REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2002

COMMERCIAL GOVERNMENT OF HARYANA

http://cagindia.org/states/haryana/2002

TABLE OF CONTENTS

Preface

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

2. This report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Haryana under Section 19A of the Comptroller and Auditor General's (CAG) (Duties, powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil)-Government of Haryana.

3. Audit of the accounts of Government companies is conducted by Comptroller and Auditor General of India under the provisions of section 619 of the Companies Act, 1956.

4. In respect of Haryana Warehousing Corporation, CAG has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. As per State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Haryana Financial Corporation in addition to the audit conducted by Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Haryana Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations/Commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2001-02 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2001-02 have also been included, wherever necessary.

[illegible]

[illegible]

(ii) [illegible]

(iii) [illegible]

(iv) [illegible]

[illegible] implementation of [illegible] Section [illegible] of the Companies [illegible]

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OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2002, the State had 28 Public Sector Undertakings (PSUs) comprising of 26 Government companies and two Statutory corporations as against the same number of PSUs as on 31 March 2001. Out of 26 Government companies, 22 were working Government companies while four were non-working Government companies. All the two Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs 7,888.03 crore as on 31 March 2001 to Rs 8,471.33 crore as on 31 March 2002. The total investment in non-working PSUs decreased from Rs 21.11 crore to Rs 15.54 crore during the same period.

(Paragraphs 1.2.1 and 1.3.1)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs 1,206.55 crore in 2000-01 to Rs 1,078.82 crore in 2001-02. The State Government guaranteed loans aggregating Rs 3,982.88 crore to 11 PSUs (all working) during 2001-02. The total amount of outstanding loans guaranteed by the State Government to all PSUs increased from Rs 5,614.87 crore as on 31 March 2001 to Rs 6,970.78 crore as on 31 March 2002.

(Paragraph 1.2.2 and Annexure-3)

Out of 22 working Government companies and two working Statutory corporations, only three working companies and one working Statutory corporation had finalised their accounts for the year 2001-02 within the stipulated period. The accounts of other 19 working Government companies and one Statutory corporation were in arrears for period ranging from one to six years.

(Paragraph 1.2.3)

According to the latest finalised accounts, 12 working PSUs (10 Government companies and two Statutory corporations) earned aggregate profit of Rs 26.54 crore. Of these, two PSUs (both Statutory corporations) declared dividend during the year. Against this, 10 working PSUs (all Government companies) incurred aggregate loss of Rs 237.78 crore as per the latest finalised accounts. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs 93.84 crore, which exceeded their aggregate paid-up capital of Rs 16 crore.

(Paragraphs 1.2.4, 1.2.4.1.2 and 1.2.4.2.1)

In Haryana Financial Corporation, the overdue amount had risen steeply from Rs 573.73 crore in 1999-2000 to Rs 890.39 crore in 2001-02.

(Paragraph 1.2.4.2.2)

Even after completion of seven years of their existence, the individual turnover of four working and three non-working companies had been less than Rs 5 crore in each of the preceding five years of the latest finalised accounts. Further, two working Government companies, had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these nine Government companies or consider their closure.

(Paragraph 1.7)

2. Reviews relating to Government companies

2A. *Haryana Seeds Development Corporation Limited*

The Haryana Seeds Development Corporation Limited (Company) was incorporated in September 1974 with a view to provide quality seeds at reasonable prices to the farmers. The Company had not been able to fully achieve its objectives as its share of sale of seeds in the State had declined consistently. Main reasons for decline were uncompetitive prices of seeds, poor marketing and excessive overheads/manpower. The selling price of seeds produced by the Company were higher due to excess loading of seed processing charges, interest on carrying cost of unsold seeds and dealer's commission. The personnel posted at sale outlets remained idle for 6 months and the Company had not evolved any scheme for their alternative use. Some of the important points noticed in the review are as under:

The accumulated profit (Rs 1.40 crore) of the Company for the year ending March 2001 is to be viewed in the light of non-provision of Rs 2.27 crore towards leave encashment (Rs 1.94 crore) and penal interest payable to State Government (Rs 33 lakh). Further, the Company enjoyed the benefit of waiver of dividend of Rs 1.15 crore (State Government: Rs 0.62 crore and National Seeds Corporation Limited: Rs 0.53 crore) on preference shares and penal interest of Rs 45.26 lakh on short term loan from State Government.

(Paragraph 2A.6(a))

The action plan under National Seeds Project-Phase-III envisaged (January 1995) increase in volume of sale from 65 to 75 *per cent* through the Company's own sale outlets. But the sale through its own outlets ranged between 64 and 68 *per cent* during five years up to 2000-01 (except 1998-99).

(Paragraph 2A.10.1)

Contribution of the Company as a percentage of total sales in the State during five years up to 2001-02 declined constantly from 63 to 36 *per cent* for wheat and ranged between 47 and 32 *per cent* and 3 and 11 *per cent* in case of paddy and cotton respectively.

(Paragraph 2A.10.2)

As against one of the main objectives of the Company to provide certified seeds at reasonable rates, the selling price of seeds was higher due to excess loading of the cost by processing charges, interest on carrying cost of unsold seeds and dealer's commission. The excess charging from the farmers in respect of wheat seed alone worked out to Rs 3.60 crore during 1999-2001.

(Paragraph 2A.10.4)

Imprudent decision of the Company to sell wheat seed outside the State at cheaper rates had resulted in loss of Rs 0.79 crore to the Company.

(Paragraph 2A.10.6.2)

As the sale of seeds was confined to two crop seasons only, the personnel posted at sales outlets remained idle for 6 months and the Company had not evolved any scheme for their alternative use. As a result, the Company paid Rs 2.47 crore as salary and allowances to them for idle period during last five years up to 2000-01.

(Paragraph 2A.11.1)

2B Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

Purchase, Performance and Repair of Transformers

One of the main objectives of the power sector reforms programme approved (November 1997) by the erstwhile Haryana State Electricity Board was to create strong transmission and distribution system at various levels of transmission so as to reduce damage rate of transformers and system losses. The augmentation of transformation capacity was not done rationally with the result that the sub-transformation capacity and distribution capacity was less than the connected load. Inadequate transformation and distribution capacities led to overloading of transformers. The repair of transformers was marked by poor quality and inability to obtain free repairs of transformers the failed within warranty period. There was also considerable delay in scrapping of irreparable transformers. Some of the important points noticed during the course of the review are as under:

As on 31 March 2002, against the connected load of 9676 MVA, the sub-power transformation and distribution transformation capacity was 6648 MVA and 8454 MVA respectively. This had resulted in overloading of sub-power transformation and distribution system causing in turn excessive system losses and failure of distribution transformers. Against the norm of 15.5 *per cent* fixed by Central Electricity Authority, system losses ranged between 32.56 and 40.04 *per cent* during 1997-2002.

(Paragraphs 2B.4.1and 2B.4.2)

The Company incurred extra expenditure of Rs 1.87 crore as risk purchase clause was not invoked in three cases.

(Paragraph 2B.5.1.2)

The Chief Engineer (Material Management) of the erstwhile Board/UHBVNL did not recover liquidated damages of Rs 1.79 crore for delayed receipt of distribution transformers.

(Paragraph 2B.5.1.4)

Against the norm of 10 *per cent* fixed by the erstwhile Board, the damage rate of distribution transformers ranged between 16.1 and 30.8 *per cent* during the five years up to 2001-02. This resulted in extra financial burden of Rs 69.30 crore on repair of 69,608 transformers in excess of the norms.

(Paragraph 2B.6.1.2)

The erstwhile Board/companies did not recover Rs 12 crore towards short receipt of 8,968 kilolitre transformers oil (Rs 9.97 crore) and parts of 1,24,081 damaged transformers (Rs 2.03 crore) during 1997-2002.

(Paragraph 2B.9)

3. Miscellaneous topics of interest

Besides the reviews mentioned above, test-check of records of Government companies and Statutory corporations in general revealed the following points:

Uttar Haryana Bijli Vitran Nigam Limited

Due to abnormal time taken in inviting and finalising bids, the Company purchased disc insulators without investigating causes for abnormally excessive rates as compared to estimated cost. This resulted in extra expenditure of Rs 41.43 lakh

(Paragraph 3A.1.1)

Injudicious rejection of the offer of a firm for purchase of ACSR Weasel conductor and shortly thereafter purchasing the conductor at higher rates from the same firm resulted in extra expenditure of Rs 20.22 lakh.

(Paragraph 3A.1.2)

Haryana Vidyut Prasaran Nigam Limited

Poor maintenance and non-supply of required stores at Kanina sub-station resulted in loss of Rs 19.56 lakh due to fire at the sub-station.

(Paragraph 3A.3.1)

Haryana State Industrial Development Corporation Limited

The Company disbursed loan of Rs 2.33 crore to a unit without verifying the title of the collateral security offered, which resulted in doubtful recovery of loan and interest thereon.

(Paragraph 3A.4.1)

Haryana Agro Industries Corporation Limited

Due to rejection of better offer, the Company suffered a loss of Rs 46.82 lakh in auction of unmilled paddy, besides further loss of Rs 7.31 lakh on account of shortages.

(Paragraph 3A.5.1)

Haryana State Electronics Development Corporation Limited

Injudicious decision of the Company to purchase bigger plot of land without making financial arrangement resulted in blockade of Rs 5.03 crore besides avoidable payment of interest of Rs 1.34 crore.

(Paragraph 3A.6.1)

Haryana Financial Corporation

Disbursement of working capital/bridge loan to an ineligible unit and acceptance of insufficient collateral security rendered the recovery of Rs 3.98 crore doubtful.

(Paragraph 3B.1.1)

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[illegible]

Haryana [illegible] Limited

[illegible]

[illegible]

Haryana State Industrial Development Corporation Limited

[illegible]

[illegible]

Haryana [illegible] Limited

[illegible]

[illegible]

Haryana State [illegible] Development Corporation Limited

[illegible]

[illegible]

Haryana [illegible]

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Chapter-1

1 Overview of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2002, there were 26 Government companies (22 working companies and four non-working* companies) and two working Statutory corporations as against the same number of PSUs as on 31 March 2001 under the control of the State Government. In addition, the State had formed Haryana Electricity Regulatory Commission whose audit is also being conducted by Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as per provisions 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 arrangements of the Statutory corporations/Commission are as shown below:

Sl. No.	Name of the Corporation	Authority for the audit by the CAG	Audit arrangement
1.	Haryana Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by CAG
2.	Haryana Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG
3.	Haryana Electricity Regulatory Commission	Item II(2) of the Haryana Electricity Reform Act, 1997	Accountant General (Audit) Haryana under the control of CAG

1.2. Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

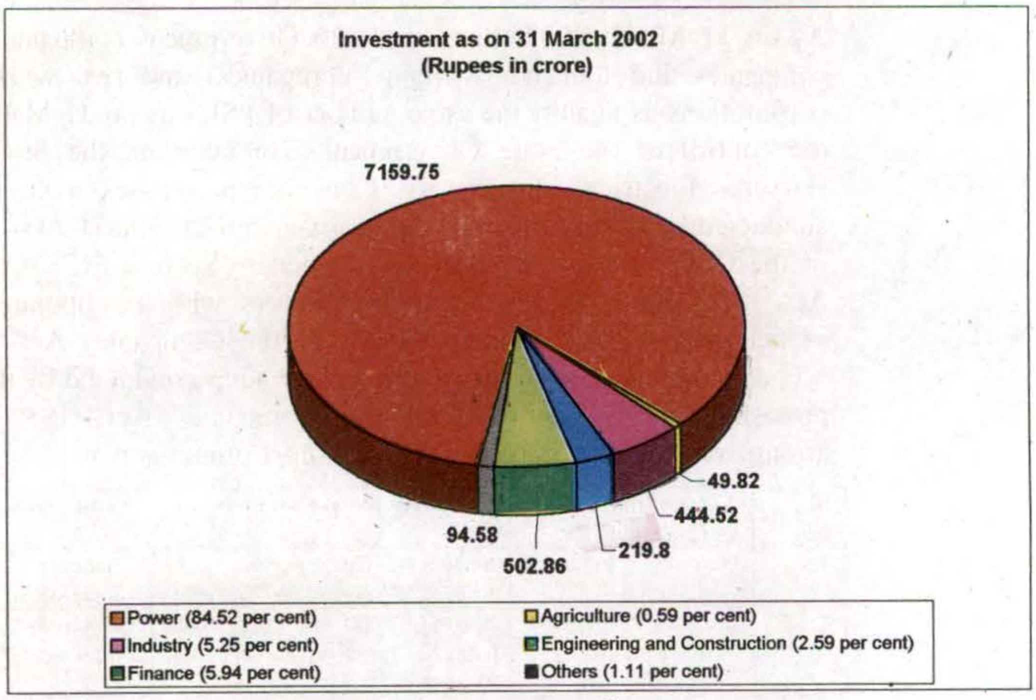
As on 31 March 2002, the total investment in 24 working Public Sector Undertakings (22 Government companies and two Statutory corporations) was Rs 8,471.33 crore (equity: Rs 2,033.45 crore; long-term** loans: Rs 6,256.56 crore and share application money: Rs 181.32 crore) as against 24 working PSUs (22 Government companies and 2 Statutory corporations) with a total investment of Rs 7,888.03 crore (equity: Rs 1,060.06 crore, long-term loans: Rs 5,729.91 crore and share application money: Rs 1,098.06 crore) as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs.

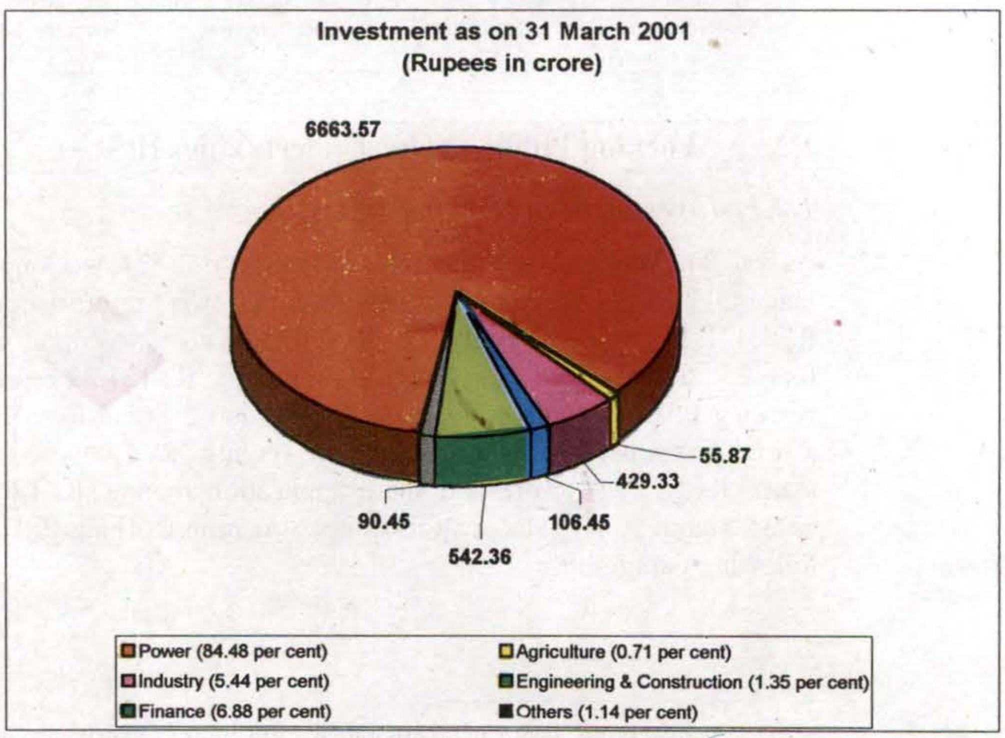
* Non-working companies/corporations are those, which are under process of liquidation/closure/merger etc.

** Long-term loans mentioned in para 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated below in the pie charts:

Sector-wise investment in working Government companies and Statutory corporations





1.2.1.1 Working Government companies

Total investment in 22 working Government companies as on 31 March 2002 was Rs 7,961.96 crore (equity: Rs 1,996.68 crore; long-term loans: Rs 5,783.96 crore, share application money: Rs 181.32 crore) as against total investment of Rs 7,339.00 crore (equity: Rs 1,020.35 crore; long-term loans: Rs 5,220.59 crore, share application money: Rs 1,098.06 crore) as on 31 March 2001 in 22 working Government companies. The increase in total investment was mainly due to investment in the power sector companies. The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure-1.

As on 31 March 2002, the total investment of working Government companies comprised of 27.36 *per cent* equity capital and 72.64 *per cent* as loans compared to 28.87 and 71.13 *per cent* respectively as on 31 March 2001.

Due to significant increase in long-term loans of engineering and power sector, the debt equity ratio of working Government companies as a whole increased from 2.46:1 in 2000-01 to 2.66:1 in 2001-02.

1.2.1.2 Working Statutory corporations

The total investment in two working Statutory corporations at the end of March 2001 and March 2002 was as follows:

	(Rupees in crore)			
Name of corporation	**2000-01**		**2001-02**	
	Capital	**Loans**	**Capital**	**Loans**
Haryana Financial Corporation	34.06	508.49	30.92	471.94
Haryana Warehousing Corporation	5.84	0.83	5.84	0.66
Total	**39.90**	**509.32**	**36.76**	**472.60**

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in Annexure-1.

1.2.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

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

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies during

1999-2002 are given below:

	(Amount: Rupees in crore)											
	1999-2000				2000-01				2001-02			
	Companies		Corporations#		Companies		Corporations#		Companies		Corporations#	
Particulars	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital	6	351.28	-	-	9	273.49	-	-	10	58.55	-	-
Loans	2	27.55	-	-	2	90.26	-	-	4	72.04	-	-
Grants/Subsidy towards												
i)Projects/ Programmes/ Schemes	7	57.16	-	-	9	73.18	-	-	5	95.65	-	-
ii) Others	4	412.32	-	-	3	769.62	-	-	5	852.58	-	-
Total (i+ii)		469.48				842.80				948.23	-	
Total outgo		**848.31**	--	--		**1206.55**	-	-		**1078.82**	-	-

\# The State Government did not provide financial support in the form of equity capital, loans and grants/subsidies to Statutory corporations during 1999-2002.

During the year 2001-02, the Government had guaranteed loans aggregating Rs 3,982.88 crore obtained by nine working Government companies (Rs 3,351.03 crore) and two working Statutory corporations (Rs 631.85 crore). At the end of the year, guarantees amounting to Rs 6,938.94 crore against 13 working Government companies (Rs 6,192.59 crore) and two working Statutory corporations (Rs 746.35 crore) were outstanding. One[@] Company defaulted repayment of guaranteed loans during the year. The Government allowed moratorium on loan repayment of Rs 14.91 crore to one[*] Company during the year. The guarantee commission paid/payable to Government by one Government company and one Statutory corporation during the year was Rs 0.83 crore and Rs 0.77 crore respectively.

1.2.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 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.

@ Sl. No. 10 of Annexure 3.

* Sl. No. 14 of Annexure 3.

However, as could be noticed from Annexure-2, out of 22 Working Government companies, and two Statutory corporations, 3 working companies and one working corporation, respectively had finalised their accounts for the year 2001-02, within the stipulated period. During the period from October 2001 to September 2002, 11 working Government companies finalised 13 accounts for previous years. Similarly, during this period, one Statutory corporation finalised one account for previous year. The accounts of 19 working Government companies and one Statutory corporation were in arrears for period ranging from one to six years as on 30 September 2002 as detailed below:

Sl. No.	Year from which accounts were in arrears	Number of years for which accounts were in arrears	No. of working companies/ corporations		Reference to serial no. of Annexure-2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1.	2001-02	1	10	1	A2,4,5,6,7,8, 14,20,21,22	B1
2.	2000-01	2	3	-	10,12,19	
3.	1999-2000	3	1	-	17	
4.	1998-99	4	3	-	15,16,18	
5.	1997-98	5	1	-	1	
6.	1996-97	6	1	-	11	

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

1.2.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Working Government companies and working Statutory corporations) as per their latest finalised accounts are given in Annexure-2. Financial position, working results and operational performance of power sector companies are also given separately in Annexure-4. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in Annexure 5 and 6.

