September 2004. Eleven companies out of 41 non-working companies were under liquidation. Accounts of remaining 30 non-working Government companies were in arrears for periods ranging from one to 29 years as on 30 September 2004.

(Paragraphs 1.7 and 1.22)

- According to latest finalised accounts, 21 working PSUs (16 Government companies and five Statutory corporations) earned aggregate profit of Rs.179.21 crore. Against this, 28 working PSUs (26 Government companies and two Statutory corporations) incurred aggregate loss of Rs.1,380.95 crore as per their latest accounts. Of the 26 loss incurring Government companies, 20 companies had accumulated losses aggregating Rs.6,218.51 crore, which exceeded their aggregate paid-up capital of Rs.4,864.07 crore. Similarly, two loss incurring Statutory corporations had accumulated losses aggregating Rs.1,616.55 crore, which exceeded their paid-up capital of Rs.500.65 crore.

(Paragraphs 1.8, 1.10 and 1.12)

2. Reviews relating to Government companies

2.1 Working of Uttar Pradesh Rajkiya Nirman Nigam Limited

Uttar Pradesh Rajkiya Nirman Nigam Limited was established in May 1975 as a Government Company with a view to serve as an agency for speedy execution of works at reasonable rates and replacing private contractors. The Company executed tender works, secured by participating in tenders, and deposit works, entrusted by the departments, local bodies, PSUs, etc. of the State Government. The Company incurred operating losses in each year. This was due to lack of growth oriented approach in fixation of targets which too were never attained due to poor success rates in securing tender works. Some of the important points noticed in the Review were as under:

- There was idle fund aggregating Rs.7.04 crore lying in saving/current accounts, advances with Piece Rate Workers and security deposits with clients in respect of works completed more than five years ago.

(Paragraph 2.1.10)

- The success rates in securing the works against tender participation was very poor varying from 3.85 to 10.53 percent.

(Paragraph 2.1.16)

- Losses of Rs.10.02 crore were noticed in execution of eight works due to incorrect estimation of bids, off-loading of works to private contractors, recoveries made by the clients for defective works, imposition of liquidated damages for delayed completion of work.

(Paragraphs 2.1.17 to 2.1.24)

- The Company purchased shuttering materials valuing Rs.9.49 crore despite having surplus quantity in field units.

(Paragraph 2.1.37)

- There was surplus staff strength of 907 to 1,007 employees having a financial impact of Rs.19.95 crore in five years up to 2002-03.

(Paragraph 2.1.43)

2.2 Working of Uttar Pradesh State Sugar Corporation Limited

Uttar Pradesh State Sugar Corporation Limited, incorporated in March 1971 to run the sick sugar mills, acquired 30 mills during 1971 to 1989 under the U.P. Sugar Undertaking (Acquisition) Act, 1971. In September 2002, 18 mills were transferred to the newly formed subsidiary Company. One mill was transferred to the state of Uttaranchal leaving 11 working mills with the Company. The Company incurred loss in every year except during the years 2000-01 and 2003-04. The profit earned during these years was due to write back of interest on Government loan. The sales were declining and inventory of sugar reached an alarming level. Some of the important points noticed in the Review were as under:

- The performance of subsidiaries was poor and hence the equity investment of Rs.75.89 crore remained unproductive.

(Paragraph 2.2.9)

- The sugarcane price arrears increased from 110.48 crore (1999-2000) to Rs.171.69 crore (2003-04) due to poor liquidation of stock of sugar, high cost of sales, etc.

(Paragraph 2.2.14)

- The direct cost of production exceeded the sales realisation during the five years up to 2003-04. As a result, the Company incurred cash losses aggregating Rs.541.56 crore.

(Paragraph 2.2.16)

- The inventory holding of finished sugar increased up to the level of Rs.550.60 crore as on 31 March 2004 which was equivalent to 16.81 months' sale of the Company.

(Paragraph 2.2.28)

- Due to underutilisation of man-hours, expenditure on idle wages amounting Rs.3.56 crore was incurred during the period 1998-99 to 2002-03.

(Paragraph 2.2.29)

2.3 Fund Management in Uttar Pradesh Power Corporation Limited

Main source of fund inflow of the Company was sale of energy, subsidy and borrowings from the State Government, financial institutions and World Bank. The fund was mainly utilised for expenditure on capital works, operation and maintenance, purchase of power, repayment of loans and interest. The Management failed in realising dues, payment of power purchase bills and timely deposit of revenue in the company's account. Some of the important points noticed in the Review were as under:

:

- Arrears against the revenue assessment accumulated to the tune of Rs.6,930.50 crore up to 31 March 2003 due to inaction/delayed action for recovery of dues.

(Paragraph 2.3.6)

- Loan amounting to Rs.80.40 crore received from National Capital Regional Planning Board for strengthening of transmission and distribution network in Meerut Zone was placed in fixed deposits resulting in loss of interest of Rs.3.16 crore.

