

## OVERVIEW

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

- *As on 31 March 2003, the State had 93 Public Sector Undertakings (PSUs) comprising 86 Government companies and seven Statutory corporations, as against the 84 Government companies and seven Statutory corporations as on 31 March 2002. One Government company (out of 84) was transferred to the State of Uttaranchal and three new companies were incorporated during the year. Out of 86 Government companies, 46 were working Government companies, while 40 were non-working Government companies. All the seven Statutory corporations were working corporations.*

*(Paragraph 1.1)*

- *Total investment in working PSUs increased from Rs.16,322.83 crore as on 31 March 2002 to Rs.17,135.24 crore as on 31 March 2003. The total investment in non-working PSUs decreased from Rs.864.11 crore to Rs.861.45 crore during the same period.*

*(Paragraphs 1.2 and 1.5)*

- *The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs.2,839.02 crore in 2001-02 to Rs.1,990.21 crore in 2002-03. The State guaranteed loans aggregating Rs.949.43 crore to working PSUs during 2002-03. The total amount of outstanding loans guaranteed by the State Government to all working PSUs as on 31 March 2003 was Rs.3,923.12 crore.*

*(Paragraph 1.2.3)*

- *Only one working Government company finalised its account for the year 2002-03. The accounts of two working Government companies were not due. The accounts of remaining 43 working Government companies and seven working Statutory corporations were in arrears for periods ranging from 1 to 14 years as on 30 September 2003. The accounts of all non-working Government companies were in arrears for periods ranging from 1 to 28 years as on 30 September 2003.*

*(Paragraphs 1.2.4 and 1.5.3)*

- *According to latest accounts, 11 working PSUs (eight Government companies and three Statutory corporations) earned aggregate profit of Rs.69.94 crore, out of which only one Government company declared dividend of Rs.48 lakh during the year. Against this, 33 working PSUs (31 Government companies and two Statutory corporations) incurred aggregate loss of Rs.2,373.11 crore as per their latest accounts. Of the loss incurring working Government companies, 20 companies had accumulated losses aggregating Rs.6,249.76 crore, which exceeded their aggregate paid-up capital of Rs.4,512.11 crore. The two loss incurring Statutory corporations had accumulated losses of Rs.1,453.03 crore, which exceeded their paid-up capital of Rs.500.65 crore.*

*(Paragraphs 1.3, 1.3.1, 1.3.2, 1.3.3 and 1.3.4)*

- *Even after completion of five years of their existence, the individual turnover of 13 working companies had been less than Rs.5 crore in each of the preceding five years as per their latest accounts. Further, eight working companies had been incurring losses for five consecutive years leading to negative net worth.*

*(Paragraph 1.10)*

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

### **UTTAR PRADESH POWER CORPORATION LIMITED**

#### **2.1 WORKING OF SUB-TRANSMISSION NETWORK OF THE STATE**

*Sub-transmission network of the State comprises of 66 KV and 33 KV lines and connected sub-stations (66/11 KV or 33/11 KV). These emanate from transmission network (800 KV to 132 KV) and terminate at distribution network for supply of energy to the consumers by further stepping down (11 KV and below) of the system. At the end of March 2003, the State had 13,435 MVA of sub-transmission capacity and 31,465 circuit kilometers of lines that reflected a growth of 37.47 and 10.69 per cent over 1997-98 respectively. The sub-transmission system was not only overloaded due to lower capacity (13,435 MVA) as compared to required capacity (20,821 MVA) but also marked with mismatch between transmission and distribution ends.*

*Some of the important points noticed in the review were as under:*

- *The Company could not achieve targets projected in the State Plan. The overall shortfall in new and augmented sub-station capacities were 35 and 47 per cent respectively during five years ending 2002-03.*

*(Paragraphs 2.1.4 and 2.1.5)*

- *Capacitor banks save energy dissipation, improves load carrying capacity of equipment and also improves voltage profile thereof. The Company failed to install new capacitor banks or repair defective ones that caused dissipation of annual energy in the system valuing Rs. 59.83 crore.*

*(Paragraph 2.1.10)*

- *The system was also marked by lack of planning, co-ordination and monitoring of the works leading to excessive capacity of secondary transformation systems. Investment of Rs.19.78 crore remained idle due to mismatch of the system. The Company also undertook unviable projects that resulted in idle investments aggregating Rs.4.76 crore.*

*(Paragraphs 2.1.12 , 2.1.17 and 2.1.18)*

- *The Company facilitated misappropriation of stock of Rs.77.89 lakh due to defective/non-maintenance of accounting records.*

*(Paragraph 2.1.22)*

- *The Company incurred expenditure of Rs.1.45 crore in excess of receipt of fund from District Magistrates.*

*(Paragraph 2.1.33)*

- Transformation capacity of 15 MVA created at three sub-stations during March 1999 to November 2001 at a cost of Rs.2.21 crore, remained idle.