According to the latest finalised accounts of 22 working Government companies and two working Statutory corporations, 10 companies had incurred loss during the respective year aggregating Rs 237.78 crore and 10 companies and two corporations earned profit during the respective year aggregating Rs 4.45 crore and Rs 22.09 crore respectively. One Company did not prepare profit and loss account as it capitalised excess of expenditure over income and another Company neither showed profit nor loss as its total income was equal to expenditure.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working Government companies and dividend

Ten profit earning working Government companies, which finalised their accounts by September 2002, earned profit aggregating Rs 4.45 crore. Of ten companies, eight companies were earning profit for two or more successive years. These companies did not declare dividend. The State Government had not formulated any dividend policy for payment of minimum dividend.

1.2.4.1.2 Loss incurring working Government companies

Of the 10 loss incurring working Government companies, four[#] companies had accumulated losses aggregating Rs 93.84 crore which exceeded their aggregate paid-up capital of Rs 16 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity and subsidy, etc. According to available information, the total financial support so provided by the State Government by way of equity/subsidy during 2001-02 to two[@] out of these four companies amounted to Rs 82.34 crore.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend

Haryana Financial Corporation finalised its accounts for 2000-01 and Haryana Warehousing Corporation had finalised its accounts for 2001-02. Both the Corporations earned profit of Rs 22.09 crore and declared dividend of Rs 2.01 crore. The dividend as percentage of total share capital in the above profit earning corporations worked out to 5.04 *per cent*.

1.2.4.2.2 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in Annexure-7. In Haryana Financial Corporation, the overdue amount of loans increased from Rs 573.73 crore in 1999-2000 to Rs 890.39 crore in 2001-02. The percentage of overdue loans to total outstanding loans also increased from 29.84 to 42.83 during the same period.

\# Sl. No. A1, 6, 10 and 12 of Annexure-2.

@ Sl. No. A1, 6 of Annexure 2.

1.2.5 Return on capital employed

As per latest finalised accounts (up to September 2002), the capital employed* worked out to Rs 5,131.87 crore in 22 working companies and total return** thereon amounted to Rs 236.53 crore (4.61 *per cent*) as compared to total return of (-) Rs 169.95 crore on capital employed of Rs 4,461.87 crore in previous year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per latest finalised accounts (up to September 2002) worked out to Rs 1,257.27 crore and Rs 89.59 crore (7.13 *per cent*) respectively as against capital employed of Rs 1,053.75 crore and the total return of Rs 89.96 crore (8.54 *per cent*) thereon for previous year (accounts finalised up to September 2001). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in Annexure-2.

1.2.6 Haryana Electricity Regulatory Commission

Haryana Electricity Regulatory Commission (Commission) was formed on 17 August 1998 under the Haryana Electricity Reforms Act, 1997 with the object of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. As per Section 8(3) of the Act, all expenditure of the Commission are to be charged to the Consolidated Fund of the State. The audit of accounts of the Commission had been entrusted to CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 for the period 1998-2003. The Commission had finalised its accounts up to 2000-01.

1.3 Non-working PSUs

1.3.1 Investment in non-working PSUs

As on 31 March 2002, the total investment in four non-working PSUs (all Government companies) was Rs 15.54 crore (equity: Rs 8.21 crore; long-term loans: Rs 7.26 crore and share application money: Rs 0.07 crore) as against total investment of Rs 21.11 crore (equity: Rs 13.79 crore; long-term loans: Rs 7.25 crore and share application money: Rs 0.07 crore) as on 31 March 2001 in four non-working Government companies. The decrease in investment was due to write off/repayment of equity capital by one Company@

* Capital employed represents net fixed assets (including capital works-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, bonds, deposits and borrowings (including refinance).

** 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.

@ Haryana Dairy Development Corporation Limited.

on its liquidation. The summarised statement of Government investment in non-working Government companies in the form of equity and loans is detailed in Annexure-I. The classification of the non-working PSUs was as under:

Sl.No.	Status of non-working PSUs	Number of companies	Number of corporations	Investment in companies	
				Equity	Long term loans
				(Rupees in crore)	
(i)	Under liquidation	2	-	6.85	3.69
(ii)	Others*	2	-	1.43	3.57
	Total	4	-	8.28	7.26

1.3.2 Budgetary outgo

The State Government did not extend any budgetary support to the non-working Government companies during the year 2001-02. At the end of the year, guarantees amounting to Rs 31.84 crore against two non-working Government companies were outstanding as against the same amount as on 31 March 2001.

1.3.3 Total establishment expenditure of non-working PSUs

The year-wise details of total expenditure of non-working PSUs and the sources of financing them during 1999-2002 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs	Total establish-ment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
Government companies							
1999-2000	3	0.96	131.94	-	-	-	12.53
2000-01	2	0.21	-	-	-	-	0.21
2001-02	1[x]	0.39	-	-	-	-	0.48

Note: There is no non-working Statutory Corporation.

Expeditious action is necessary to wind up these companies and avoid further non-productive expenditure.

1.3.4 Finalisation of accounts by non-working PSUs

Out of four non-working Government companies, one Company[x] finalised its accounts for 2001-02 within the stipulated period. The accounts of other three non-working companies were in arrears for period ranging from one to four years as on 30 September 2002 as could be noticed from Annexure-2.

* Two companies viz. Haryana Tanneries Limited and Punjab State Iron Limited are non-functional.

x Haryana Tanneries Limited.

1.3.5 Financial position and working results of non-working PSUs

The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure-2. The year wise details of paid-up capital, net worth, cash loss/cash profit and accumulated loss of non-working companies as per their latest finalised accounts are given below:

Sl. No.	Name of PSUs	Year	Paid-up capital	Net worth	Cash loss (-)/cash profit (+)	Accumulated loss (-)
			(Rupees in lakh)			
Non working companies						
1	Punjab State Irons Limited	2000-01	7.45	(+)5.47	(-) 0.31	(-)1.87
2	Haryana Tanneries Limited	2001-02	135.15	(-)906.71	(-) 0.39	(-)1055.29
3	Haryana Concast Limited	1997-98	685.50	(-)230.20	(-) 797.09	(-) 2718.04
4	Haryana Dairy Development Corporation Limited	2000-2001 (upto 28 February 2001)*	557.48	(-)116.00	(-) 0.43	(-) 673.74

1.4 Status of placement of Separate Audit Reports of Statutory corporations/Commission in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Haryana Financial Corporation	1999-2000	2000-01	Accounts under audit	–
2	Haryana Warehousing Corporation	1999-2000	2000-01	13 February 2002	Annual report is under printing
3.	Haryana Electricity Regulatory Commission	-	1998-99 1999-2000 2000-2001	28 March 2002 -do- 26 April 2002	Hindi version of Audit Report and replies of the Commission thereto was sent to the State Government by the Commission on 6 September 2002.

1.5 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

The State Government did not undertake the exercise of dis-investment, privatisation and restructuring of any of its PSUs during 2001-02.

* The Company has gone into liquidation on 28 February 2001.

1.6 Results of Audit by Comptroller and Auditor General of India

During the period from October 2001 to September 2002, the accounts of 16 Government companies (13 working and three non-working) and two Statutory corporations were selected for review. The net impact of important audit observations as a result of review of the PSUs was as follows:

Sl No.	Details	No. of Accounts		(Rupees in crore)	
		Government companies	Statutory corporations	Government companies	Statutory corporations
(i)	Decrease in profit	5	1	7.42	4.54
(ii)	Increase in profit	-	-	-	-
(iii)	Increase in loss	7	1	115.42	9.22
(iv)	Decrease in loss	2	-	4.42	-
(v)	Non disclosure of material facts	9	1	554.97	2.29
(vi)	Errors of classification	8	1	146.65	1.33

Some of the major errors and omissions noticed in the course of review of annual accounts of these PSUs are mentioned below:

1.6.1 Errors and omissions in case of Government companies

(a) Haryana Roadways Engineering Corporation Limited (2000-01)

Non-provision of gratuity and leave encashment on accrual basis had resulted in understatement of provisions and overstatement of profit by Rs 54.82 lakh.

(b) Haryana Police Housing Corporation Limited (2000-01)

Non-inclusion of loan received from HUDCO during March 2001 had resulted in understatement of secured loans and bank receipt by Rs 43.95 lakh.

(c) Haryana Land Reclamation and Development Corporation Limited (2000-01)

Non-provision of leave encashment, leave salary and pension contribution on accrual basis had resulted in overstatement of current year's profit as well as reserves and surplus by Rs 20 lakh and Rs 1.37 crore respectively.

(d) Haryana Agro Industries Corporation Limited (2000-01)

As per the accounting policy of the Company, enhanced incidental and storage charges and interest received from Food Corporation of India on account of wheat/paddy sold to them were to be accounted for on actual receipt basis. However, sale for the year included enhanced incidental and storage charges of Rs 4.65 crore for 1998-99, which were actually received during April to June 2001 and interest of Rs 0.90 crore, which was not received till finalisation of the accounts. This had resulted in overstatement of both profit and current assets by Rs 5.55 crore.

(e) Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (1997-98)

Non-provision of doubtful recovery of loan and non-accounting of loan written off during the year had resulted in overstatement of loans and advances and understatement of accumulated loss by Rs 2.06 crore.

(f) Haryana State Minor Irrigation and Tubewells Corporation Limited (1995-96, 1996-97)

Accounts for 1995-96, 1996-97

Fixed assets and current liabilities had been understated by Rs 48.89 lakh due to non-provision of enhanced cost of land.

Current assets included Rs 178.73 lakh recoverable from Govt. (Rs 60.73 lakh), HSEB (Rs 38.64 lakh) Suppliers (Rs 12.18 lakh) and UNDP (Rs 67.18 lakh) which had become irrecoverable for various reasons. It has resulted in overstatement of current assets and understatement of loss by Rs 178.73 lakh.

Accounts for 1996-97

The amount recoverable from cultivators is Rs 280.87 lakh against Rs 51.13 lakh shown in the accounts. It has resulted in understatement of sundry debtors and overstatement of loss by Rs 229.74 lakh.

(g) Haryana Vidyut Prasaran Nigam Limited (1998-99, 1999-2000 and 2000-01)

Accounts for 1998-99

Non-provision of liabilities towards wheeling charges (Rs 44.90 lakh), income tax (Rs 2.21 crore), interest on bonds (Rs 3.81 crore), service charges and brokerage fee (Rs 24.42 lakh) had resulted in understatement of loss as well as current liabilities by Rs. 6.71 crore.

Accounts for 1999-2000

Non-provision of interest on loans had resulted in understatement of loss as well as current liabilities by Rs 0.72 crore.

Accounts for 2000-01

Short provision of interest on loans had resulted in overstatement of profit by Rs 0.88 crore.

(h) Uttar Haryana Bijli Vitran Nigam Limited (2000-01)

Non-provision of liabilities towards refunds on account of reduction in the minimum monthly charges (Rs 3.32 crore) and excess inclusion of subsidy (Rs 50.40 crore) had resulted in understatement of loss by Rs 53.72 crore.

(i) Dakshin Haryana Bijli Vitran Nigam Limited (1999-2000 and 2000-01)

Accounts for 1999-2000

Non-adjustment of surcharge waived off (Rs 30.51 crore), claim on furnace charges (Rs 2.37 crore) and non-provision of interest on loans (Rs 0.64 crore) had resulted in understatement of loss to the extent of Rs 33.52 crore. Consequently, current assets were overstated by Rs 32.88 crore and current liabilities were understated by Rs 0.64 crore.

Accounts for 2000-01

Loss was understated by Rs 16.81 crore due to overstatement of income from interest on deferred subsidy (Rs 3.10 crore), non-accounting of surcharge due from customers but waived off by the Company (Rs 12.21 crore) and non-provision of interest on IBRD loan (Rs 1.50 crore). Resultantly, receivables from the State Government and Sundry Debtors were overstated by Rs 3.10 crore and Rs 12.21 crore, respectively and current liabilities and provisions understated by Rs 1.50 crore.

1.6.2 Errors and omissions in case of Statutory corporations

(a) Haryana Warehousing Corporation (2000-01)

(i) Non-provision of storage losses deducted by the FCI from the storage bills had resulted in overstatement of recoverable from parties and profit to the extent of Rs 0.54 crore.

(ii) Recoverable from various parties included storage charges of Rs 1.79 crore on the revised rates recoverable from CONFED w.e.f. April 1995 for which rates were not approved by the State Government till finalisation of accounts. This had resulted in overstatement of recoverable from various parties and profit by Rs 1.79 crore.

(iii) Inclusion of incidentals recoverable from FCI as per provisional rate (Rs 103.35 per quintal) on stock of 19.12 lakh quintals against the actual expenditure (Rs 92.51 per quintal) had resulted in overstatement of income and profit by Rs 2.07 crore.

(b) Haryana Financial Corporation (1999-2000)

(i) Non-provision for diminution in value of investments had resulted in overstatement of investments and understatement of accumulated loss by Rs 8.14 crore.

(ii) Non-provision of depreciation on additional cost of flats during 1995-99 had resulted in understatement of accumulated loss and overstatement of land and building by Rs 41.89 lakh.

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

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

1.6.3.1 Government companies

Haryana State Minor Irrigation and Tubewells Corporation Limited (1995-96 and 1996-97)

Despite being pointed out in the comments on the accounts of the Company for the years ended March 1983 to March 1997, adjustments have not been made in the accounts in respect of following:

(a) Provision of energy charges (Rs 6.88 lakh).

(b) Tubewells written off during previous years (Rs 12.35 lakh).

(c) Non-provision of capital loss (Rs 18.13 lakh) on abandonment of tubewells.

1.7 Recommendations for closure of PSUs

Even after completion of seven to 37 years of their existence, the turnover of seven Government companies (four* working and three** non-working) had been less than Rs 5 crore in each of the preceding five years of latest finalised accounts. Similarly, two*** Government companies (both working) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of the above nine Government companies or consider their closure.

1.8 Response to Inspection Reports, Draft paragraphs and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State

* Sl. No. A-9, 15, 16 and 17 of Annexure - 2.

** Sl. No. C-1, 2 and 3 of Annexure - 2.

*** Sl. No. A-1 and 10 of Annexure - 2.

Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 26 PSUs disclosed that 1,105 paragraphs relating to 533 Inspection Reports remained outstanding at the end of September 2002. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2002 is given in Annexure-8.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 14 draft paragraphs and two draft reviews forwarded to the various departments during January to May 2002 as detailed in Annexure-9 had not been replied to so far (September 2002).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule and, (c) the system of responding to the audit observations is revamped.

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

Details of reviews and paragraphs relating to Audit Reports (Commercial) that were yet to be discussed by the COPU as on 30 September 2002 were as under:

Period of Audit Report	Number of reviews/paragraphs appeared in Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	**Paragraphs**	**Reviews**	**Paragraphs**
1998-99	6	18	6	7
1999-2000	3	18	3	18
2000-01	4	16	4	16

During the year 2001-02, the COPU completed discussion of one review and seven paras in respect of Audit Reports of the year 1996-97 and 1997-98. The COPU also discussed 11 paragraphs of Audit Report for the year 1998-99. Audit Report (Commercial) for the year 2000-01 was placed before the State Legislature on 15 March 2002.

1.10 619-B companies

There was no Company under Section 619-B of the Companies Act, 1956.

Chapter-II

2 Reviews relating to Government companies

2A Haryana Seeds Development Corporation Limited

Highlights

The Company was incorporated in September 1974 with a view to provide quality seeds at reasonable prices to the farmers in Haryana.

(Paragraph 2A.1)

The accumulated profit (Rs 1.40 crore) of the Company for the year ending March 2001 is to be viewed in the light of non-provision of Rs 2.27 crore towards leave encashment (Rs 1.94 crore) and penal interest payable to State Government (Rs 33 lakh). Further, the Company enjoyed the benefit of waiver of dividend of Rs 1.15 crore (State Government: Rs 0.62 crore and National Seeds Corporation Limited: Rs 0.53 crore) on preference shares and penal interest of Rs 45.26 lakh on short term loan from State Government.

(Paragraph 2A.6(a))

The capacity utilisation of seed processing plants declined substantially to 36 *per cent* in 2001-02 due to lower production programme given to growers.

(Paragraph 2A.9)

The action plan under National Seeds Project-Phase-III envisaged (January 1995) an increase in volume of sale from 65 to 75 *per cent* through Company's own sale outlets. But the sale through its own outlets ranged between 64 and 68 *per cent* during five years up to 2000-01 (except 1998-99).

(Paragraph 2A.10.1)

Contribution of the Company as a percentage of total sales in the State during five years up to 2001-02 declined constantly from 63 to 36 *per cent* for wheat and ranged between 47 and 32 *per cent* and 3 and 11 *per cent* in case of paddy and cotton respectively.

(Paragraph 2A.10.2)

As against one of the main objectives of the Company to provide certified seeds at reasonable rates, the selling price of seed was higher due to excess loading of the cost by processing charges of seeds, interest on carrying cost of unsold seeds and dealer's commission. The excess charging from the farmers in respect of wheat seed alone worked out to Rs 3.60 crore during 1999-2001.

(Paragraph 2A.10.4)

Imprudent decision of the Company to sell wheat seed outside the State at cheaper rates had resulted in loss of Rs 0.79 crore to the Company.

(Paragraph 2A.10.6.2)

As the sale of seeds was confined to two crop seasons only, the personnel posted in the field remained idle for 6 months and the Company had not evolved any scheme for their alternative use. As a result, the Company paid Rs 2.47 crore as salary and allowances to them for idle period during five years up to 2000-01.

(Paragraph 2A.11.1)

2A.1 Introduction

The Company was incorporated in September 1974 with a view to provide quality seeds of various agricultural products viz. wheat, paddy, gram, pulses, oil seeds and vegetables at reasonable prices to the farmers in Haryana.

2A.2 Objectives

The main objectives of the Company, *inter alia*, were to:

- make arrangement for supply of foundation seeds to grower-shareholders for varieties of all India and regional importance and through other agencies for other local varieties;

- carry on production of certified seeds of all those kinds and varieties coming under the purview of the Seeds Act, 1966 and quality seeds of other kinds or varieties;

- carry on business as seed merchants including export and import and make available at reasonable prices sufficient quantities of certified seeds to support agricultural production programme;

- enter into contract with individuals, co-operative societies, corporations and Government agencies in the growing, processing, drying, storing, distributing, transporting, buying and selling of agricultural seeds; and

- implement State Seed Project forming part of National Seeds Programme as formulated, and as modified from time to time.

The Company had, however, confined its activities to organising production, procurement, processing and marketing of seeds.

2A.3 Organisational set-up

The management of the Company is vested in a Board of Directors (Board) comprising of not more than 11 directors. As on 31 March 2002, there were 11 directors on the Board, six nominated by the State Government (Chairman, Managing Director, one Director from Haryana Agricultural University (HAU) and three ex-officio directors), three by National Seeds Corporation Limited (NSC), one each by Government of India and the growers. Nominees of the NSC and HAU were experts. Except Managing Director who was a bureaucrat, all the directors were on part time basis.

The Managing Director was the Chief Executive of the Company and was assisted by five departmental heads viz. Chief Manager (Marketing), Chief Manager (Production), Chief Manager (Personnel & Administration), Chief Engineer and Chief Finance & Accounts Officer in day to day affairs of the Company. Besides, there were six Regional/Branch Managers in the field to look after the six* seed processing plants and marketing of seeds.

As per Memorandum of Understanding (MOU) entered (May 1996) amongst Government of India, State Government and the Company for implementation of the National Seeds Project-Phase III (NSP-III) for making the State Seed Corporations viable on sustainable basis, it was envisaged to appoint Managing Director for a tenure of three years for ensuring commitment and continuity of management. The Committee on Public Undertakings (COPU) had also recommended (March 1983) in its 11th Report that the Chief Executive of Public Sector Undertaking/Board should be given a minimum tenure preferably three years or more. Contrary to the recommendations of COPU and MOU, 10 Managing Directors were appointed during the last five

* Umri, Yamunanagar, Hisar, Sirsa, Tohana and Pataudi.

years up to March 2002 and their tenure remained between one and 18 months.

2A.4 Scope of Audit

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996, No. 2 (Commercial)- Government of Haryana. The review was discussed by COPU and their recommendations are contained in the 48th Report presented to the State Legislature on 15 March 2001. The cases where recommendations of the COPU/assurance given by the Company to COPU were not complied with by the Company are discussed in paragraphs 2A.9.2 and 2A.10.3 *infra*.