(Paragraph 2.3.8)

2.4 Review on Power Sector Reforms in Uttar Pradesh

To make energy sector commercially viable, Government of Uttar Pradesh (GoUP) restructured (January 2000) erstwhile Uttar Pradesh State Electricity Board (UPSEB) by transferring generation, transmission and distribution functions to the existing and newly incorporated companies. Uttar Pradesh Power Corporation Limited, a transmission and distribution company, carried out reforms in distribution sector. The delays, mismanagement and lack of co-ordination in implementation of various schemes of the reforms resulted in non accrual of benefits as was contemplated in the reforms programme. Some of the important points noticed in the Review were as under:

- UPPCL could not provide meters to 42.83 lakh consumers (48 per cent) out of 89.18 lakh consumers as of August 2004 against the target of 100 per cent metering of consumers.

(Paragraph 2.4.16)

- UPPCL incurred loss of Rs. 52 crore in procurement of electronic meters due to non-incorporation of price adjustment clause in purchase orders.
(Paragraph 2.4.18)
- UPPCL suffered further loss of Rs.23.63 crore on account of inventory carrying cost due to non-installation of 10.435 lakh meters already procured.
(Paragraph 2.4.21)
- System upgradation works (rearrangement of service lines, installation of capacitor banks, construction of lines etc.) suffered from shortfall in achievement of targets resulting in loss of benefits aggregating Rs. 7.10 crore).
(Paragraphs 2.4.26 to 2.4.29)
- Power sector reforms suffered from deficiencies that include non-reduction of transmission and distribution losses to the extent of targets fixed and inadequate recovery action.
(Paragraphs 2.4.32 and 2.4.36)

3. Transaction audit observations

Audit observations included in this Report highlight deficiencies in the Management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Faulty implementation of term loan scheme resulted in extra expenditure of Rs.4.71 crore.
(Paragraphs 3.1)
- Imprudent/irregular investment of fund resulted in loss of interest amounting to Rs.9.45 crore.
(Paragraphs 3.2, 3.6 and 3.20)
- Lack of commercial prudence resulted in avoidable payment of trade tax amounting to Rs.1.42 crore.
(Paragraphs 3.4 and 3.8)
- Irregular revision of bills, grant of inadmissible rebate, incorrect application of tariff and under billing/non billing of penalty resulted in loss of Rs.12.33 crore.
(Paragraphs 3.9, 3.10 and 3.12 to 3.18)
- Undue favour to allottees, consumers resulting in loss of Rs.3.53 crore.
(Paragraphs 3.11 and 3.19)
- Irregular sanction and disbursement of loans and delay in recovery proceedings resulted in non-recovery of dues amounting to Rs.4.27 crore.
(Paragraphs 3.21 and 3.22)
- Excess payment of Rs.1.46 crore made to staff on account of retirement benefits.
(Paragraph 3.25)

Gist of some of the important paragraphs are given below:

- **Uttar Pradesh Alp Sankhyak Vitty Avam Vikas Nigam Limited** defaulted in timely repayment of loan to NMDFC resulting in forfeiture of rebate of Rs.55.16 lakh, liability of liquidated damages of Rs.1.13 crore and penal interest

of Rs.3.03 crore due to faulty implementation of the scheme and poor recovery of loan from beneficiaries.

(Paragraph 3.1)

- **The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited** incurred avoidable expenditure of Rs.83.37 lakh on interest due to resorting to borrowings from financial institutions in advance and in excess of requirement of fund.

(Paragraph 3.2)

- **Poorvanchal Vidyut Vitran Nigam Limited** suffered loss of Rs.8.22 crore due to irregular revision of penalty bills for peak hour violations.

(Paragraph 3.9)

- **Dakshinanchal Vidyut Vitran Nigam Limited** suffered loss of Rs.1.70 crore due to under billing/non-billing of penalty for peak hour violations.

(Paragraphs 3.13 to 3.15)

- **Madhyanchal Vidyut Vitran Nigam Limited** suffered loss of Rs.1.24 crore due to non-billing of penalty for peak hour violations.

(Paragraph 3.16)

- **Uttar Pradesh Avas Evam Vikas Parishad** incurred loss of Rs. 3.02 crore due to selling of flats at rates lower than the rates derived as per the approved costing policy.

(Paragraph 3.19)

- **Uttar Pradesh Financial Corporation** also suffered a loss of Rs.8.37 crore due to investment of fund in fixed/term deposit in City Co-operative Bank in contravention of the Government orders.

(Paragraph 3.20)

- **Uttar Pradesh Forest Corporation** incurred loss of Rs.1.37 crore due to collection of Tendu leaves on cloudy/rainy seasons in contravention of Corporation's guidelines.

(Paragraph 3.23)