(Paragraph 2.1.38)

## **2.2 WORKING OF LUCKNOW ELECTRICITY SUPPLY ADMINISTRATION**

*Lucknow Electricity Supply Administration (LESA) is one of the 11 distribution zones of the Uttar Pradesh Power Corporation Limited that was engaged in distribution of energy to the consumers of urban and some part of rural areas of state capital Lucknow. As on 31 March 2003, LESA had a transformation capacity of 852 MVA, which was not sufficient to meet the connected load of 1,130 MVA. As a result, the system was overloaded by 1.25 to 1.38 times during five years up to 2002-03. LESA suffered from mismatch between transformation and distribution end, improper and slow implementation of system improvement works, substantial leakage of revenue due to failure in monitoring of remittances of revenue, inadequate action for recovery etc.*

*Some of the important points noticed in the review were as under:*

- Mismatch of the transformation capacity with the total connected load resulted in overloading of the system. This caused excessive damage of distribution transformers in excess of norms valued at Rs.34.63 crore.

(Paragraphs 2.2.5 and 2.2.7)

- With an objective to strengthening the system and thereby avoid overloading, the Company received grant of Rs.4 crore under Critical Infrastructure Balancing Scheme. The objective could not be achieved as the Company instead of undertaking any work, adjusted earlier executed work against the grant and submitted false utilisation certificate to the State Government.

(Paragraph 2.2.11)

- Capacitor banks save energy dissipation, improves load carrying capacity of equipment and also improves voltage profile thereof. Shortfall in installation of capacitor banks at load ends of sub-stations resulted in loss of savings of 29.86 MU of energy valued at Rs.7.99 crore.

(Paragraph 2.2.9)

- The Company could not realise Rs.12.82 crore from consumers as it failed to raise assessment or made belated assessment in contravention of the prescribed procedure.

(Paragraph 2.2.21)

### **UTTAR PRADESH STATE BRIDGE CORPORATION LIMITED**

## **2.3 WORKING OF UTTAR PRADESH STATE BRIDGE CORPORATION LIMITED**

*Uttar Pradesh State Bridge Corporation Limited (Company) was established with the main objective of construction, development and maintenance of all types of bridges and approach roads. The Company executed contract works obtained through participation in tenders and deposit works entrusted to it by the State Government. The Company suffered operational losses during all the five years up to 2002-03. The Company sustained loss in contract works as it could not recover*

***even prime cost in some cases. In deposit works, it incurred excessive expenditure than sanctioned cost.***

*Some of the important points noticed in the review were as under:*

- *While quoting the rates in the tender of Moradabad Bypass Project, the Company did not load cost of investment in the tender that resulted in reduction of profit margin by Rs.3.09 crore.*

***(Paragraph 2.3.8)***

- *Failure to make base for construction of piers in case of bridge on Ulhas river in Maharashtra led to change of methodology of construction and design of super structure. The extra cost of Rs.3.56 crore involved due to this change could not be claimed from the client.*

***(Paragraph 2.3.11)***

- *Failure to plan and control its expenditure in the execution of works at Safdarjung, New Delhi, resulted in loss of Rs. 7.17 crore.*

***(Paragraph 2.3.24)***

- *The Company incurred expenditure in excess of sanctioned cost in 94 deposit works. The Company failed to submit monthly reports to the State Government in 56 completed works, to seek reimbursement of excessive cost over 15 per cent of the sanctioned cost. This resulted in loss of Rs.40.89 crore.*