The present review conducted during November 2001 to February 2002 covers the performance of the Company during the last five years ended 31 March 2002. Out of six processing plants, five* plants were visited and records of 43 out of 70 sales counters were test-checked during audit besides the head office of the Company.

2A.5 Funding

2A.5.1 Capital structure

As per the Action Plan agreed (January 1995) between the Government of India, State Government and the Company under NSP-III, the existing preference shares held by the State Government (46,805) and NSC (32,228) were to be converted into equity shares and the accumulated dividend of Rs 1.15 crore up to March 1994 (State Government: Rs 0.62 crore, NSC: Rs 0.53 crore) on these shares was to be waived.

The preference shares held by the State Government were converted into equity shares (March 1996) and the Government waived the accumulated dividend of Rs 0.62 crore thereon. Although the NSC neither waived the dividend nor returned the share certificates for conversion into equity shares, the Company after seeking approval of the shareholders (December 1999) issued (April 2000) equity shares in lieu of preference shares to the NSC.

As on 31 March 2001, the paid-up capital of the Company was Rs 4.81 crore, subscribed by the State Government (Rs 2.76 crore), NSC (Rs 1.12 crore) and growers (Rs 0.93 crore).

2A.5.2 Borrowings

The Company had borrowed funds (term loans) from banks, State Government and Haryana State Agricultural Marketing Board (HSAMB). As on 31 March 2001, total loans outstanding amounted to Rs 4.19 crore from State

* Umri, Yamunanagar, Hisar, Sirsa and Tohana

Government (principal: Rs 2 crore, interest: Rs 1.55 crore), banks (principal: Rs 10.30 lakh, interest: Rs 15.64 lakh), and HSAMB (principal: Rs 35 lakh, interest: Rs 3.40 lakh).

For working capital requirement, the Company had made cash credit arrangements with a commercial bank against hypothecation of inventories and seeds. There was an outstanding amount of Rs 4.44 crore under such arrangement as on 31 March 2001.

A review of cases involving borrowings revealed the following points:

(a) Excess payment of interest

The Company obtained (1981-85) term loans of Rs 3.37 crore from New Bank of India (NBI), now merged with Punjab National Bank, under refinance scheme of National Bank for Agriculture and Rural Development (NABARD).

The Bank charged excess interest of Rs 0.88 crore by increasing rate of interest arbitrarily.

The NBI in its agreements with the Company agreed to charge fixed rate of interest of 12.5 *per cent* with no variation clause. However, the bank started (September 1990) charging rate of interest arbitrarily varying from 14 to 17.75 *per cent* and the Company paid excess interest from 1990-91 onwards. The excess payment as worked out by the Company/bank amounted to Rs 0.88 crore.

The management stated (January 2002) that the bank had charged higher rate of interest based on revision in rates by NABARD and the matter was taken up from time to time with the bank for charging interest as per the terms of the agreement. The reply of the management was not tenable as the Company should have initiated legal action restraining the bank from charging interest rates higher than the rate prescribed in the agreement. The management further stated (June 2002) that the legal opinion in this case was being taken separately.

(b) Avoidable payment of guarantee fee

There was no condition for providing State Government guarantee against the loans of Rs 3.37 crore obtained from NBI. However, the bank debited (June 1996) arbitrarily the Company's account with Rs 14.65 lakh (Rs 6.55 lakh guarantee fee up to 1991 and Rs 8.10 lakh interest thereon till March 1996). The fact of non-existence of guarantee clause in the original agreement was never brought to the notice of the bank. On being pointed out in audit, the management stated (June 2002) that the matter had been taken up at higher level for refund of the amount.

2A.6 Financial position and working results*

(a) Financial position

The following table summarises the financial position of the Company for the five years ending March 2001:

	Particulars	1996-97	1997-98	1998-99	1999-2000	2000-01
A.	**Liabilities**			(Rupees in lakh)		
(i)	Paid-up capital	463.82	471.97	473.87	476.89	480.66
(ii)	Reserve & surplus					
a)	Free reserves and surplus	157.54	93.31	94.16	163.46	141.17
b)	Capital reserve	584.66	575.73	572.90	571.21	570.18
(iii)	Borrowings (including cash credit)	390.85	372.08	299.94	275.29	688.90
(iv)	Current liabilities & provisions	311.66	454.61	316.30	337.87	359.26
	Total A	**1908.53**	**1967.70**	**1757.17**	**1824.72**	**2240.17**
B.	**Assets**					
(v)	Gross block	993.55	1195.11	1228.53	1223.25	1241.28
(vi)	Less: depreciation	645.90	691.63	739.03	764.17	801.59
(vii)	Net fixed assets	347.65	503.48	489.50	459.08	439.69
(viii)	Capital works-in-progress	123.88	0.53	4.21	0.09	0.09
(ix)	Current assets, loans & advances	1428.57	1457.42	1256.92	1362.39	1799.90
(x)	Miscellaneous expenditure to the extent not written off	8.43	6.27	6.54	3.16	0.49
	Total B	**1908.53**	**1967.70**	**1757.17**	**1824.72**	**2240.17**
C.	**Capital employed****	**1588.44**	**1506.82**	**1434.33**	**1483.69**	**1880.42**
D.	**Net worth*****	**612.93**	**559.01**	**561.49**	**637.19**	**621.34**

An analysis of the above table revealed the following points:

(i) Due to non-liquidation of seeds, the inventory of the Company had increased during 2000-01 which resulted in increase in current assets, loans and advances and capital employed.

The accumulated profit of Rs 1.40 crore at the end of March 2001 was subject to non-provision of expenditure of Rs 2.27 crore.

(ii) The accumulated profit (Rs 1.40 crore) of the Company at the end of March 2001 was to be viewed in light of non-provision of Rs 2.27 crore toward leave encashment (Rs 1.94 crore) and penal interest payable to State Government (Rs 33 lakh). Further, the Company had enjoyed the benefit of waiver of dividend of Rs 1.15 crore (State Government: Rs 0.62 crore and NSC: Rs 0.53 crore) on preference shares and penal interest of Rs 45.26 lakh on short term loan from State Government.

* Financial position and working results were analysed up to 2000-01 due to non-finalisation of the accounts for the year 2001-02.

** Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

*** Net worth represents paid-up capital plus free reserves less intangible assets.

(b) Working results

The table given below summarises the working results of the Company for five years ending 31 March 2001:

	Particulars	1996-97	1997-98	1998-99	1999-2000	2000-01
A.	**Income**			(Rupees in lakh)		
(i)	Sales	2623.40	2000.93	2503.37	2660.25	1968.63
(ii)	Subsidy from State Government on sale of seeds	255.84	117.19	188.42	196.06	189.27
(iii)	Other income	57.75	25.59	62.81	35.50	69.86
(iv)	Accretion (+)/decretion (-) in stock	(-)505.59	(+)540.16	(-)729.73	(+)213.12	(+)906.07
	Total A	**2431.40**	**2683.87**	**2024.87**	**3104.93**	**3133.83**
B.	**Expenditure**					
(v)	Purchases	1623.14	1881.38	1223.22	2056.81	2180.45
(vi)	Administrative, selling and distribution expenses	593.15	666.55	683.03	795.72	830.72
(vii)	Interest	88.26	82.83	79.97	78.23	110.56
(viii)	Depreciation	39.51	47.43	48.56	45.19	42.30
	Total B	**2344.06**	**2678.19**	**2034.77**	**2975.95**	**3164.03**
(ix)	Profit (+)/loss (-) for the year	(+) 87.34	(+) 5.68	(-) 9.91	(+) 128.98	(-) 30.20
(x)	Prior period adjustments	(-) 6.19	(-) 41.76	(+) 10.75	(-) 51.89	(+) 7.90
(xi)	Less provision for income tax	11.27	-	-	7.79	-
	Net profit(+)/loss (-)	**(+) 69.88**	**(-) 36.08**	**(+) 0.84**	**(+) 69.30**	**(-) 22.30**

The Company's profit of Rs 1.29 crore for the year 1999-2000 turned into loss of Rs 30.20 lakh in 2000-01 despite receipt of revenue grant of Rs 23.76 lakh from Government of India under Seed Bank Scheme. Loss during 2000-01 was attributable to:

- decrease in sale and increase in interest component on borrowings/inventory holdings;
- increase in expenses on inter unit transfers (discussed in para 2A.10.3 *infra*); and
- increase in administrative expenses (discussed in para 2A.11 *infra*).

2A.7 National Seeds Project- Phase-III

In order to make the Seed Corporations financially viable on sustainable basis and to restructure them on commercial lines, the Government of India formulated National Seeds Project Phase-III (NSP-III). In January 1992, the State Government approved participation in the project. Based on the diagnostic study (November 1994 and January 1995) conducted by the operating consultant* appointed by the Government of India, following key action plan was agreed to (January 1995):

- Contribution of margin money of Rs 4.20 crore by the Government of India (Rs 2.70 crore) and State Government (Rs 1.50 crore) for working capital;
- Waiving penal interest (Rs 45.26 lakh) on short term loan of Rs 5 crore obtained from the State Government;
- Contribution of rupee one crore by the Government of India for repayment of the loan, ibid;
- Charging of 6 *per cent* simple interest on repayment of the whole outstanding loan and repayment of the entire loan by 31 March 1998;
- Contribution of capital grant of Rs 19.50 lakh each by the Government of India and State Government for capital investment;
- Grant of Rs 16 lakh for Electronic Data Processing (EDP) equipments by the Government of India; and
- Introduction of recommended measures of cost reduction by surrendering excess load of power in the plants, rationalisation of manpower, increase in sale through own outlets from 65 to 75 *per cent* and to increase the Company's market share in the sale of seeds in the State to 75 *per cent*.

2A.7.1 Implementation of the NSP-III

The State Government did not release its share of matching contribution of Rs 19.50 lakh for capital investment.

The Government of India disbursed (May 1995) Rs 3.86 crore towards margin money for working capital (Rs 2.70 crore), grant for electronic data processing equipment (Rs 16 lakh) and repayment of loan to the State Government (rupee one crore). Further, the Government of India released (March 1996) Rs 19.50 lakh being its share for capital investment. The State Government did not release the matching contribution of Rs 19.50 lakh for capital grant but released (August 1995) Rs 1.50 crore towards margin money for working capital.

A scrutiny of the records relating to implementation of NSP-III revealed the following points:

(i) State Government waived (March 1996) penal interest (Rs 45.26 lakh) on short term loan of Rs 5 crore and agreed for 6 *per cent* simple interest on outstanding loan. The Company repaid only Rs 3 crore during 1995-96 (Rs 1.50 crore) and 1996-97 (Rs 1.50 crore). As on 31 March 2001, Rs 3.55 crore (including interest of Rs 1.55 crore at the rate of 6 *per cent* per annum) was outstanding.

* M/s K. Lal Goel & Company, New Delhi

EDP equipment purchased for Rs 15.24 lakh under the scheme was not put to use.

(ii) The Company purchased computer hardware out of the grant for EDP equipment for Rs 15.24 lakh during 1995-97. However, computerisation of Head Office, processing plants and marketing units had not been completed in the absence of which MIS reports, profit centre reports, inter-plant comparison report etc had not been generated. The management stated (June 2002) that the equipment had become obsolete and computerisation could not be completed due to financial constraints.

(iii) The Company could not achieve the target of 75 *per cent* sale through its own outlets and the same ranged between 64 and 68 *per cent* during the last five years up to 2000-01 (except in 1998-99).

(iv) Against the envisaged 75 *per cent* share of the Company in the total sale of seed in the State, the actual share during the last five years up to 2001-02 ranged between 36 and 63 *per cent* for wheat, 32 and 47 *per cent* for paddy and 3 and 11 *per cent* for cotton (discussed in paragraph 2A.10.2 *infra*).

2A.8 Production performance

2A.8.1 Seed development process

Breeder seed constitutes the basis of all further seed production and is used in production of foundation seed. Breeder seed was provided by the Government of India which was used in the production of foundation seed. The foundation seed of marked genetic purity and other physical characteristics was used for multiplication/ production of certified seed, which was sold to the farmers for raising crops on a large scale.

The seed development process is narrated below:

Procurement of breeder seed from Government of India

Multiplication to foundation seed

Distribution of foundation seed to growers

Receipt of raw seed from growers

Processing of raw seed in seed processing plants

Certification of processed seed for sale to farmers

The Company procured foundation seed from Haryana Agriculture University (HAU) and the growers by giving them production programme. The foundation seed so obtained was distributed amongst individual grower shareholders and other farmers for multiplication/production of raw seed on their land holdings. The entire raw seed was procured from these growers at the rates fixed each year by the Company by adding some premium on minimum support price fixed by the Government of India. The raw seed was then processed in processing plants of the Company. The processed seed was tested by Haryana State Seed Certification Agency (HSSCA) in its seed testing laboratory and the seed labelled as certified seed by the HSSCA was sold to the farmers.

2A.8.2 Foundation seed

The requirement of foundation seed was assessed by the Company on the basis of targeted coverage of total cultivable area as per crop production programme of each season prepared by the Seed Production Committee. The foundation seeds were sold to growers for production of raw seed.

Excess payment of rupee one crore was made on procurement of foundation seed from HAU.

It was observed in audit that during the last five years up to 2000-01, 20,362.60 quintals foundation seed of wheat valuing Rs 2.51 crore was purchased from HAU at a rate ranging between Rs 1,108 and Rs 1,369 per quintal, though the Company procured foundation seed (from growers and Government seed farms) through its own production programme at rates ranging between Rs 611 and Rs 832 per quintal. This had resulted in excess payment of Rs 1.0 crore to HAU.

The management stated (June 2002) that it had followed the policy for production of foundation seed since its inception and preferred to get maximum quantity of seed produced from HAU farm followed by Government Seed Farms/ Haryana Land Reclamation and Development Corporation Limited (HLRDC) farm and Central State Farm (CSF), Hisar. The Company further stated that it went for production programme through private growers only under special circumstances and under strict and close supervision of technical staff.

The management's reply was not tenable as the foundation seed procured through its own production programme was cheaper as compared to the foundation seed procured from HAU, and the Company should have procured maximum quantity of foundation seed from Government agencies and private growers through its own production programme.

2A.8.3 Fixation of targets

The State Government constituted (May 1997) a Seed Production Committee comprising of 14 members representing State/Central Government and technical institutions. The Committee draws production programme of certified seed for each season (Rabi and Kharif) on the basis of the demand received from field offices, projection given by the Agriculture Department and targets suggested under NSP-III. The production programme so decided by the Committee was then considered by the Board of the Company. The implementation of seed production programme was reviewed periodically by the Managing Director of the Company.

The table below indicates the targeted area for production of certified seed vis-à-vis actual area sown for the last five years up to 2000-01:

Crop season	Year	Target fixed	Area sown	Shortfall	Percentage of shortfall
		(Figures in acres)			
Rabi					
	1996-97	25577	21484	4093	16
	1997-98	20455	18759	1696	8
	1998-99	19346	18290	1056	5
	1999-2000	20142	19269	873	4
	2000-2001	16052	15350	702	4
Kharif					
	1996-97	8198	4483	3715	45
	1997-98	9306	8230	1076	12
	1998-99	4358	3187	1171	27
	1999-2000	3819	3067	752	20
	2000-2001	3976	3631	345	9

The Company had not been able to sow the targeted area in any of the crops.

An analysis of the above table would reveal that the Company had not been able to sow the targeted area in any of the crops i.e. Rabi and Kharif during the last five years though it continued to reduce the targets year after year.

The management stated (June 2002) that production programme underwent change based on the response from growers received during the previous years and also keeping in view the stocks of unsold seed available.

2A.8.4 Production of certified seed

The table below indicates the targets and actual production of certified seeds of wheat, paddy and cotton during the last five years up to 2000-01:

Crop	Year	Target for production	Actual production	Percentage of achievement
		(quintals)		
Wheat				
	1996-97	267000	202232	76
	1997-98	261650	119987	46
	1998-99	208650	186085	89
	1999-2000	220000	205532	93
	2000-2001	167560	95549	57
Paddy				
	1996-97	17500	10172	58
	1997-98	20400	11423	56
	1998-99	15000	6400	43
	1999-2000	16000	11241	70
	2000-2001	17550	13082	75
Cotton				
	1996-97	15000	4769	32
	1997-98	18000	1145	6
	1998-99	7850	206	3
	1999-2000	4800	3065	64
	2000-2001	7350	4455	61

Source:- Data taken from seed production registers maintained by the Company.

NSP-III envisaged progressive increase in sale of wheat seed from 2.22 lakh quintals to 2.85 lakh quintals, paddy seed from 10,736 quintals to 21,000 quintals and cotton seed from 5,444 quintals to 20,000 quintals during 1994-2000. An analysis of the above table would reveal that Company fixed targets lower than those envisaged in NSP-III and was not able to achieve even the reduced targets. The management stated (June 2002) that due to marketing problems, the lower targets were fixed and even the reduced produce could not be sold. The reply was not tenable as by adopting proper marketing strategy, the sale could have been increased.

2A.9 Processing of seed

The raw seed procured from the farmers was processed in the six processing plants of the Company. It would be seen from the Annexure-10 that the capacity utilisation of the processing plants declined substantially to 36 *per cent* in 2001-02 which was the lowest during five years, the highest being 78 *per cent* in 1999-2000.

The management stated (June 2002) that low production of seeds and resultant under utilisation of capacities were due to carry over of stock from the previous years and fluctuation in weather conditions.

The reply was not tenable as carry over of stock was due to poor marketing and fixation of higher rates in comparison with rates of private traders. Moreover, fluctuation in weather condition had no impact as the total sales of wheat seed in the State increased from 2.14 lakh quintals during 1997-98 to 4.16 lakh quintals during 2001-02.

It was further seen that the capacity utilisation of Umri and Yamunanagar plants ranged between 25 and 68 *per cent* and 19 and 46 *per cent* respectively during the last five years up to 2001-02. As the capacity utilisation at Yamunanagar was lower as compared to Umri, the processing cost at Yamunanagar was Rs 292.99, Rs 110.33 and Rs 89.45 per quintal as against processing cost of Rs 56.93, Rs 51.87 and Rs 22.55 per quintal at Umri during the last 3 years up to 1999-2000. As both the plants were located at close proximity to each other, the processing of entire seeds at Umri would have not only increased its capacity utilisation but also reduced the processing cost. The management stated (June 2002) that it was planning to reduce the installed capacity at Yamunanagar.

2A.9.1 Cotton ginning and bale pressing plant, Hisar

The Company procured raw cotton (*Kapas*) from the growers which was ginned and seed was separated from cotton. The cotton was pressed in cotton ginning and bale pressing plant. The installed capacity of the plant was 11,200 bales per working season of 100 days in a year.

The table below summarises the capacity utilisation of the plant for the last five years up to 2000-01:

Year	Installed capacity in number of bales	No. of cotton bales ginned & pressed	Percentage utilisation of installed capacity
1996-97	11200	1153	10.29
1997-98	11200	Nil	Nil
1998-99	11200	27	0.24
1999-2000	11200	444	3.96
2000-2001	11200	1317	11.76

The capacity utilisation of the plant ranged between nil and 11.76 *per cent* during five years up to 2000-01.

Low capacity utilisation was attributed to less production programme given as the target area for cotton was reduced from 6,461 acres during Kharif 1997 to 2,197 acres during Kharif 2000. Further, the Company could not obtain work of ginning from Government agencies viz. HAFED, Cotton Corporation of India (CCI) and private parties. NSP-III envisaged (January 1995) to dispose of the cotton ginning plant and replace it with smaller plants. However, no action had been taken (March 2002) in this regard.

The management admitted (June 2002) that installed capacity of the plant was much higher than the requirement and the Company could not get work from private parties, HAFED and CCI in spite of their earnest efforts.

2A.9.2 Cotton delinting plants

The Company had three delinting* plants (two machine delinting plants at Hisar and Sirsa and one acid delinting plant at Hisar) with total installed capacity of 23,000 quintals per season.

The capacity utilisation ranged between one and 23 *per cent* during 1996-2001.

The capacity utilisation of the plants ranged between one and 23 *per cent* which was due to low production programme given to growers and non-procuring of work from private parties. Though the COPU recommended (March 2001) constitution of a committee of officers to take effective steps for improving the capacity utilisation of plants, no such committee had been constituted so far (March 2002).

The management stated (June 2002) that it had closed the acid delinting plant and work of improving the capacity utilisation of machine delinting plants was under consideration.

Some of the important points on the working of plants are discussed below:

Unfruitful expenditure of Rs 12.11 lakh was incurred on repair of the acid delinting plant.

(a) The utilisation of acid delinting plant at Hisar decreased from 2,641.10 quintals during Kharif 1993 to 752.50 quintals during Kharif 1997 due to high cost and increased risk to seed quality. Despite this, the Company incurred an expenditure of Rs 12.11 lakh on replacement of its dryer and wash machine (Rs 10.41 lakh) and procurement of new acid storage tank (Rs 1.70 lakh) in

* Delinting is a process of removing cotton attached with the cotton seed.

1997. Thereafter, only 550 quintals of seed was delinted during Kharif 1998 and since then it was lying idle. Expenditure of Rs 12.11 lakh had, thus, proved to be unfruitful. Although the management decided to dispose of the plant in March 2001, the plant had not been disposed of so far (June 2002).

(b) Avoidable payment of minimum electricity charges

Non-surrendering of excess power/load resulted in excess payment of Rs 10.45 lakh.

The Hisar plant was sanctioned (1986) power load of 509.327 KW with the contract demand of 550 KVA for its cotton ginning, bale pressing and acid delinting plant. The Company continued to avail sanctioned load despite low capacity utilisation of the plant for the last 10 years. On being pointed out in audit (July 2000), the Company reduced (March 2002) the load to 174.32 KW with contract demand of 194 KVA. Had the Company reduced the load earlier, it could have saved Rs 10.45 lakh paid as minimum charges during April 2000 to February 2002.

2A.9.3 Short packing of wheat seed

The raw seed received by the Company from seed growers are processed and quality seed retained and packed by the Company for sale to the farmers. Payment to the seed growers was made on the basis of quantity of seeds packed.

At Umri plant, the Company was having 49,937.20 quintals and 8,888.80 quintals of packed wheat seed of PBW-343 and UP-2338 varieties respectively for sale during 2000-01. The Company could sell 31,113.20 quintals of these varieties and was left with unsold stock of 27,712.80 quintals. The left over stock of seed was put to revalidation before sale during Rabi 2001. While revalidating the left over stock of seed, shortage of 525.80 quintals of wheat seed, being the difference between the quantity offered for revalidation and quantity actually revalidated, was noticed.

The Committee constituted to enquire into the shortages found (January 2002) that non-certification of weights/scales vis-a-vis calibration before/during processing of Rabi seed (1999-2000) resulted in under weight filling i.e. short packing of seed. Resultantly, wheat seed sold during 2000-01 was also under weight.

Thus, negligence in monitoring the actual weight at the packing stage had resulted in short packing of 525.80 quintals of wheat seed valuing Rs 6.70 lakh against unsold stocks of 27,712.80 quintals. The management stated (June 2002) that responsibility of concerned staff was being fixed and recovery of losses being made.

2A.10 Marketing

To ensure timely availability of certified seed at the doorsteps of the farmers, the Company had created its own network of 70 regular sale counters. Besides regular sale counters, about 20 to 30 temporary sale counters were opened during sale season. Certified seed was also sold through institutional agencies viz. Mini Banks, Haryana Agricultural Marketing Federation Co-operative Limited (HAFED), HLRDC and Haryana Agro Industries Corporation Limited (HAIC) etc. The sale performance of certified seed during the last five years up to 2001-02 is detailed below:

Crop Season	Year	Availability of seed	Sale	Percentage of sale to availability
		(quintals)		
Rabi				
	1997-98	208386	138250	66
	1998-99	192592	186404	97
	1999-2000	199691	180329	90
	2000-2001	227016	142102	63
	2001-2002	184760	182060	99
Kharif				
	1997-98	21452	17531	82
	1998-99	18242	15638	86
	1999-2000	17884	17046	95
	2000-2001	19482	17679	91
	2001-2002	22688	18262	80

The availability of Rabi seeds declined from 2.08 lakh quintals in 1997-98 to 1.85 lakh quintals in 2001-02.

The availability of Rabi seed declined from 2.08 lakh quintals in 1997-98 to 1.85 lakh quintals in 2001-02 and of Kharif seed declined in the first four years and increased marginally during 2001-02. Even this seed could not be sold in all the five years (except Rabi crop during 2001-02).

The management stated (June 2002) that the change in the preference of the farmers for certain varieties of seeds, entry of a large number of private seed producers and unfavorable weather conditions were the factors responsible for decline in sale of certified seeds. It was, however, noticed in audit that poor marketing, higher selling rates and failure of the Company to ascertain the farmers' preferences were responsible for poor sales.

2A.10.1 Commission to institutional agencies

The action plan under NSP-III envisaged (January 1995) an increase in volume of sale from 65 to 75 *per cent* through Company's own sale outlets. However, the sale through its own outlets ranged between 64 and 68 *per cent* during five years up to 2000-01 (except in 1998-99). During the last five years up to 2000-01, the Company paid commission of Rs 2.55 crore to the institutional agencies for sale of seed on 10 *per cent* commission basis.

The management stated (February 2002) that from 2001-02 Rabi crops, the Company was allowing 7.5 *per cent* commission instead of 10 *per cent* to the agencies. However, the fact remained that the Company could not increase the quantum of sale through its own outlets.

2A.10.2 Contribution of the Company towards meeting the demand of major seeds in the State

The table below indicates contribution of the Company towards distribution of major seeds in the State during five years up to 2001-02.

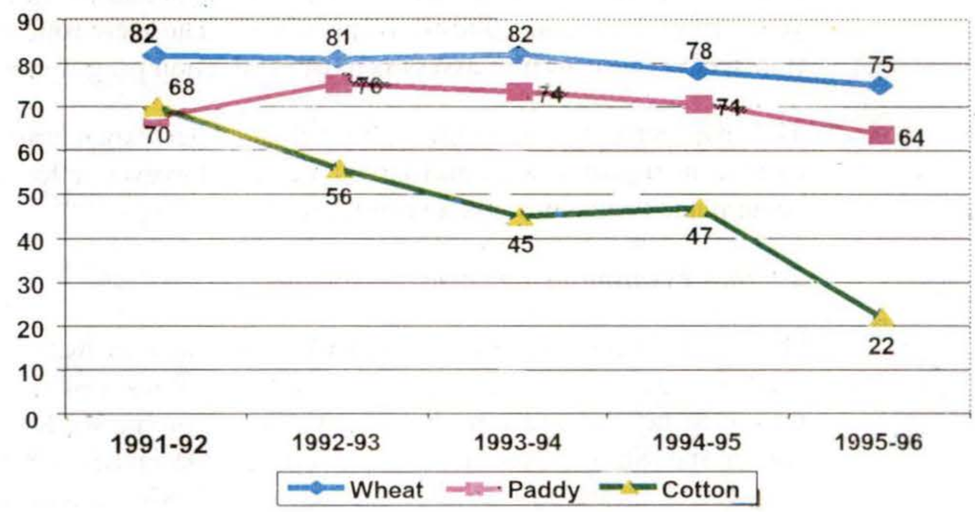
Crop	Year	Total sale of seeds in the State (quintals)	Contribution of the Company (quintals)	Percentage of contribution
Wheat	1997-98	214333	134005	63
	1998-99	313230	173449	55
	1999-2000	354689	175822	50
	2000-2001	335430	137740	41
	2001-2002	415932	149435	36
Paddy	1997-98	25988	9049	35
	1998-99	33867	10760	32
	1999-2000	32332	11899	37
	2000-2001	29618	11420	39
	2001-2002	23112	10962	47
Cotton	1997-98	44942	4821	11
	1998-99	50737	1754	3
	1999-2000	33746	1334	4
	2000-2001	41117	2552	6
	2001-2002	43860	4606	11

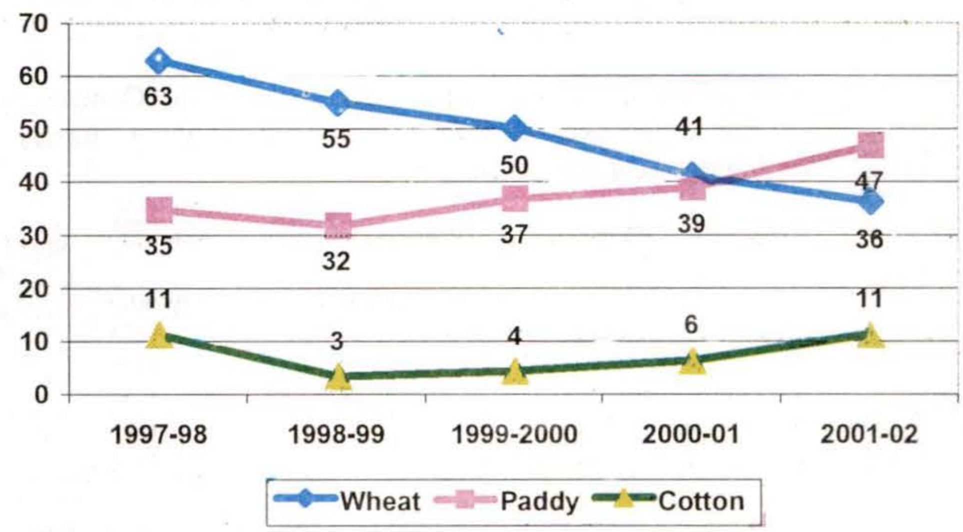
The contribution of the Company in the State dropped from 63 *per cent* in 1997-98 to 36 *per cent* in 2001-02 in respect of wheat seed.

From the above table, it would be seen that there was substantial increase in sale of wheat seed in the State from 2.14 lakh quintals to 4.16 lakh quintals during 1997-2002. The contribution of the Company, however, dropped from 63 *per cent* to 36 *per cent* during the same period.

Interestingly, during the preceding block of 5 years of 1991-96, the Company's contribution of wheat, paddy and cotton ranged between 75 and 82, 64 and 76 and 22 and 70 *per cent* respectively whereas the contribution of wheat, paddy and cotton during 1997-2002 ranged between 36 and 63, 32 and 47 and 3 and 11 *per cent* respectively.

The graphical presentation indicating the Company's contribution (in terms of percentage) in the total sale of seed in the State for the block years 1991-96 and 1997-2002 was as under:





The management stated (June 2002) that decline in sale was due to entry of private seed producers, change in the preference of the farmers, non-lifting of allocated wheat seed by the institutional agencies and taking of seeds by the farmers from adjoining areas of other States like Punjab and Rajasthan. The reply was, however, not tenable as with substantial subsidy from the Government, the Company could have maintained its contribution by providing seed at competitive rates keeping in view the preference of the farmers.

2A.10.3 Expenditure on inter unit transfers

While discussing Para 2A.11 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996, No. 2 Commercial Government of Haryana, regarding excess expenditure of transportation on inter-unit transfer of seed, the management intimated (August 1999) the COPU that the expenditure had decreased from Rs 25.71 lakh during 1995-96 to Rs 14.79 lakh during 1998-99 and further assured to minimise the expenditure. However, it was noticed that the expenditure incurred on inter-unit transfer had again increased to Rs 21.88 lakh and Rs 24.57 lakh during the years 1999-2000 and 2000-01 respectively. The increasing trend in inter-unit transfers was due to non-assessment of production programme properly.

The management stated (June 2002) that higher expenditure was attributable to hike in transportation and labour rates. However, efforts were constantly being made to minimise the expenditure.

2A.10.4 Fixation of sale price

One of the main objectives of the Company was to make available certified seed to the farmers at reasonable rates. With this in view, the State Government provided subsidy to the Company on the seeds sold to the farmers within the State. The Board authorised (December 1995) the Managing Director to fix the sale rates of various seeds produced during Rabi and Kharif crops. While fixing the sale rates, the Company added various elements of cost viz. processing cost, packing cost, interest on inventory carrying, dealers commission, overheads etc. in the procurement price of seeds.

The table below indicates the rates at which the Company procured seed of various crops and their sale rates fixed by the Company after processing during one year test checked in audit.

Crop	Year	Procurement rate	Sale rate	Percentage addition over procurement rate
		(Rate in Rupees per quintal)		
Wheat	2001-02	710	1275	80
Paddy	2001-02	665	1350	103
Mustard	2001-02	1485	2750	85
Arhar	2000-01	1950	4000	105
Toria	2001-02	1190	2700	127

From the above it would be seen that the addition over procurement rate of the Company ranged between 80 and 127 *per cent*. Due to abnormal processing charges and other overheads, the sale rates of the Company were higher than the prevailing market rates even after providing for subsidy by the State Government.

A test-check in audit revealed that the Company fixed higher prices for wheat seed during the years1999-2000 and 2000-01 on account of excess loading of seed processing charges, interest on carrying cost of unsold seeds and dealers commission causing excess charging of Rs 3.60 crore from the farmers as discussed below:

Inclusion of excess processing cost in cost sheet resulted in overcharging of Rs 0.59 crore during 1999-2001 in wheat seed.

(i) As per policy of the Company for working out the processing cost in a year, the actual processing cost incurred during the previous year was increased by 10 *per cent* being general cost escalation. Accordingly, the Company had included Rs 101.11 and Rs 80.83 per quintal during the years 1999-2000 and 2000-01 for wheat seed against the actual processing cost of Rs 73.48 and

Rs 73.59 per quintal respectively resulting in excess charging of Rs 0.59 crore during these years.

(ii) The Company charged interest component for six months at the rate of 18 *per cent* per annum on fresh stocks as inventory carrying cost while working out the sale rates, as against actual interest rate of 14.25 *per cent* paid by it. The excess interest charged on wheat alone comes to Rs 45.35 lakh during these two years.

Inclusion of dealer's commission on sales effected through Company's own outlets resulted in excess charging of Rs 2.56 crore.

(iii) The Company charged dealer's commission at 10 *per cent* on whole of the quantity to be sold while working out the sale price whereas only 22 to 34 *per cent* of sale was effected through dealers. As against Rs 1.11 crore paid to dealers as commission on all the seeds sold, Rs 3.67 crore was charged on wheat seed alone during these years which resulted in excess charging of Rs 2.56 crore.

Thus, the Company could have improved quantum of sales and profit by fixing realistic prices.

2A.10.4.1 Avoidable extra expenditure on the purchase of bajra seed

Procurement of bajra seed at higher rates resulted in avoidable extra payment of Rs 37.31 lakh.

The Company purchased 4,107 quintals, 1,487 quintals, 1,251 quintals and 93 quintals of bajra certified seed (Hybrid-67) from NSC during 1996, 1997, 1998 and 1999 at the rate of Rs 2,430, Rs 2,408, Rs 2,322, and Rs 2,200 per quintal respectively. At the same time, it purchased the same variety of seed from Andhra Pradesh State Seeds Corporation Limited/Maharashtra State Seeds Corporation Limited (APSSC/MSSC) at the rate of Rs 1,800, Rs 1,900 and Rs 2,100 per quintal during 1996, 1998 and 1999. Further, the Company was having offer from APSSC to supply seed at Rs 2,000 per quintal during 1997 which was ignored. The Company did not make any efforts to negotiate with NSC for charging the rates at par with other agencies which resulted in avoidable extra expenditure of Rs 37.31 lakh on above purchases.

The management stated (June 2002) that after 1997, preference was given to other agencies in comparison to NSC for major supply and seeds which were not available with them, were purchased from NSC. The reply was not tenable as the varieties pointed out in the para were available at cheaper rates with other agencies.

2A.10.5 Loss on revalidation of seed

The seeds which could not be sold during the current sowing season were carried over for sale during the next sowing season. Before sale, the seeds were revalidated and that part of the seed which did not contain the minimum required germination was rejected and sold as grain.

The table below indicates the details of stock of seed put to revalidation, stock failed in germination test, seeds sold as commercial grain and loss suffered by

. the Company:

Sl No.	Production Year	Seed	Stock put to revalidation (quintal)	Stock failed in germination test (quintal)	Year of sale as grain	Loss suffered (Rupees in lakh)
1	1993 and 1994	Cotton	686.26	685.66	1996 and 1997	7.02
2	1995 and 1996	Cotton	2814.11	2608.17	1998	24.75
3	1999	Wheat	17643	3657	2001	19.59
4	1994 and 1996	Paddy	2567.90	959.80	1997 and 1999	8.13
					Total	**59.49**

Failure of seed during revalidation resulted in loss of Rs 0.59 crore.

Thus, failure of seeds during revalidation test resulted in loss of Rs 0.59 crore to the Company.

The management stated (February 2002) that certified seed lost its vigour/germination during long period of storage and nobody was responsible for failure of seed. However, the fact remained that abnormal time gap between production of seed and its disposal as grain resulted in deterioration of stocks.

2A.10.6 Inter-state sale

The action plan under NSP-III envisaged increase in inter-state sales so as to make State Seeds corporations commercially viable. Table below indicates the inter-state sales during the last five years up to 2001-02:

Year	Total sale	Inter-state sale	Percentage of inter-state sale to total sale
	(quintals)		
1997-98	155779	440	0.28
1998-99	202041	8391	4.15
1999-2000	197374	1166	0.59
2000-01	159781	20	0.01
2001-02	200325	28810	14.4

The management stated (June 2002) that due to higher cost of seeds, the Company was unable to sell their seeds in other states. However, it was observed in audit that poor inter-state sale was also due to lack of marketing policy and late fixation of selling rates.

2A.10.6.1 Failure to sell wheat seed to a private party outside the State

Failure to sell wheat in the inter-state market resulted in inventory holding and avoidable expenditure of Rs 0.75 crore on storage.

For sale season 2000-01, the Company had 2,20,087 quintals of wheat seed. To liquidate this stock, the Company decided (September 2000) to explore possibilities of inter-state marketing at the rate of Rs 1,085 per quintal. One party viz. Tarai Seed Syndicate, Udham Singh Nagar (UP) consented to purchase 30,000 quintals of seed at the rate of Uttar Pradesh Seed and Tarai Development Corporation Limited/NSC for sale in Uttar Pradesh and Bihar and also offered to be a distributor of the Company for these States. It also offered advance payments for 30,000 quintals of seed and earnest money for dealership. Representative of the firm visited (October 2000) the office of the Company at Panchkula to finalise the purchase proposal. The Company insisted upon the rate of Rs 1,085 per quintal and held no negotiations with the party. At the end of the season, huge stocks of 82,347 quintals remained unsold. The Managing Director observed (July 2001) that the manner in which the offer of 30,000 quintals of seeds was unceremoniously buried was very intriguing and the Company could have reduced its margins to prevent blockade of funds.

Thus, had the negotiations been conducted at higher level, the Company could have not only saved carry over charges of about Rs 0.75 crore as worked out by the management but also given a boost to the inter-state sale by accepting the offer of the party to be distributor for inter-state sale.

The Company has, however, not investigated the matter further and fixed any responsibility for not pursuing the matter at an appropriate level.

2A.10.6.2 Loss due to injudicious inter-state sale

Injudicious decision to sell wheat seed outside the State resulted in loss of Rs 0.79 crore.

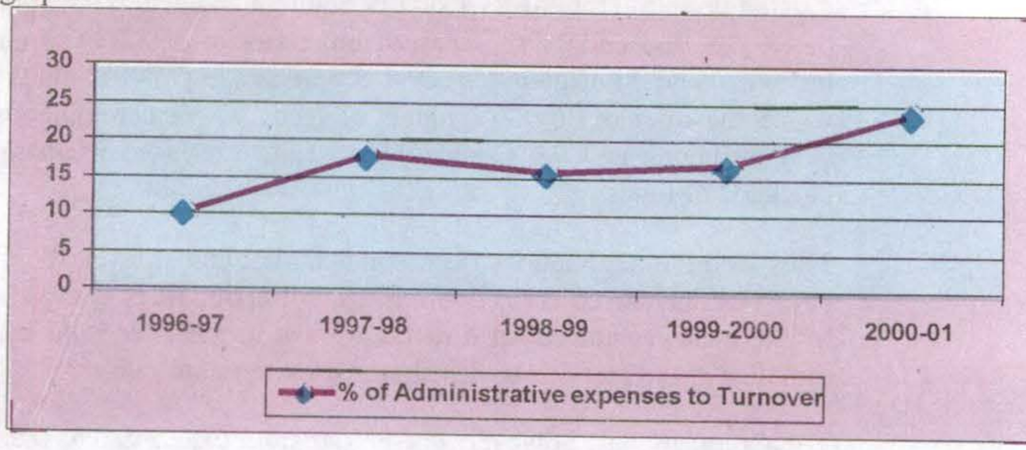
As per production programme given (5 October 2000) for the year 2000-01 (sale season 2001-02), 1,90,500 quintals wheat seed was to be procured. During mid season review, the target was reduced to 1,67,500 quintals due to carry over stocks. The Company could, however, procure only 96,190 quintals due to untimely rains even by relaxing luster factor. Thus, total availability of seed with the Company for sale for the crop season 2001-02 was 1,77,053 quintals, including 80,863 quintals of carry over stock. However, overlooking the aspect of low availability of seed, the Company sold 27,600 quintals of wheat seed to Himachal Pradesh (23,600 quintal) and Jammu & Kashmir (4,000 quintal) during September to November 2001 at the rate of Rs 990 per quintal against its sale rate of Rs 1,275 per quintal in the State. Thus, imprudent decision of the Company to sell wheat seed outside the State at cheaper rates had resulted in loss of Rs 0.79 crore to the Company.