***(Paragraphs 2.3.25 and 2.3.28)***

#### **UTTAR PRADESH STATE TOURISM DEVELOPMENT CORPORATION LIMITED**

#### **2.4 WORKING OF UTTAR PRADESH STATE TOURISM DEVELOPMENT CORPORATION LIMITED**

***Uttar Pradesh State Tourism Development Corporation Limited was incorporated in August 1974 for promoting tourism in the State with the role subsequently restricted (March 1975) to run the facilities (hotels, restaurants, water sports complex etc.) owned by it or transferred to it on commercial principles. The Company, however, failed to achieve the objectives on account of inconsistent leadership and reluctance to implement the policies of the State Government.***

*Some of the important points noticed in the review were as under:*

- *As on 31 March 2003, the Company had 21 profit earning and 20 loss incurring hotels. The overall operating profit of hotels declined from Rs. 1.83 crore in 1998-99 to Rs.1.43 crore in 2002-03. The decline was due to unsuitable staff deployed for hotels and failure to privatise loss incurring facilities as per the tourism policy.*

***(Paragraph 2.4.5)***

- *Despite heavy increase in the tourist inflow, the Company failed to attract tourists due to inadequate marketing arrangements and steep increase in tariff without ensuring matching quality of service.*

***(Paragraph 2.4.6)***

- *Despite approval by the Board of Directors for privatisation of seven hotels, none of them could be privatised due to reluctance and inadequate follow up action resulting in loss of Rs.2.84 crore.*

**(Paragraph 2.4.13)**

### **3. Miscellaneous topics of interest relating to Government companies and Statutory corporations**

#### **UTTAR PRADESH BHUMI SUDHAR NIGAM**

- *The Company made avoidable payment of CST of Rs.3.26 crore on freight due to procurement of gypsum at F.O.R. destination rates.*

**(Paragraph 3.1.2)**

#### **U.P. STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED**

- *The Company extended undue benefit of Rs. 1.42 crore to an industrialist by allotting plots in Leather Goods sector for the projects, which qualified for allotment in Tannery sector.*

**(Paragraph 3.1.4)**

#### **UTTAR PRADESH POWER CORPORATION LIMITED**

- *The Company suffered loss of Rs. 7.13 crore in purchase of power from private generators due to inconsistent provisions in agreement and other deficiencies.*

**(Paragraph 3.1.10)**

- *The Vigilance Wing could not contribute to the efficiency of the Company as it could conduct raids only in one to two per cent cases and enforce assessment in 33 to 60 per cent cases.*

**(Paragraph 3.1.11)**

- *Failure of management to take notice of declining trend on rates of transformers and unjustified delay in finalisation of tender resulted in extra expenditure of Rs.67.44 lakh.*

**(Paragraph 3.1.12)**

- *The Company did not bill the applicable surcharge from continuous process industries and suffered loss of Rs.1.02 crore.*

**(Paragraph 3.1.17)**

- *The Company suffered loss of Rs.1.58 crore due to application of lower tariff rates.*

**(Paragraph 3.1.18)**

#### **UTTAR PRADESH RAJYA VIDYUT UTPADAN NIGAM LIMITED**

- *Failure of Management in verifying title of land under their own physical possession resulted in undue delay in completion of works leading to avoidable payment of Rs.5.80 crore.*

**(Paragraph 3.1.27)**

#### **UTTAR PRADESH FINANCIAL CORPORATION**

- *The Corporation extended unintended financial benefits of Rs. 14.42 crore in contravention of one time settlement scheme.*

**(Paragraph 3.2.1)**

*Audit Report (Commercial) for the year ended 31 March 2003*

- *The Corporation suffered loss of Rs. 11.68 crore due to its failure in evaluation of the impact of import on domestic market, independent verification of credit worthiness of the borrowers direct from their banks.*

**(Paragraph 3.2.2)**

- *Failure to verify corporate guarantor's net worth as certified by the Chartered Accountants resulted in loss of Rs. 7.09 crore.*

**(Paragraph 3.2.3)**

- *Injudicious decision of the Corporation in not incorporating 'Put and Call' option in the bond issue vis-à-vis hiring the services of arrangers at higher rates resulted in loss of Rs. 5.29 crore.*

**(Paragraph 3.2.5)**

**UTTAR PRADESH FOREST CORPORATION**

*Failure of the Management in renewal of 35 Fixed Deposit Receipts and non-preferment of claim of interest for intervening period resulted in loss of Rs. 2.24 crore.*

**(Paragraph 3.2.8)**