The management stated (June 2002) that to avoid the last year's bad precedence of having left over of approximately 82,000 quintals of stock this quantity was sold. The reply was not tenable as the decision to sell seed at reduced rates particularly when there was large demand at higher rates within the State lacked commercial prudence.

2A.11 Manpower analysis

The Company was having six processing plants with a total processing capacity of 2.90 lakh quintals graded seeds besides corporate office at Panchkula. For undertaking this activity, the Company had deployed regular manpower ranging between 435 and 441 during the last five years up to 2000-01.

The salary bill shot up from Rs 3.03 crore during 1996-97 to Rs 5.16 crore in 2000-01 (excluding payment to daily wagers) which ranged between 10.5 and 24 *per cent* of the total turnover during these years as given in the following graph:



The Company deputed (May 2001) a team of officers for examining the working of Rajasthan State Seeds Corporation (RSSC). Based on their study, it was observed that RSSC had 13 plants with processing capacity of 3.34 lakh quintals and was having manpower of only 225 and its wage bill was about Rs 2.50 crore per annum. Therefore, the Company continued to deploy excess manpower in comparison to RSSC.

A further scrutiny of major wings (Marketing, Production and Engineering) with reference to deployment of manpower revealed following points:

2A.11.1 Payment of idle wages to marketing staff

The Company deployed 140 regular persons in the Marketing wing out of which 102 persons were directly involved in marketing. As the sale of seed was confined to two crop seasons only, the personnel in the field remained idle for a considerable time.

Idle manpower in marketing wing resulted in the payment of Rs 2.47 crore as salary and allowances for the idle period.

The management stated (June 2002) that the manpower remained idle for six months. As a result of idle manpower, the Company had paid about Rs 2.47 crore as salary and allowances to the staff directly involved with the sale of seed during the last five years up to 2000-01 for the period they remained idle (i.e. six months per year). No effective steps were taken for gainful deployment of idle manpower.

2A.11.2 Deployment of excess staff in Engineering Wing

The Engineering wing was headed by a Chief Engineer with the assistance of one Executive Engineer and one Assistant Engineer at head office of the Company as against deployment of only one Assistant Engineer at head office of RSSC. For operation of 6 plants, the Company had deployed 36 persons as against deployment of 13 persons for operation of 13 plants by RSSC. The expenditure of the Company on repair and maintenance/capital works was only Rs 1.03 crore during the five years up to 2000-01, against the administrative expenditure of Rs 1.89 crore of Engineering Wing. Thus, the Company incurred expenditure of Rs 1.83 on manpower for every Rs 1 spent on repairs and maintenance.

The management stated (June 2002) that staffing pattern of RSSC was not workable as the Company was generally operating the plants in three shifts. The reply was not tenable as the staff deployment was far in excess of requirements in view of lower capacity utilisation.

Conclusion

The Company was formed to make quality seed available to the farmers at reasonable rates. However, the Company has not been able to fully achieve this objective as its share of sale in the State has been decreasing consistently. Main reasons for the decrease in market share were un-competitive prices of seeds, poor marketing and excessive overheads/manpower.

The Company should make all out efforts to improve its marketing by fixing the rates of seeds realistically and by reducing overheads to become competitive in the changed economic scenario. The Company should study the practices adopted by other seed corporations for meaningful deployment of the marketing staff during lean season.

The matter was referred to the Government in April 2002; the reply had not been received (September 2002).

2B Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited (erstwhile Haryana State Electricity Board)

Purchase, Performance and Repair of Transformers

Highlights

One of the main objectives of the power sector reforms programme approved (November 1997) by the erstwhile Haryana State Electricity Board was to create strong transmission and distribution system at various levels of transmission so as to reduce damage rate of transformers and system losses.

(Paragraph 2B.1)

As on 31 March 2002, against the connected load of 9676 MVA, the sub-power transformation and distribution transformation capacity was 6648 MVA and 8454 MVA respectively. This had resulted in overloading of sub-power transformation and distribution system causing in turn excessive system losses and failure of distribution transformers. Against the norm of 15.5 *per cent* fixed by Central Electricity Authority, system losses ranged between 32.56 and 40.04 *per cent* during 1997-2002.

(Paragraph 2B.4.1and 2B.4.2)

The Company failed to avail benefit of lower rates under World Bank loan and incurred extra avoidable expenditure of Rs 0.60 crore on procurement of 455 transformers due to improper planning for placement of order for additional 15 *per cent* quantity i.e. 105 transformers (Rs 13.95 lakh) and failure to match delivery schedule with World Bank loan resulting in subsequent purchase of 350 transformers at higher rate (Rs 46.50 lakh).

(Paragraph 2B.5.1.1)

The Company incurred extra expenditure of Rs 1.87 crore as risk purchase clause was not invoked in three cases.

(Paragraph 2B.5.1.2)

The Chief Engineer (Material Management) of the erstwhile Board/Uttar Haryana Bijli Vitran Nigam Limited did not recover liquidated damages of Rs 1.79 crore for delayed receipt of distribution transformers.

(Paragraph 2B.5.1.4)

Against the norm of 10 *per cent* fixed by the erstwhile Board, the damage rate of distribution transformers ranged between 16.1 and 30.8 *per cent* during the five years up to 2001-02. This resulted in extra financial burden of Rs 69.30 crore on repair of 69,608 transformers in excess of the norm.

(Paragraph 2B.6.1.2)

During the five years up to 2001-02, the Company disposed of 9,663 distribution transformers at rates lower than the reserve price, which resulted in loss of Rs 0.57 crore.

(Paragraph 2B.8.2)

The erstwhile Board/companies did not recover Rs 12 crore towards short receipt of 8968 kilolitre transformers oil (Rs 9.97 crore) and parts of 1,24,081 damaged transformers (Rs 2.03 crore) during 1997-2002.

(Paragraph 2B.9)

2B.1 Introduction

One of the main objectives of the power sector reform programme approved (November 1997) by the erstwhile Haryana State Electricity Board (Board) was to create strong transmission and distribution system at various levels of transmission so as to reduce damage rate of transformers and system losses.

Transformer is a static equipment used for stepping up or stepping down voltage in transmission and distribution of electricity. Power is usually generated at low voltage (11 KV* to 15.75 KV) and is then stepped up (132 KV, 220 KV and 400 KV) through power transformers for transmission to the load centres. At the receiving sub-stations, the voltage is brought down (132 KV to 11 KV) through step down transformers. The transformers used at the generating stations and in the high voltage substations (known as transmission system) are called power transformers, while transformers used in distribution systems are called distribution transformers. Power is distributed to the consumers through transmission and distribution lines having voltage ranging from 440 volts to 132 KV.

2B.2 Organisational set-up

The procurement of power transformers (for transmission system) was being done by the Chief Engineer (Design and Procurement) of Haryana Vidyut Prasaran Nigam Limited (HVPNL), whereas procurement of distribution transformers (for distribution system) was being done by the Chief Engineer (Material Management) under Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) up to November 2000. Thereafter, the work of procurement of distribution transformers was transferred to Chief Engineer (Material Management) of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL).

The receipt and issue of power transformers is controlled through four** dedicated stores under the charge of Assistant Executive Engineers whereas receipt and issue of distribution transformers to user divisions is controlled by respective Controllers of Stores of UHBVNL and DHBVNL through five*** central stores and 27 divisional stores under charge of Executive Engineers/Assistant Executive Engineers. The maintenance and upkeep of the power transformers and other transmission system in the field is carried out through five**** Construction, Operation and Maintenance circles under overall control of two Chief Engineers of HVPNL, whereas maintenance and upkeep of the distribution transformers and other distribution system is done through 13 operation circles under the overall charge of two Chief Engineers (Operation) each of UHBVNL and DHBVNL.

2B.3 Scope of Audit

Issues relating to repair of transformers were last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996, No. 2 (Commercial)-Government of Haryana. Recommendations of the

* K.V. means 'Kilovolt' which is used for expressing capacity of transmission and distribution lines.

** Panipat, Ballabgarh, Hisar and Khera (Yamunanagar).

*** Dhulkot, Panipat, Rohtak, Hisar and Ballabgarh.

**** Panchkula, Karnal, Hisar, Faridabad and Gurgaon.

Committee on Public Undertakings are contained in their 48th Report presented to State Legislature on 15 March 2001. The present study, which was conducted during the period from November 2001 to February 2002 is a review of activities and arrangements regarding purchase, performance and repair of transformers for the last five years up to 2001-02 through scrutiny of tenders for procurement and test-check of four* out of 13 operation circles in the field and all the five** central stores and 12@ transformer repair workshops/yards.

2B.4 Adequacy of transformation capacity

2B.4.1 Adequate grid power transformation capacity is needed for evacuation of power from generating stations. Sub-power transformation capacity is the middle chain for feeding distribution transformers to meet power load of consumers.

The table below indicates growth of the power transformation capacity, distribution transformation capacity, connected load, and HT/LT lines during five years up to 2001-02:

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
1	Grid Power Transformation Capacity (220/132 or 66 or 33 KV; 132/66 or 33 KV and 66/33 KV)					
	MVA	6617	6781	7377	7471	7703
	MW#	5624	5764	6270	6350	6548
	No. of transformers	169	177	180	175	182
2	Sub-power transformation capacity (132 or 66 or 33/11 KV)					
	MVA	5430	5676	6150	6395	6648
	MW	4616	4825	5228	5436	5651
	No. of transformers	705	721	771	786	780
3	Distribution transformation capacity (11/0.4 KV)					
	MVA	6823	7078	7349	7996	8454
	MW	5800	6016	6247	6797	7186
	No. of transformers	99938	103678	106992	111476	117301
4	Percentage of distribution transformation capacity in excess of sub power transformation capacity	25.7	24.7	19.5	25.0	27.2

* Ambala, Kurukshetra, Karnal and Hisar.

** Dhulkot, Panipat, Rohtak, Hisar and Ballabgarh.

@ Dhulkot, Mathana, Karnal, Sonepat, Rohtak, Hisar, Sirsa, Bhiwani, Faridabad, Narnaul, Ballabgarh and Panipat.

Million Watt (MW) = Million Voltage Ampere (MVA) X 0.85.

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
5	Total connected load					
	MVA	8164	8221	8495	9013	9676
	MW	6939	6988	7221	7661	8225
6	(a) Connected load in excess of distribution transformation capacity MW (5 - 3)	1139	972	974	864	1039
	(b) Percentage of excess load(6/5)	19.6	16.2	15.6	12.7	14.5
7	Sub-power transformation capacity per MVA of connected load (2/5)					
	MVA	0.67	0.69	0.72	0.71	0.69
8	Distribution transformation capacity per MW of connected load (3/5)	0.84	0.86	0.87	0.89	0.87
9	Length of lines (Kms)					
	LT	103878	105266	105749	107217	107136
	HT	54240	55059	55765	56601	58247
10	Ratio of LT lines to HT lines	1.92:1	1.91:1	1.90:1	1.89:1	1.84:1

Analysis of the above table revealed the following:

There was mismatch between sub-transformation and distribution transformation capacity and connected load.

(i) As on 31 March 2002, the sub-power transformation capacity was 6648 MVA and distribution transformation capacity was 8454 MVA against the connected load of 9676 MVA. Ideal ratio of transformation capacity to connected load is considered 1:1. Sub-power transformation capacity per MVA of connected load ranged between 0.67 and 0.72 MVA during 1997-2002. Similarly, the distribution transformation capacity per MW of connected load ranged between 0.84 and 0.89 MW during the last five years up to 2001-02.

The mismatch between transformation (sub-power and distribution) capacity and connected load had resulted in overloading of transformers causing in turn excessive transmission and distribution losses and failure of distribution transformers. This indicated a requirement for augmentation of the transformation capacity to meet the demand of power by consumers and to avoid damage of transformers.

In order to strengthen transmission and distribution system, Power Sector Reform Programme, *inter alia,* envisaged addition of 2461 MVA power transformation (220 KV, 132 KV and 66 KV) capacity and 47,666 distribution transformers during 1998-2002. Thereagainst, the erstwhile Board/companies could make addition of 1757 MVA power transformation capacity and 17,363 distribution transformers during the same period resulting thereby in shortfall of 704 MVA power transformation capacity and 30,303 number of distribution transformers. Reasons for shortfall called for from the management in July 2002 were awaited.

The management stated (July 2002) that ideally speaking the distribution transformation capacity should be equal to connected load but it required substantial investment for which the companies had planned to induct additional transformers in the distribution system. It was also noticed that mismatch of sub-power transformation capacity and distribution transformation capacity to connected load was due to excessive rate of damage of transformers, delay/non-repair of transformers as discussed in para 2B.6.1.2 and 2B.7.1.1 *infra*.

(ii) A general review of statements of maximum demand recorded on 756 out of 961 power transformers during 2000-01 revealed that 65 transformers were overloaded and aggregate maximum demand on these transformers was 1309 MVA against the capacity of 1229 MVA which worked out to 107 *per cent* although as per guidelines of Power Finance Corporation, transformers should not be loaded beyond 80 *per cent* of their rated capacity.

(iii) Transmission voltage is required to be kept high so that energy losses are as low as possible. The National Council of Power Utilities observed (July 1987) that to reduce the energy losses by about two *per cent*, there was a necessity to reduce the LT/HT line length ratio from 2:1 to 1:1. Ratio of LT lines to HT lines improved slightly from 1.92 in 1997-98 to 1.84 during 2001-02, but was significantly more than the recommended ratio of 1:1. The companies had, not devised any system to match the growth of HT lines with that of LT lines so as to reduce the energy losses and overloading of lines/transformers.

The management admitted (July 2002) that in ideal conditions, LT/HT ratio should be 1:1 but over the years there had not been sufficient investment on the higher voltage transmission system and on the contrary LT distribution system was extended considering the requirement for rural electrification. It further stated that as a remedial measure, efforts were being made to adopt less LT system for new expansion projects.

2B.4.2 Excessive transmission losses

Transmission losses and transformation losses are known as technical losses which occur due to inherent characteristics of the conductor and equipment used for transmitting and distributing power. Transmission losses occur due to resistance in conductors through which the energy passes from one place to another. Transformation losses include copper losses (load losses) which are dependant upon the quantum of power being transformed whereas iron losses (no load losses) are due to design characteristics of the transformer and are constant irrespective of whether there is load on it or not.

Excessive transmission and distribution losses resulted in loss of potential revenue of Rs 3,554.72 crore.

Central Electricity Authority (CEA), while issuing (May 1992) guidelines for energy audit, fixed the accepted level of transmission and distribution losses at 15.5 *per cent* (8.5 *per cent* transmission and sub-transmission losses and 7 *per cent* distribution losses). As against level of 15.5 *per cent* fixed by CEA and actual losses of 17.76 to 17.80 *per cent* in adjoining State of Punjab during 1997-2000, the transmission and distribution losses worked out by HVPNL, UHBVNL and DHBVNL (erstwhile Board) ranged between 32.56 and 40.04 *per cent* during the five years up to 2001-02. Due to transmission and distribution losses being in excess of 15.5 *per cent*, the erstwhile Board and the companies lost potential revenue of Rs 3,554.72 crore.

As per Reform Programme of the erstwhile Board, the transmission and distribution losses were to be reduced to 32 *per cent* during 1998-99 and to 26 *per cent* by the end of 2001-02 in a phased manner. It was, however, observed that losses, which were 32.56 *per cent* in 1998-99 increased to 40.04 *per cent* in 2000-01 and thereafter reduced marginally to 39.72 *per cent* in 2001-02.

Besides commercial losses which were mainly due to undetected theft of energy and unauthorised load, the main reason for excessive technical losses was inadequate growth of distribution lines and transformers.

The management stated (July 2002) that to reduce technical losses, large investment was needed for expansion of the system but for non-technical losses, it was more a matter of better governance and administrative steps.

2B.5 Procurement of transformers

2B.5.1 Distribution transformers

The purchase of material up to Rs 0.50 crore required by power utilities was decided by the Stores Purchase Committee headed by Chief Engineer. The cases above Rs 0.50 crore were decided by Special High Powered Purchase Committee under the Chairmanship of the Chief Minister of the State. The purchases of material against World Bank financed projects were made as per guidelines laid down by the World Bank authorities. The equivalent rates of various firms were determined after loading on account of various factors such as taxes, excise duty, freight and insurance, payment terms, discounts etc. From April 1999, warranty period was extended from one to five years and the equivalent rates included capitalised cost for transformation losses (energy consumed internally by transformer during its life). The requirement of transformers was assessed annually considering the targets for release of connections, other system improvement works, average consumption of preceding two years and expected availability of repaired transformers.

During the last five years ended 31 March 2002, the erstwhile Board and companies placed 55 orders for supply of 41,926 distribution transformers against which 30,719 distribution transformers valued at Rs 125.97 crore were received.

The system deficiencies resulting in non-placement of orders at the lowest tendered rates, non-invoking of risk purchase and liquidated damages clause noticed during audit are discussed in succeeding paragraphs.

2B.5.1.1 Extra avoidable expenditure in the procurement of transformers

Tenders for procurement of 700 distribution transformers of 100 KVA were opened (October 1999) against World Bank Scheme. The terms and conditions of bidding documents, *inter alia,* provided that:

- The purchaser reserved the right at the time of awarding the contract to increase or decrease 15 *per cent* of the quantity of goods originally specified in the bid without change in price or other terms and conditions.

- The bidders were required to complete supplies in four equal monthly lots after one month from the date of release of 10 *per cent* advance payment/opening of letter of credit, whichever was later.

Lowest offer at equivalent rate of Rs 1,16,156.89 per transformer of Indo Tech Transformers Limited, Chennai was accepted (April 2000). The Company signed (8 June 2000) the contract agreement with the firm for supply of 700 transformers without increasing the quantity of transformers by 15 *per cent.* The Company, however, enhanced the quantity to 805 transformers (30 June 2000) but the same was not agreed to by the World Bank as it was done after the signing of the agreement.

The Company opened the letter of credit on 9 September 2000 and as such, delivery schedule commenced from 9 October 2000 and spilled over up to 8 February 2001. The firm supplied 350 transformers up to March 2001. Since the unutilised World Bank loan lapsed in December 2000, the UHBVNL decided (28 March 2001) to cancel the order for balance 350 transformers. Meanwhile, the UHBVNL purchased (July 2000) 10,230 transformers at equivalent rate of Rs 1,29,442 per transformer against subsequent tender enquiry finalised in June 2000 against which supply of 5,746 transformers was received up to November 2001.

Delayed placement of order for additional quantity and non-matching of delivery schedule with availability of World Bank loan led to extra expenditure of Rs 0.60 crore.

Thus, the Company failed to avail benefit of lower rates under World Bank loan and incurred extra avoidable expenditure of Rs 0.60 crore on procurement of 455 transformers due to improper planning for placement of order for additional 15 *per cent* quantity i.e. 105 transformers (Rs 13.95 lakh) and failure to match delivery schedule with World Bank loan resulting in subsequent purchase of 350 transformers at higher rate (Rs 46.50 lakh).

The management stated (July 2002) that quantity could not be increased by 15 *per cent* as the World Bank did not agree to it. Reply was not tenable because additional quantity was increased after 22 days of signing the contract which was not as per guidelines of World Bank which provided that the additional quantity could be ordered at the time of signing the contract. The management further stated that the Company did not incur additional expenditure as the subsequent purchase of transformers at equivalent rate of Rs 1,29,442 was procured under Rural Electrification Corporation (REC) loans and these were not for the replacement under World Bank loan. The reply was not acceptable because the UHBVNL did not match the delivery schedule with availability of World Bank loan and thus incurred extra expenditure as the transformers available against World Bank loan were cheaper than those procured against REC loan.

2B.5.1.2 Extra expenditure due to non-effecting risk purchase

Non-invoking of risk purchase clause resulted in extra expenditure of Rs 0.93 crore.

2B.5.1.2.1 The erstwhile Board placed (March 1998) an order on T.A. Transformers Limited, Lucknow for supply of 2,500 distribution transformers of 100 KVA capacity at equivalent rate of Rs 29,504 per transformer excluding capitalised cost of transformation losses. The firm was required to complete supplies up to 4 June 1999 failing which, these could be procured at the risk and cost of the firm. The firm supplied 969 transformers during the period from December 1998 to January 2000 and did not supply the balance 1,531 transformers. The Board of Directors of UHBVNL decided (March 2000) to issue risk purchase notice for supply of material failing which the firm be blacklisted. The UHBVNL issued notice to the firm in April 2000 but did not invoke risk purchase clause against the firm. The firm did not supply material and contested the notice for blacklisting. In the meanwhile, the UHBVNL placed orders (June/July 2000) against subsequent tender enquiry (QH-2277) for purchase of transformers at equivalent rate of Rs 35,567 excluding capitalised cost of transformation losses. Thus, due to non-invoking of risk purchase clause against the firm, the UHBVNL incurred an extra expenditure of Rs 0.93 crore in the purchase of 1,531 transformers.

The management stated (July 2002) that the risk purchase was not effected as it had improved the technical specifications. Reply was not tenable because transformers of same capacity with old specifications were accepted against pending orders as discussed in para 2B.5.1.3 *infra* and extra expenditure as pointed out in the para was worked out after considering the impact of improved technical specifications of lower transformation losses and longer warranty period.

Non-invoking of risk purchase clause led to extra expenditure of Rs 0.76 crore.

2B.5.1.2.2 Similarly, the UHBVNL under World Bank loan placed (18 May 2000) an order on Mutual Inductor Limited, Cuttack for supply of 920 distribution transformers of 63 KVA at equivalent rate of Rs 84,899.28 per transformer (including capitalised cost of transformation losses). The firm was required to supply transformers in four lots after one month from the date of release of 10 *per cent* advance payment/opening of letter of credit, whichever was later. Advance payment was made to the firm on 30 June 2000 and letter of credit was opened on 6 July 2000. As such, supply was to be completed by 6 December 2000. The firm supplied 255 transformers up to February 2001 and did not supply the balance 665 transformers. The UHBVNL decided (28 March 2001) to cancel the order for balance 665 transformers on the plea of comfortable position of stock of distribution transformers. It was observed in audit that the UHBVNL had, however, purchased transformers under REC loan at equivalent rates of Rs 96,325 per transformer (including capitalised cost of transformation losses) against tender enquiry finalised in June 2000. Thus, due to non-invoking of risk purchase clause against the defaulting firm, the UHBVNL incurred an avoidable expenditure of Rs 0.76 crore in purchase of 665 transformers.

2B.5.1.2.3 In another case, the erstwhile Board placed (5 May 1995) two purchase orders on M/s Lakshmi Transformers and Electricals, Agra (firm 'A') and Electra Exports Limited, Meerut (firm 'B') for supply of 250 and 1,525 distribution transformers respectively of 63 KVA at the rate of Rs 30,194 per transformer. The rates were subject to variation based on the cost of inputs. Supplies in both the cases were to be completed by November 1995. After taking into account the effect of price variation, rates payable to the firm worked out to Rs 30,918.53 per transformer. In case of default, the erstwhile Board was entitled to make purchases at risk and cost of the firms. Firms 'A' and 'B' supplied only 50 and 700 transformers up to November 1995 and August 1996 and did not supply balance 200 and 825 transformers respectively. The orders for balance quantities were cancelled in February 1999 on the plea that there was no requirement of transformers in the budget for 1997-98 and 1998-99.

It was noticed (January 2002) in audit that without invoking risk purchase clause, the erstwhile Board had procured 3,330 transformers against purchase orders (May 1996) placed at equivalent variable rate of Rs 32,890.13 per transformer which were received at Rs 32,698.64 per transformer after taking into account the effect of price variation.

Thus, non-invoking of risk purchase clause against the firms and subsequent purchase of transformers at higher rates, had resulted in an extra expenditure of Rs 18.25 lakh on the purchase of 1,025 transformers.

The management stated (July 2002) that firm 'A' kept on assuring that it would supply the transformers but it did not supply and the subsequent tenders were floated in November 1995 and it was too early to invoke the risk purchase clause. It further stated that risk purchase clause was not invoked in the case of firm 'B' as the default was on the part of the erstwhile Board in releasing payments to the firm. Reply was not tenable because (i) the erstwhile Board could invoke risk purchase clause in both the cases after the delivery period expired in November 1995 and (ii) in the case of firm 'B' the management was required to plan the funds for timely payments to avoid such extra expenditure. Thus, the Company incurred extra expenditure of

Rs 1.87 crore due to non-effecting risk purchase clause in the above three cases.

2B.5.1.3 Loss due to acceptance of delayed supplies

Terms and conditions of the purchase orders placed by the Company, *inter alia*, provided that when the supplier failed to deliver the material within the contractual delivery period, the Company as a purchaser had a right to refuse/accept such supplies. The Whole Time Members (WTMs) of the erstwhile Board decided (October 1994) that while accepting delayed supplies, the present market rates of the material should be ascertained and compared with the rates of delayed supplies. Audit scrutiny revealed as follows:

(i) The erstwhile Board placed (July 1997) an order for supply of 1,000 (reduced to 500 in April 1998) transformers of 100 KVA with transformation losses of 1980 Watt (1.98 units per hour) and one year warranty on Rajasthan Transformers and Switchgear, Jaipur, at an equivalent variable rate of Rs 43,669.40 per transformer. As per purchase order, the firm was to supply the entire quantity by February 1998. The firm supplied 280 transformers during January 1998 to May 1999. The HVPNL worked out (September 1999) the rates for same rating of transformers of improved specifications (transformation losses of 1835 Watt (1.835 units per hour) and one year warranty) at Rs 38,689.46 per transformer. Though the delivery schedule expired in February 1998, the HVPNL did not cancel the order for balance 220 transformers in view of the lower rates received in subsequent tenders and accepted the supplies between November 1999 and December 2000, thereby incurring avoidable expenditure of Rs 10.96 lakh.

(ii) Similarly, the Company placed (October 1998) an order on Lakshmi Transformers and Electricals, Agra for supply of 250, 100 KVA transformers with transformation losses of 1980 Watt (1.98 units per hour) and one year warranty at Rs 44,670 per transformer. As per terms of the purchase order, supply was to be completed by May 1999. Up to July 1999, the firm supplied only 48 transformers. Though, the HVPNL worked out (September 1999) the rates for same rating of transformers of improved specifications (transformation loss of 1835 Watts and one year warranty) at Rs 38,689.46 per transformer, the Company did not cancel the order for remaining transformers and accepted belated supply of 202 transformers between September 1999 and July 2001 at Rs 44,495.95 per transformer resulting in extra expenditure of Rs 11.73 lakh.

The management stated (July 2002) that the rate of Rs 38,689.46 per transformer worked out (September 1999) by the Company was based on certain assumptions and there was no indication of downward trend in prices of transformers. The reply was not tenable as the management had worked out the rate of Rs 38,689.46 per transformer after taking into consideration lower transformation losses and longer warranty period and in the case of (ii) above the Company had released the payment of 10 transformers accordingly.

2B.5.1.4 Non-enforcing of liquidated damages clause

Liquidated damages of Rs 1.79 crore for delayed supplies were not recovered from the suppliers.

The terms and conditions of purchase orders issued by the erstwhile Board and HVPNL/UHBVNL, stipulated the period within which supply should commence, the rate of supplies per month/quarter and the scheduled completion period. In case of delayed supplies, the companies had a right to recover liquidated damages at 0.5 *per cent* per week subject to a maximum of five *per cent* of value of delayed/undelivered material. It was noticed in audit that the UHBVNL (Chief Engineer, Material Management) had not been recovering liquidated damages as per monthly/quarterly schedule and these were being recovered only in the cases where material was received after the expiry of overall delivery schedule. A test-check of supply position revealed that UHBVNL accepted 15,069 transformers (in 52 purchase orders placed during April 1996 to August 2000) belatedly and the delays ranged between one and 34 weeks. The UHBVNL, however, recovered only Rs 17.87 lakh as liquidated damages against the required recovery of Rs 1.97 crore leaving unrecovered amount of Rs 1.79 crore due to non-enforcement of liquidated damages clause. However, it was noticed that the Chief Engineer (Design and Procurement) of the erstwhile Board (HVPNL) which procured power transformers with similar terms and conditions had been enforcing the clause of liquidated damages as per monthly/quarterly schedule stipulated in the purchase orders since its inception.

The management stated (July 2002) that the liquidated damages were being imposed as per the decision (1980) of the erstwhile Board which provided that unless the contract specifically provided for levy of penalty stage-wise, it should be imposed only when the material had not been supplied within the contracted delivery period. It further stated (July 2002) that clause of lot-wise supply in the terms and conditions was added so as to put supplier under pressure to make regular supplies, and if the clause of penalty by lot-wise supply was insisted, it may result in increase in the price of material. The reply was not tenable as the Company was required to recover liquidated damages as per terms and conditions of the purchase orders as the Design and Procurement (D&P) Wing of the erstwhile Board (now HVPNL) was recovering liquidated damages as per terms and conditions of the purchase orders. Further, management's plea of increase in the price of material was also not tenable because the price was already finalised based on the levy of stage-wise penalty as per terms of supply.

2B.5.2 Power transformers

2B.5.2.1 Undue benefit to a supplier

The erstwhile Haryana State Electricity Board now UHBVNL awarded (March 1998) contract to Marson's Electrical Industries Limited, Agra for supply of 49 power transformers of 6.3/8 MVA, 33/11 KV capacity at the rate of US $ 40,425 each transformer. As per terms of contract, supply was to be completed within nine months from the date of payment of 10 *per cent* advance/opening of letter of credit or approval of drawings, whichever was later. Four transformers were to be supplied in first four months and thereafter nine transformers per month were to be supplied during next five months. In case of delay in supplies, liquidated damage at the rate of 0.5 *per cent* per week or part thereof, of the value of the contract were to be levied. The Board had the right for stage inspection to ensure that internal details are in accordance with the data supplied/guaranteed technical specifications as per order.

The Company made advance payment on 16 June 1998 and drawings were approved on 19 June 1998. The Company opened letter of credit on 28 August 1998. As such the supplies were to be completed by 27 May 1999, after reckoning 28 August 1998 as date of commencement of delivery.

The firm supplied three transformers up to 26 December 1998 and the remaining 46 were supplied after delays ranging between 31 and 185 days during the period from 27 February to 27 November 1999 and the liquidated damages of Rs 0.53 crore were recovered (February 1999 to November 1999) from the supplier on account of delayed supplies.

It was observed in audit that on receipt of several representations from the supplier (latest of August 2000) for refund of liquidated damages, the Company extended date of commencement of supply from 28 August to 3 October 1998 (36 days) on the plea that modalities were finalised on 3 October 1998. Accordingly, refund of liquidated damages to the extent of Rs 17.18 lakh was allowed in August 2001.

Thus, extending the delivery period by 36 days and allowing refund of liquidated damages to the extent of Rs 17.18 lakh had resulted in undue benefit to the supplier.

The management/Government stated (April/May 2002) that modalities of conducting stage inspections were finalised on 28 September 1998 and the firm gave its acceptance on 3 October 1998, hence the commencement of contract was reckoned from 3 October 1998. The reply was not tenable since the Company had the right for stage inspection as per contract agreement and had a standing arrangement for inspection with Nuclear Power Corporation since July 1997.

2B.6 Performance of transformers

2B.6.1 Distribution transformers

2B.6.1.1 As per notification (March 1995) issued by the Government of India under the Electricity (Supply) Act, 1948, normal life of transformers is 25 years. Test-check of records of the erstwhile Board and the companies revealed that transformer-wise 'History Cards' containing full particulars of transformers including their movement and repairs, etc. had not been maintained. In the absence of 'History Cards' it could not be ascertained whether the transformers had achieved prescribed normal life of 25 years. Besides, age-wise incidence of failure, frequency of failure and reasons for frequent failures, if any, could also not be ascertained. Besides, the companies were deprived of crucial information necessary for managing the transmission and distribution systems.

The management stated (July 2002) that the Company had decided to provide the printed movement cards for the distribution transformers for issue along with transformers. It further stated that since these movement cards would be kept in the sub-stations, it would then be possible to ascertain age-wise incidence of failure, frequency of failure and reasons of failure of such transformers.

2B.6.1.2 Excessive damage of transformers

The erstwhile Board issued (April 1983) instructions that the number of damaged transformers in a year should not exceed 10 *per cent* of the number of installed transformers. The Board of Directors of UHBVNL reiterated (April 2001) that efforts should be made to bring down the damage rate, which should not be more than 10 *per cent* by carrying out regular maintenance of transformers viz. topping up of oil level, balancing of load, providing HT/LT fuse and proper earthing etc.

Test-check of records revealed that maintenance of transformers was not being carried out properly, as a result of which, percentage of damaged transformers to installed transformers always exceeded the norms as detailed below:

	Distribution transformers (Numbers)						
Year	**Average installed**	**Damaged***	**Damage as per norms**	**Damaged in excess of norms**	**Percentage of damaged transformers**	**Average repair charges per transformer (In Rupees)**	**Expenditure in excess of norms (Rs in lakh)**
1997-98	98603	30419	9861	20558	30.8	7101	1459.82
1998-99	101808	27635	10181	17454	27.1	7762	1354.78
1999-2000	105335	24902	10534	14368	23.6	13017	1870.28
2000-01	109234	21133	10923	10210	19.3	13032	1330.57
2001-02	114388	18457	11439	7018	16.1	13032	914.59
Total				**69608**			**6930.04**

* Excluding damaged during warranty period and due to natural calamity.

Transformers failed in excess of norms which resulted in extra expenditure of Rs 69.30 crore.

The erstwhile Board and the companies had to bear a heavy financial burden of Rs 69.30 crore on repair of transformers which were damaged in excess of the norms during five years up to 2001-02. The percentage of damaged transformers decreased from 30.8 in 1997-98 to 16.1 in 2001-02 due to purchase/induction of 30,719 new transformers during 1997-98 and 2001-02 and getting all the transformers repaired from outside firms from December 1999 after abandoning repair in its own workshops which were found uneconomical. The percentage of damaged transformers was still above the norm of 10 *per cent.*

However, it was observed that excessive damage of transformers was mainly due to providing higher size fuses on HT as well as LT side, non-provision of proper earthing, non-adherence of preventive maintenance, non-maintenance of required oil level and above all the overloading of transformers.

2B.6.1.3 Non-replacement of overloaded transformers

Despite the fact that there was a sufficient stock of 5,112 transformers at the end of March 2001 in the stores of UHBVNL, the Company failed to provide new transformers/replace the existing overloaded transformers of four operation circles test-checked, where 1,452 transformers (Rohtak: 111, Karnal: 770, Yamunanagar: 483 and Ambala: 88) were overloaded at the end of December 2001.

2B.6.1.4 Premature failure of transformers

During 1998-2002, 7,257 distribution transformers were declared irreparable by Survey Off Committee and therefore, these were scrapped. A scrutiny of survey reports revealed that of 7,257 distribution transformers, only 1,023 distribution transformers had completed their normal life. In the case of 6,065 (83.6 *per cent)* transformers, the survey reports did not indicate the month and year of purchase, as such their performance could not be ascertained in audit. The balance 169 transformers were scrapped within a period of five to 20 years resulting in loss of Rs 22.93 lakh worked out on the basis of proportionate replacement cost for the balance period of prescribed life span of the transformers.

2B.6.2 Performance of power transformers

There were two workshops at Ballabgarh and Panipat for the repair of power transformers of 66 KV and above and 33 KV under HVPNL and UHBVNL respectively. While routine repairs and capital maintenance of transformers was done in workshops, major repairs were got done from manufacturers of the transformers. Table below indicates the transformers damaged, repaired, scrapped and lying unrepaired during the last five years up to 2001-02:

	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
		Number of power transformers				
1	Opening balance	34	25	36	40	43
2	Damaged during the year	32	52	42	48	44
	Total (1+2)	66	77	78	88	87
3	Repaired	37	37	36	40	51
4	Scrapped	4	4	2	5	--
	Total (3+4)	41	41	38	45	51
5	Balance lying unrepaired	25	36	40	43	36

Out of 36 power transformers lying unrepaired as on 31 March 2002, nineteen and five power transformers were lying unrepaired for more than one year and two to four years respectively. Out of 218 transformers damaged during 1997-2002, investigation reports of 50 transformers examined in audit revealed the following points:

(i) Forty five transformers were damaged due to lack of maintenance of transformers and feeder lines and/or inadequate protection system at grid sub-station. Of these, one transformer was declared irreparable and scrapped after seven years of service thereby resulting in loss of Rs 23.61 lakh (worked out on the basis of proportionate cost for the balance life). While 13 transformers were under repairs, 31 transformers were repaired at a cost of Rs 1.52 crore.

(ii) Two transformers were damaged due to wrong operation of equipment by staff and were repaired at a cost of Rs 7.29 lakh. One transformer was scrapped after 15 years due to inherent weak design as its condition continued to deteriorate with every major fault, thereby incurring loss of Rs 7.83 lakh (worked out on the basis of proportionate cost for the balance life).

2B.7 Repair of transformers

2B.7.1 Distribution transformers

2B.7.1.1 Transformers awaiting repair

The UHBVNL and DHBVNL were repairing the damaged distribution transformers in their own workshops up to March 2000 besides getting them repaired on rate contract basis from private firms. In view of the uneconomical running of its own workshops and one year warranty given by the private firms, the companies (UHBVNL/DHBVNL) abandoned (March 2000) the repair of transformers in their own workshops. The staff posted in the workshops was transferred to other wings of the companies while keeping only skeleton staff in the workshop yards for handling and issue of transformers to the private firms for repairs. Position of transformers damaged, repaired, discarded and lying unrepaired during the five years is given below:

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
		Transformers in Numbers				
1	Opening balance	16471	16158	14670	19329	14990
2	Damaged transformers received in workshops	27921	31010	23750	24159	17228
	Total	**44392**	**47168**	**38420**	**43488**	**32218**
3	Repaired					
	In Workshop	11364	11122	5491*	502	325
	By Private firms	15850	18040	11895	25100	10663
4	Scrapped	1020	3336	1705	2896	1440
	Total	**28234**	**32498**	**19091**	**28498**	**12428**
5	Transformers lying unrepaired	16158	14670	19329	14990	19790
6	Percentage of unrepaired transformers to damaged transformers	36	31	50	34	61

From the above table, it would be observed that the transformers lying un-repaired during five years up to March 2002 ranged between 14,670 and 19,790. Percentage of unrepaired transformers to total damaged transformers ranged between 31 and 61 during 1997-2002. Out of 19,790 damaged transformers, 2,468 and 342 transformers were lying unrepaired for one to two years and more than two years respectively. Despite the fact that the companies (UHBVNL/DHBVNL) could get the damaged transformers repaired on contract basis, 61 *per cent* of the damaged transformers were awaiting repair as on March 2002. Effective steps were needed to speed up the repair of damaged transformers so as to induct more transformers in the distribution system.

The management stated (July 2002) that if more transformers were got repaired from firms than its requirement, there was every likelihood that warranty period might expire even before utilization. The reply was not tenable because there was shortfall of 30,303 transformers as discussed in para 2B.4.1(i) *supra*. Further, the number of unrepaired transformers during five years up to March 2002 ranged between 14,670 and 19,790, the companies could not induct more transformers in the distribution system as 30,719 transformers procured at a cost of Rs 125.97 crore during the same period were mainly utilised for replacement of damaged transformers which remained unrepaired.

* Repaired up to December 1999.

2B.7.1.2 Extra expenditure on repair of distribution transformers

The existing contracts for repair of damaged transformers placed in July 1998 as extended from time to time, expired in June 2001. UHBVNL neither invited tenders for repair of damaged transformers nor consulted its sister concern, DHBVNL which had invited tenders in March 2001 for repair of 9,800 transformers (25,63 and 100 KVA) and finalised (30 August 2001) contracts for repair of distribution transformers (25,63 and 100 KVA) at Rs 9,692, Rs 14,860 and Rs 19,632 respectively.

In the meantime, UHBVNL decided (June 2001) to get the transformers repaired against existing contracts with the stipulation that if rates finalised by DHBVNL against their tender enquiry were found to be lower than the existing contracts, the lower of the two would be paid. Only five new firms agreed to accept the rates of DHBVNL and the UHBVNL awarded (November 2001) contracts for repairs of 125 transformers each to five firms. It was, however, noticed that during September 2001 to January 2002, UHBVNL got repaired 1,000 transformers (25, 63 and 100 KVA) at its old rates (Rs 10,552, Rs 16,768 and Rs 21,436 respectively), which were higher than the rates finalised by DHBVNL in August 2001. This resulted in extra expenditure of Rs 15.20 lakh.

Similarly, in case of DHBVNL, its workshop at Hisar got repaired 413 transformers of 63 KVA (65) and 100 KVA (348) under old contracts during the period from September 2001 to November 2001. Though the Company finalised the new rates in August 2001, but the workshop continued (up to November 2001) to get the transformers repaired against the old contracts and incurred extra expenditure of Rs 7.52 lakh. The Company had not fixed any responsibility for incurring extra expenditure.

While confirming the facts that the UHBVNL did not invite tenders, the management stated (July 2002) that though item-wise lowest rates were finalised in August 2001, it took 2 to 3 months in completing formalities such as (i) allotment of distribution transformers to the firms, (ii) issue of letter of intent and work orders and (iii) receipt of bank guarantee and issue of release orders to the firms. Reply was not tenable because the transformers should have been got repaired at the lowest available rates and the formalities stated in the reply were also a part of processing of the work orders.

2B.7.1.3 Failure of repaired transformers within warranty period

As per clause 10 of the agreement for repair of damaged distribution transformers, the firms were responsible to remove free of cost, all defects noticed within twelve months from the date of commissioning of the repaired transformers for which security deposit/bank guarantee was taken from the firms. In case the damaged transformers were not attended to by the repairing firms within a period of two months, the transformers could be got repaired at the cost of defaulting firms. Further, in case the defects were not attended to within two months of intimation of defects, the supplier was under contractual obligation to pay interest at the rate of 12 *per cent* per annum of the value of transformer from the date of its becoming defective up to the date of its re-commissioning after repair. Audit scrutiny revealed as follows:

(a) Non-repair of transformers failed within warranty period

Repaired transformers which failed during warranty period were lying unrepaired.

A scrutiny of records of Central Stores, Dhulkot, Panipat and Rohtak under UHBVNL revealed that 233 repaired transformers valued at Rs 41.94 lakh, failed within warranty period during April 1997 to December 2000 and were lying unrepaired (December 2001). The Company did not take action to get the same repaired from the firms at their cost resulting in locking up of funds of Rs 41.94 lakh in 233 transformers.

(b) Non-return of damaged transformers

A scrutiny of records of various stores under UHBVNL/DHBVNL revealed that 604 transformers, valued at Rs 1.09 crore pertaining to 30 firms that failed within warranty period during April 1993 to December 2000, were lifted from time to time by the repairing firms but were not repaired/returned by them till December 2001. As such, funds to the extent of Rs 1.09 crore remained locked up in 604 damaged transformers.

(c) Non-recovery of interest charges

During audit it was observed that 1,243 transformers damaged during warranty period, received in Central Stores, Dhulkot, Panipat and Rohtak of UHBVNL, were repaired by the firms during July 1999 to June 2001 after a delay ranging from two to 77 months and interest charges calculated from the date of damage worked out to Rs 26.45 lakh which had not been recovered as per provisions of the agreement.

With reference to audit points (a) to (c) above, the management stated (July 2002) that besides issuing notices and filing of FIRs, the companies had withheld Rs 0.50 crore and financial coverage of Rs 45.60 lakh was available in the shape of bank guarantees. As regards recovery of interest, an amount of Rs 0.61 crore was withheld from payment of firms. The fact remains that though the cases were old, the companies had not made final adjustments for recovery of cost of transformers and interest charges amounting to Rs 1.77 crore against available financial coverage of Rs 1.57 crore.

2B.7.1.4 Non-replacement/repair of defective transformers (new) within the warranty period

As per terms and conditions of purchase orders issued by the erstwhile Board and the companies, the suppliers were liable to repair/replace the transformers damaged during warranty period within a period of 45 days of intimation to them. In case these transformers were not replaced within the stipulated period, they could be disposed of at the risk and cost of the supplier and recovery made from 10 *per cent* bank guarantee which was to be released after expiry of warranty period. Audit examination revealed that:

(a) As on 31 March 2002, 858 transformers (new) valued at Rs 2.83 crore pertaining to 37 suppliers, got damaged during warranty period and were lying unrepaired in various stores of UHBVNL/DHBVNL. An audit analysis revealed that out of 858 transformers, 95 transformers were lying unrepaired for three to five years, 88 transformers for five to 10 years, and 62 transformers for more than 10 years. The locking up of funds in these transformers had also resulted in loss of interest of Rs 0.70 crore (calculated at the rate of 12 *per cent* per annum) during 1990-2002. No action had been taken to recover the amount by disposing of the transformers at the risk and cost of the suppliers. The companies had also not taken any action against the defaulting officers/officials.

(b) As on 31 March 2002, 300 transformers valued at Rs 0.99 crore which were lifted from Central Stores, Dhulkot, Panipat, Rohtak and Hisar of UHBVNL/DHBVNL by the suppliers for repair/replacement were not repaired/replaced by the suppliers and were lying with them. An audit analysis revealed that 133 transformers were lying with the firms for three to five years and 65 transformers for more than five years. The locking up of funds in these transformers had resulted in loss of interest of Rs 36.51 lakh (calculated at the rate of 12 *per cent* per annum) during 1994-2002. No action had been taken to take back the repaired transformers from the suppliers. Companies had also not taken any action against the defaulting officers/officials.

(c) 823 transformers of Central Stores, Dhulkot, Panipat, Rohtak and Ballabgarh of UHBVNL/DHBVNL damaged during July 1994 to June 2001 were repaired belatedly and the delays ranged from four to 77 months. The erstwhile Board and the companies suffered a loss of interest of Rs 44.46 lakh, calculated at 12 *per cent* on the average cost of transformer at Rs 33,000 per transformer. Stipulation for recovery of interest was not made in the purchase orders, though such provision prevailed in the orders placed by neighbouring State of Punjab.

While admitting the facts, the management stated (July 2002) that Whole Time Directors of UHBVNL decided (May 2000) to take remedial measures such as prompt notice to the suppliers, safeguarding interests of the Company by allowing lifting of transformers by the firms equivalent to the bank guarantee cover available etc. It further stated that a sum of Rs. 1.22 crore had been deducted and bank guarantees of Rs 9.24 crore had not been released in respect of 21 suppliers against the transformers damaged during the warranty period. The reply was not tenable as the Company had not made final adjustment for recovery of cost of transformers amounting to Rs 3.82 crore against available financial coverage of Rs 10.46 crore. Further, in respect of 148 transformers valued at Rs 48.84 lakh pertaining to 16 suppliers, position of recoveries made/amount withheld/bank guarantees available was not furnished.

2B.8 Scrapping and disposal of unusable transformers

2B.8.1 Delay in scrapping and disposal of transformers

Distribution transformers damaged in field were returned to transformer repair stores. Scrap survey reports of irreparable transformers were sent to disposal cells of the companies for disposal of irreparable transformers.

Delayed scrapping of irreparable transformers resulted in loss of interest of Rs 1.55 crore.

During the period April 1998 to November 2001, 7,257 distribution transformers were declared irreparable. A test-check of records of 6,691 transformers of UHBVNL/DHBVNL revealed that 4,082 transformers (61 *per cent*) were scrapped after a period ranging from one to three years from the date of their damage. Due to delay in scrapping of irreparable transformers, the erstwhile Board and the companies suffered a loss of interest of Rs 1.55 crore on 3,826 transformers which were disposed of for Rs 3.73 crore. Remaining 256 transformers which were scrapped during 1989-99 valuing Rs 25.86 lakh were lying in stores (December 2001).

The management stated (July 2002) that it was not possible to transport every transformer to the workshop immediately on its damage and transformers were auctioned in big lots. Reply was not convincing, as the management took one to three years in scrapping 61 *per cent* transformers. It should have evolved effective mechanism for expeditious disposal of transformers.

2B.8.2 Sale of irreparable distribution transformers at the rates lower than reserve price

Loss of Rs 0.57 crore on the sale of irreparable transformers below the reserve price.

Irreparable transformers were sold by auction as well as by inviting tenders. The disposal cell fixed reserve price of irreparable transformers on the basis of weight of various components (copper/aluminium coil scrap, core, body iron scrap etc.) at the prevalent market rates of metal scrap published in the Economic Times. During five years up to 31 March 2002, the erstwhile Board and companies after inviting tenders disposed of 9,663 transformers for Rs 9.57 crore against reserve price of Rs 10.68 crore. The rates at which the transformers were disposed of were lower by 5.05 to 15.33 *per cent* than the reserve price. It was observed in audit that the rates of different components when disposed of separately through auction within the same period were lower only up to five *per cent* than the reserve price. Compared with reserve price (after allowance of five *per cent*) loss in sale of 9,663 transformers at lower rates worked out to Rs 0.57 crore.

It was also seen in audit that on an enquiry by the UHBVNL, Metal Scrap Trading Corporation (MSTC) (A Govt. of India Undertaking) had offered in September 1999 their services for selling components of transformers at the rates which were lower by 2.01 *per cent* than the reserve price, but no action was taken in this regard. The loss sustained by the companies (based on offer of MSTC including 3 *per cent* commission on sales) worked out to Rs 41.56 lakh in sale of 4,565 transformers during September 1999 to March 2002 at Rs 4.37 crore against reserve price of Rs 5.04 crore.

The management stated (July 2002) that the transformers surveyed off were not dismantled in various components to save extra cost of dismantling, to avoid loss on account of fire as the coils are oil soaked and prevent pilferage of the dismantled material. It further stated that the MSTC had offered its services for selling components of transformers for which indicative rates were mentioned and there was no firm commitment to sell the components at the indicative prices. Reply was not tenable because (i) the reserve price of damaged transformers was fixed by the disposal cell on the basis of weight of various components at the prevailing market rates of metal scrap published in the leading newspapers, (ii) the oil soaked coil extracted from the damaged transformers were being stored and disposed of. There was no justification for disposing of the damaged transformers at lower rates. Regarding the rates indicated by the MSTC, the apprehension of the Company that the same rates would not have been received did not hold good as its services were not availed of.

2B.9 Non-recovery of transformer oil and missing parts

Cost of transformer oil found short and missing part of transformers valued at Rs 12 crore were not recovered.

As per procedure in vogue, the damaged distribution transformers were sent by the various divisional offices to the transformer repair workshops for their repairs. During test-check of records of 10 transformer repair workshops, it was noticed that recoveries aggregating Rs 12.23 crore towards short receipt of 8,968 kilolitre transformers oil valued at Rs 9.97 crore and parts valued at Rs 2.26 crore of 1,24,081 damaged transformers were not made during the last five years up to 2001-02.

The management stated (July 2002) that in respect of UHBVNL, an amount of Rs 1.80 crore had been charged to officials who returned the damaged transformers and an amount of Rs 22.72 lakh had been recovered and the process of recovery was continuing. Steps taken to recover remaining amount of Rs 10.43 crore were not intimated.

2B.10 Non-disposal of raw material

Distribution transformer repair workshops were closed in March 2000, but raw material viz. copper/aluminium wire, HV/LV coils, rods, etc., valued at Rs 0.82 crore needed for repair of damaged distribution transformers were still lying in Transformers Repair Workshops at Dhulkot (Rs 3.63 lakh), Hisar (Rs 27.06 lakh), and Faridabad (Rs 0.51 crore) at the end of March 2002. The management stated (July 2002) that efforts were made (February/April 2001) to dispose of the HT/LT coils valued at Rs 25 lakh through press tender but it could not be disposed of due to poor response from the tenderers. It further stated that material lying in the workshop was very old and purchased at the time of erstwhile Board and that the HT/LT coils lying in the workshops were being got converted into required size of wire so that the same could be used for repair of distribution transformers departmentally, thus saving a lot. The reply was not tenable as no effective steps were taken to use the material, and the fact remained that UHBVNL/DHBVNL could not augment its revenue receipts by Rs 0.82 crore and sustained loss of interest of Rs 9.81 lakh per annum.

Conclusion

The augmentation of transformation capacity was not done rationally with the result that the sub-transformation capacity and the distribution capacity was less than the connected load. Inadequate transformation and distribution capacities led to overloading of transformers. The repair of transformers was marked by poor quality and inability to obtain free repairs of transformers failed within warranty period. The companies had not maintained history cards of transformers, in the absence of which the movement of transformers and their performance could not be properly monitored. There was also considerable delay in scrapping of irreparable transformers.

There is urgent need to take immediate steps to augment and rationalise transformation capacity to match the connected load. The companies should exercise close monitoring of its transformers from their purchase to their failure and repairs. The causes of failure of distribution transformers should be analysed and preventive steps taken for avoidance of such cases in future.

The matter was referred to Government in March 2002, the reply had not been received (September 2002).

Chapter-III

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

3A Government companies

3A.1 Uttar Haryana Bijli Vitran Nigam Limited

3A.1.1 Extra expenditure on the purchase of disc insulators and fittings

Due to abnormal time taken in inviting and finalising bids, the Company purchased disc insulators without investigating causes for abnormally excessive rates as compared to estimated cost, resulting in extra expenditure of Rs 41.43 lakh.

World Bank guidelines for procurement of material under its loan scheme, *inter alia*, provided that if the lowest evaluated responsive bid exceeded pre bid cost estimates by a substantial margin, the borrower should investigate causes for excessive cost and consider invitation of fresh bids. Alternatively, the borrower might negotiate with the lowest responsive bidder to try to obtain a satisfactory contract through reduction in the scope etc., which could be reflected in a reduction of contract price.

The Company invited tenders for procurement of 48,000 disc insulators.

After getting clearance from the World Bank (May 1999), the Company invited (March 2000) tenders in two packages (under World Bank loan assistance) for procurement of 48,000 (24,000 each package) disc insulators of 70 kn./45 kn. with fittings for weasel and rabbit conductors for use on 11 KV overhead lines at an estimated cost of Rs 0.90 crore. In response thereto, tenders were received (July 2000) from two firms, which quoted their rates as under:

Name of firm	Disc Insulators	Fittings	P.G. clamps	Total (Rs in lakh)
Jaya Shree Insulators, Kolkata (firm A)	94.56	54.72	-	149.28
Insulators and Electricals Company, Bhopal (Firm B)	99.36	89.76	21.12	210.24

The Company considered the lowest bid as non-responsive without seeking any clarification and incurred extra expenditure of Rs 41.43 lakh.

Though the rates quoted by the bidders were higher by 66 and 134 *per cent* of the estimated cost of Rs 0.90 crore, the Company did not investigate causes for excessive cost as per World Bank guidelines. Though the bid of firm A was lowest, it was considered non-responsive and was rejected on the grounds that the firm had offered insulators without quoting for P G clamps and did not furnish performance guarantee in respect of fittings. The Company neither sought clarification from firm A as to what was included in fittings nor asked the firm to furnish performance guarantee. The Company placed (October 2000) two purchase orders, each for supply of 24,000 disc insulators with fittings and P G clamps at a total cost of Rs 2.10 crore on firm B.

It was noticed (June 2001) in audit that the rates of firm B were higher by Rs 39.84 lakh for insulators (Rs 4.80 lakh) and fittings (Rs 35.04 lakh). But the Company did not ask firm B to reduce the rates to match the lowest quoted rates of firm A, particularly when both the firms were to supply the fittings manufactured by Rashtraudyog Limited.

In reply, the Chief Engineer (MM) stated (November 2001) that the estimated cost was inadvertently indicated at Rs 0.90 crore as the value of fittings and clamps appeared to have been left out. The Chief Engineer further stated (January 2002) that no written estimates were framed and fresh bids were not invited because the item was vital for completion of urgent time bound work and in view of the closing of World Bank Loan Project on 31 December 2000, sufficient time was not available for procurement after re-invitation of bids. The reply was, however, not tenable as this purchase was cleared by the World Bank in May 1999 itself and the Company took 10 months in inviting the bids, leaving no time for invitation of fresh bids. Further analysis revealed that there was avoidable delay of six months during which the Company took no action for preparation of bid documents. The Company also did not analyse the estimated cost with reference to actual cost in the absence of written estimates.

Thus, the Company, at the first instance, went beyond the cost estimates by a substantial margin against the World Bank guidelines and then did not ask firm B to reduce the rates to match the rates of lowest firm. This resulted in extra expenditure of Rs 41.43 lakh (including sales tax at 4 *per cent*).

The matter was referred to the Government in April 2002; the reply had not been received (September 2002).

3A.1.2 Extra expenditure due to non-availing of benefit of lower rates

Injudicious rejection of the offer of a firm for purchase of ACSR Weasel conductor and shortly thereafter purchasing the same at higher rates from the same firm resulted in extra expenditure of Rs 20.22 lakh.

To improve the local distribution system, tenders for the procurement of 3,720 kms (4 packages of 930 kms each) ACSR Weasel conductor were opened on 14 August 2000 under World Bank Loan. The rates of Hindustan Vidyut Products Limited, Delhi at Rs 9,042.52 per km for package 28 A, of North Eastern Cables and Conductors Limited, Jorhat (Assam) at Rs 9,005 per km for package 28 B and rates of Oswal Electrical Conductors, Jaipur at Rs 8,955.15 per km and Rs 9,000.10 per km for package 28 C and 28 D respectively (exclusive of sales tax) were the lowest. The Company decided (August 2000) to drop package 28 A on the ground of higher rate and enhanced the quantity of packages B, C and D by 15 *per cent* each as per terms of the tender to compensate the deficit in quantity. The World Bank did not agree (3 October 2000) for enhancement of the quantity of packages B, C and D by 15 *per cent* and objected to the dropping of the package 28 A on the grounds of higher rate.

The Company did not avail lower rates which resulted in extra expenditure of Rs 20.22 lakh.

It was noticed (June 2001) in audit that while issuing (10 October 2000) revised letters of intents (LOI) for purchase of reduced quantity of Weasel Conductor against three packages (28 B to 28 D) at the instance of World Bank, the Company did not take action to place LOI against package 28 A on Hindustan Vidyut Products Ltd. even though its offer was valid up to 11 October 2000. However, it was decided (December 2000) to purchase 1,300 kms Weasel conductor at a higher negotiated rate of Rs 11,575 per km from the same firm. As such failure of the Company to avail of the lower rate (Rs 9,042.52 per km) received against World Bank tenders resulted in extra expenditure of Rs 20.22 lakh in the procurement of 930 kms of Weasel Conductor.

The management stated (May 2002) that decision to drop package 28 A was taken by Special High Powered Purchase Committee in view of comparatively higher rates quoted by the firms as compared to other packages and it was not possible to take any action against the decision of the committee. However, the fact remained that the Company had to purchase conductor at higher rates to recoup its requirement.

The matter was referred to the Government in February 2002; the reply had not been received (September 2002).

3A.1.3 Extra expenditure on the purchase of Meter Cup Boards

The Company purchased 57,500 MCBs at higher rates, which resulted in extra expenditure of Rs 12.56 lakh.

The Company invited (October 1999) tenders for supply of 1,15,000 Meter Cup Boards (MCBs) in two packages (22 A and 22 B) of 57,500 MCBs each for single phase meters under World Bank loan assistance. As per terms and conditions of the tender enquiry, the tenderer had the option to submit the tenders for one or more packages and offer discount for combined packages.

Capital Meters Limited, Noida who was the lowest tenderer had offered to supply MCBs against package 22 A and 22 B at the rate of US $ 5.40 and US $ 5.90 ex-works per MCB respectively and offered discount of US $ 0.25 per MCB in case the order for combined package was placed on them. Though quantity and technical specifications of the MCBs were same in both the packages, the Company did not ask the firm to reduce their higher rates for package 22 B to the lower rate quoted against package 22 A. After availing discount of US $ 0.25 each MCB, the Company decided to procure 57,500 MCBs each at US $ 5.15 against package 22 A and at US $ 5.65 against package 22 B for which two purchase orders vide No. WB-41 and WB-42 respectively were placed on 30 March 2000. The firm supplied the material up to 24 October 2000.

The Company did not correlate the prices of two packages, which resulted in extra expenditure of Rs 12.56 lakh.

It was noticed (June 2001) in audit that the Company in another tender of World Bank for supply of Electro Mechanical Energy Meters got the rates reduced (May 2000) from the same supplier as the quantity and specifications in the two packages were the same.

Thus, failure of the Company to correlate the purchase of meter cup boards of identical specification under two packages of World Bank loan resulted in extra expenditure of Rs 12.56 lakh in the purchase of 57,500 meter cup boards (Package 22 B).

The Government and the Company stated (February/March 2002) that the supplier offered discount on both the packages in such a way that amount payable to the firm by offering discount is the same as it would have been if the firm had reduced the higher rate for package (22 B) and brought it to the level of lower rates quoted for the package (22 A). The reply was not tenable as the supplier offered discount to obtain the order for both the packages and there was no justification in procuring the material of same specifications, from the same supplier at different rates.

3A.1.4 Short recovery of penal charges

The Company made short recovery of Rs 20.16 lakh from 127 Agriculture Pump consumers in 28 operation sub-divisions for regularisation of unauthorised extended load.

The Company introduced (September 1999) Voluntary Disclosure Scheme (VDS) for declaration of unauthorised extended load for all categories of existing consumers which remained in force up to November 1999. The VDS, *inter alia,* provided that after the expiry of the scheme, consumers found using unauthorised extended load, were to be charged penal rates for their regularisation. The penal rates for Agriculture Pump (AP) consumers were Rs 3,000 per BHP for metered supply and Rs 4,000 per BHP for un-metered supply. Further, existing AP consumers coming forward to declare and apply voluntarily for extension in load were being charged at Rs 1,000 per BHP as special charges as per the instructions of November 1993.

In order to remove contradiction in the instructions issued in November 1993 and September 1999 regarding regularisation of extension in load, the Company withdrew (May 2000) the instructions of November 1993 w.e.f. 18 May 2000. The Company, however, issued (8 November 2000) new instructions for regularisation of extension of load by existing AP consumers by taking deposit of Rs 1,500 per BHP for metered supply and Rs 2,000 per BHP for un-metered supply. Thus, during the intervening period from 18 May 2000 to 7 November 2000, provisions for levy of penalty as VDS were applicable.

The Company charged lower rates for regularisation of unauthorised extended load, which resulted in short recovery of Rs 20.16 lakh from 127 AP consumers.

A test-check of records of 28 out of 112 sub-divisions of four* operation circles revealed that the Company regularised the unauthorised extended load of 140 AP consumers during the period from 18 May 2000 to 7 November 2000 without levy of penal charges. The Company, however, charged only Rs 1,000 per BHP as special charges as per the instruction of November 1993, which was withdrawn on 8 May 2000 itself. This resulted in short recovery of Rs 21.61 lakh.

While confirming the facts, the Superintending Engineer, Operation Circle, Ambala intimated (March 2002) that an amount of Rs 1.45 lakh from 13 AP consumers of one sub-division has been recovered. Thus, penal charges amounting to Rs 20.16 lakh in respect of other 127 AP consumers had not been recovered (April 2002).

The matter was referred to the Company and the Government in March 2002; their replies had not been received (September 2002).

3A.2 Haryana Power Generation Corporation Limited

3A.2.1 Purchase in excess of requirements

Wrong assessment of the requirement of additional cables by the consultants coupled with Company's inadequate supervision led to purchase of cables in excess of the requirement to the tune of Rs 36.39 lakh.

The erstwhile Haryana State Electricity Board (Board) awarded (November 1989) a contract to M/s Tata Consulting Engineers (TCE), Bangalore for providing consultancy services for preparation of construction design and drawings etc. for Unit-VI of Panipat Thermal Power Station. As per agreed terms, TCE was responsible for any defective work due to errors in design and drawings etc. of the Unit.

TCE assessed (August 1998) the requirement of various types of control instrumentation and power cables for Unit VI at Panipat. Accordingly, the Company placed (May/June 1999) three purchase orders for supply of 658.350 kms of cables on three suppliers**. The cables were received during October 1999 to March 2000. In December 2000, the TCE informed that there was no requirement of additional power cables. It subsequently intimated (January 2001) additional requirement of 114 kms of cable based on the quantity of cables available in stores. The Company without verifying the requirement and cabling schedule, placed order (January 2001) for 111.500 kms cable valued at Rs 0.64 crore on two firms after inviting limited enquiries. The cables were received during February/March 2001.

* Ambala, Kurukshetra, Karnal and Yamunanagar.

** Paramount Cable Corporation New Delhi, Hindustan Vidyut Products Limited New Delhi and Fort Gloster Industries Limited New Delhi.

Wrong assessment of the requirement of cables resulted in excess purchase to the tune of Rs 36.39 lakh.

It was observed that out of 111.500 kms additional cables purchased, 59.720 kms cables were lying unused since April 2001 and could not be diverted/utilised at other projects. The Company could not take action against TCE for improper assessment of the cables for want of any specific mention in the agreement relating to quantum of damages leviable from the consultants in this regard. The Company had not fixed responsibility of its own employees who failed to supervise the execution of project work. Thus, wrong assessment of the requirement of additional cables by TCE coupled with Company's inadequate supervision led to purchase of cables in excess of the requirement to the tune of Rs 36.39 lakh.

The matter was referred to the Company and the Government in March 2002; their replies had not been received (September 2002).

3A.3 Haryana Vidyut Prasaran Nigam Limited

3A.3.1 Avoidable loss

Poor maintenance of sub-station and non-supply of required stores resulted in loss of Rs 19.56 lakh due to fire at the sub-station.

The Manual of Maintenance and Inspection Schedule for transformers, allied sub-stations equipments and lines envisage daily inspection of the condition of the battery and oil level in the Oil Circuit Breakers (OCBs) by the staff of the Company. Batteries installed at the sub-station provide adequate current to effect efficient tripping of OCBs to avoid any accident in case faults occurred in the system.

On 19 August 1999 (16.20 Hours), the 11 KV Bhadaf OCB installed in 132 KV sub-station, Kanina (falling under Superintending Engineer, Operation circle, Narnaul) tripped due to earth fault. The Breaker trolley of Bhadaf feeder flashed and a fire broke out in the OCB. The fire spread to other breakers and damaged 11 KV incoming-I line and six other outgoing breakers on left side of the bus coupler. The sub-station was re-energised on 22 August 1999 after replacing 11 KV outgoing/incoming OCB panels as well as DC battery at a cost of Rs 19.56 lakh.

A Committee constituted (August 1999) by the Company under the chairmanship of Superintending Engineer, sub-stations, D&P, HVPNL, Hisar for investigating the damage observed (August 1999) that the fire broke out due to use of badly carbonised and contaminated oil, unfit for use in an OCB tank, repeated tripping and reclosing of OCB on 11 KV Bhadaf feeder without fault investigation and bad condition of battery.

Poor maintenance of sub-station and non-supply of required stores resulted in loss of Rs 19.56 lakh due to fire.

It was noticed (March 2001) in audit that the contaminated oil could not be changed due to non-availability of fresh oil with sub-station despite sending repeated requirement of oil to Operation Division, Mohindergarh from September 1998. The Chief Engineer (Material Management) who was responsible for procuring transformer oil and supplying it through the network of its stores, did not supply even a single drop of fresh oil to Kanina sub-station from September 1998 and 209 litres of fresh oil was issued only on 20 August 1999 after the fire took place. The Executive Engineer, M&P, Gurgaon had also pointed out the bad condition of cells of DC battery in April 1999, but the same was not replaced despite repeated requests for replacements from the Division since March 1999. Thus, non-availability of transformer oil and cells for DC battery despite repeated demand from the sub-station were the reasons for the poor maintenance of the sub-station, which led to loss of Rs 19.56 lakh on replacement of equipments.

While admitting the facts, the management stated (July 2002) that one Junior Engineer had been charge sheeted and action against another Junior Engineer had been taken. It was further stated that the concerned sub-station Engineer and Executive Engineer were being charge sheeted. However, reasons for non-arrangement of fresh transformer oil and the cells for replacement were not intimated.

The matter was referred to the Government in February 2002; the reply had not been received (September 2002).

3A.4 Haryana State Industrial Development Corporation Limited

3A.4.1 Injudicious grant of loan

The Company disbursed loan of Rs 2.33 crore to a unit without verifying the title of the collateral security offered which resulted in doubtful recovery of loan and interest thereon.

The Company sanctioned (October 1997) a term loan of Rs 2.50 crore to Fraternity Organics Limited for setting up a chemical unit at Kakkar Majra (Distt. Panchkula). The terms and conditions of sanction, *inter alia,* provided that the loanee unit would provide collateral security of Rs 0.75 crore (equivalent to 30 *per cent* of loan amount) and arrange working capital limit of Rs 2.55 crore from a bank before seeking disbursement of last 25 *per cent* of the term loan. The loan was to be repaid in 26 quarterly instalments with an initial moratorium period of one and half year.

The Company accepted (November 1997) mortgage documents of land measuring 37 kanals (valued at Rs 9.23 lakh) in village Pasyala (Distt. Ambala) as collateral security. Thereafter, to complete the quantum of collateral security, the unit offered (December 1998) mortgage documents in respect of a plot measuring 700 square yards at village Bhalswa, Jahangir Puri, Delhi, as another collateral security.

The Company deputed (9 December 1998) an Assistant General Manager (Sh. Mahavir Singh) to verify and evaluate the proposed collateral security. The officer reported (11 December 1998) that the land was located on the main road and had an industrial unit in its vicinity; evaluation of Rs 0.72 crore submitted by the unit was realistic and should be accepted subject to clearance of title by documentation cell.

The Company did not get the lien marked/verify ownership of mortgaged properties from Revenue Department.

The Company had obtained the documents in respect of properties at Ambala and Delhi but their lien was not got marked/status of ownership not verified from the Revenue Department. The documentation cell headed by Company Secretary (Shri R.P.Gupta), assisted by Manager Legal (Shri H.P.Singh) accepted (December 1998) the documents on the basis of search report submitted by an advocate.

The Company released the loan of Rs 2.33 crore between November 1997 and December 1999 and cancelled the balance loan being not required. However, arrangements made by the unit for working capital was not verified before release of last two instalments of loan in March and December 1999.

As the unit defaulted repayment of loan instalments, the Company after issuing (June 2000) a notice under Section 29 of State Financial Corporations Act, took over (July 2000) possession of the unit, the value of which was assessed at Rs 2.94 crore. The assets of the unit were put to auction thrice from September 2000 and the highest bid of Rs 26.50 lakh received in February 2001 was rejected. The Company also issued (July 2001) recovery certificates for recovery of its dues against the unit and the promoters/guarantors, but with no results.

The Company took over (February 2002) possession of the collateral security at Ambala District which was under disposal. On inspection (August 2001) of collateral security at Delhi, the Company noticed that the said plot had already been acquired by the Delhi Government in the year 1978-79. Consequently, the Company could not take over the possession of the collateral security. The Company had neither filed any criminal case against the advocate for furnishing the forged search report nor initiated any action against the defaulting officers.

Non-verification of title of security resulted in doubtful recovery of Rs 3.85 crore.

The management in its reply (March 2002) stated that the Unit defrauded the Company by concealing the facts with regard to acquisition of property offered for mortgage and it had lodged FIR against the promoters/owners of collateral security. However, the fact remained that the Company did not verify the title of the collateral security which led to doubtful recovery of Rs 3.85 crore (principal: Rs 2.33 crore and interest: Rs 1.52 crore up to May 2002).

The matter was referred to the Government in April 2002; the reply had not been received (September 2002).

3A.4.2 Extravagant expenditure on purchase of flats

Injudicious decision to purchase flats without working out actual requirement led to non-use of 45 flats valued at Rs 3.38 crore.

The Company purchased 110 flats from Haryana Housing Board at a cost of Rs 4.84 crore.

To provide housing accommodation to all categories of employees, the Company assessed (September 1991) the requirement of 105 flats and purchased (July to September 1995) 110 flats at Panchkula (comprising Type-I: 40, Type-II: 35, Type-III: 20, Type-IV: 10 and Type-V: 5) from Haryana Housing Board (HHB) at a cost of Rs 4.84 crore.

Before taking over the possession of the flats, the House Allotment Committee of the Company recommended (May 1995) to purchase 14 additional flats from HHB. Keeping in view the existing and future expansion and to meet the additional requirement of flats, Board of Directors, however, decided (July 1995) to approach Haryana Urban Development Authority (HUDA) for allotment of one acre of land at Panchkula to construct additional flats thereon.

The Company constructed another 52 flats at a cost of Rs 4.15 crore.

HUDA issued (September 1996) letter of allotment for plot measuring 5,824 square metres in sector 14, Panchkula at a tentative cost of Rs 0.78 crore. The Company, after taking possession (October 1996) of the plot, started (February 1999) construction of 52 flats of the type A, B, & C (equivalent to type–III, IV and V) against the existing requirement of 14 flats and completed construction in September 2000 at a cost of Rs 4.15 crore.

Meanwhile, the Company at its own observed (October 1999) that entire 35 flats of Type–III, IV and V purchased from HHB had become surplus and approached (June 1999) HHB for grant of permission for disposal of these flats. No such permission had been granted so far (March 2002).

Number of surplus flats increased to 45 valuing at Rs 3.38 crore.

It was noticed (June 2001) in audit that on completion of 52 new flats and allotment thereof, the number of surplus flats purchased from HHB increased to 45 (Type-I: 16, Type-II: 14, Type-III: 10 and Type-V: 5) valued at Rs 3.38 crore. It was further seen that only one senior manager and five managers were inducted after January 1995, who were eligible for Type-IV and Type-III accommodation respectively and Company had not diversified/expanded its activities during the last five years. Seven flats of new accommodation were also awaiting allotment (May 2002).

Thus, the injudicious decision to construct 52 additional flats, while the Company had no expansion plan in hand, resulted in blockage of investment of Rs 3.38 crore in 45 flats purchased from HHB and loss of interest thereon worked out to Rs 0.85 crore at 15 *per cent* per annum from October 2000 to May 2002 besides deterioration in condition of flats due to their non-use.

The management stated (May 2002) that the decision to construct additional flats was taken, to provide better constructed accommodation to the employees of coming projects. Reply of the management was not tenable as the Company had not diversified/expanded its activities during the last five years and recruited only five managers and one senior manager during that period.

The matter was referred to the Government in March 2002; the reply had not been received (September 2002).

3A.5 Haryana Agro Industries Corporation Limited

3A.5.1 Loss in disposal of paddy

Due to rejection of better offer, the Company suffered loss of Rs 46.82 lakh in auction of unmilled paddy besides further loss of Rs 7.31 lakh on account of shortages.

The miller delivered rice equivalent to 2064.50 MT of paddy leaving unmilled paddy of 5001.13 MT.

The Company procures paddy for central pool and provides the same to millers who deliver rice to Food Corporation of India (FCI) after milling. During Kharif 1999, the Company procured 15512.355 MT of paddy out of which it stored 7065.630 MT with Om Rice Mills, Ratia (Fatehabad) for milling and delivery to FCI. The agreement with the miller, *inter alia*, provided that miller would ensure delivery of rice to FCI between October 1999 and February 2000 and would be responsible for safe custody and maintenance of paddy. In March 2000 after reviewing the progress in milling of paddy procured for central pool by State procurement agencies, the last date for acceptance of rice was extended up to April 2000 by FCI and thereafter, onus for disposal of paddy/rice rested with the Company. Up to April 2000, the miller could deliver rice equivalent to 2064.50 MT of paddy leaving unmilled paddy of 5001.13 MT.

The Company auctioned unmilled paddy at a loss of Rs 46.82 lakh.

Subsequently, the miller offered (May 2000) to deposit either the cost of balance paddy on book weight basis at Rs 723.38 per quintal or the cost of rice as per FCI rates at Rs 993.87 per quintal. But, the Company did not accept the offers on the plea that it could not sell the rice of levy quota in the open market. The plea taken by the management was not tenable as the unmilled paddy stood de-levied by the Government after 30 April 2000 and it could have been disposed of in any manner by the Company. The Company, thereafter, auctioned (July 2000) the unmilled paddy at the rates ranging between Rs 629 and Rs 640 per quintal.

Besides, shortage of 301.18 MT was noticed while lifting the sold paddy, which was reduced to 101.062 MT after allowing driage allowance of 4 *per cent* to the miller. The shortage valuing Rs 7.31 lakh, however, has not been recovered from the miller.

Thus, besides Rs 7.31 lakh on account of shortages, the Company suffered a loss of Rs 46.82 lakh in auction of paddy by not accepting the offer of miller.

The matter was referred to the Company and the Government in April 2002; their replies had not been received (September 2002).

3A.5.2 Doubtful recovery due to acceptance of defective security

Acceptance of defective security led to non-recovery of Rs 30 lakh.

The Company agreed to subscribe to equity capital of Rs 30 lakh in the unit.

The Haryana Agro Industries Corporation Limited (Company) signed (March 1996) financial collaboration agreement with the promoters of Tushar Agri-Business Consortium (India) Limited, Bahadurgarh for setting up a project of export oriented soft/hardened plants and cut flowers in assisted sector. The collaboration agreement, *inter alia,* provided that the Company would subscribe to equity share capital to the maximum of Rs 30 lakh and the promoter was required to purchase the equity after expiry of the period of three years from the date of commencement of commercial production or five years from the date of first disbursement towards equity, whichever was earlier. Further, clause 38 and 39 of the agreement envisaged that if the project was not implemented within a period of two years from the date of this agreement, the Company could cancel the agreement and would be at liberty to sell its shareholding in the unit to any person and recover the difference, if any between the price payable and sale proceeds of the share from the collaborator.

The Company got FDRs of Rs 30 lakh as collateral security.

In order to safeguard the interest of Company, the promoters were asked to give Fixed Deposit Receipts (FDRs) of an amount equivalent to the equity to be released in the form of collateral security. The Company disbursed (28 October 1996) a sum of Rs 30 lakh to the unit after receipt of FDRs of equivalent amount from the promoters.

The FDRs could not be encashed as these were in the joint names of the Company and father of a promoter which resulted in doubtful recovery of Rs 30 lakh.

During audit (May 2001), it was noticed that while accepting the FDRs, the Company did not observe that the FDRs were in the joint name of the Company and Shri T N Aggarwal (father of one of the promoters). The unit did not implement the project in terms of agreement. As such, the Company recalled (March 1998) the equity capital. In order to encash the said FDRs, the Company approached (February 1999) Nainital Bank Limited, Delhi through Union Bank of India, Chandigarh to release the payment. However, the Nainital Bank Limited returned (18 March 1999) the FDRs to the Union Bank of India with the remarks that the FDRs had not been discharged by the competent authority of the Company as well as Shri T N Aggarwal. The Company filed a complaint (January 2000) with National Consumers Dispute Redressal Commission, New Delhi against the bank and prayed for issue of directions to the bank to release the FDRs. The commission dismissed (September 2000) the complaint of the Company with remarks that dispute raised in the petition should be decided before a Civil court. The Company, however, filed (July 2001) a civil suit against Nainital Bank Limited and Shri T N Aggarwal for release of FDRs. Further, progress of the case was awaited (April 2002).

The management in reply to preliminary memo stated (June 2001) that although there was no condition in the agreement for obtaining collateral security, yet it took the FDRs from promoters to safeguard its interests. Reply was not tenable as obtaining defective collateral security of FDRs did not serve the desired purpose and led to doubtful recovery of Rs 30 lakh.

The matter was referred to the Company and the Government in May 2002; their replies had not been received (September 2002).

3A.6 Haryana State Electronics Development Corporation Limited

3A.6.1 Injudicious planning

Injudicious decision of the Company to purchase bigger plot of land without making financial arrangement resulted in blockade of Rs 5.03 crore besides avoidable payment of interest of Rs 1.34 crore.

The Company acquired 6.5 acres of land valuing Rs 4.34 crore for IT complex at Gurgaon.

For setting up an Information Technology and Communication Complex at Gurgaon, the Company approached (March 1995) Haryana Urban Development Authority (HUDA) for allotment of a plot measuring 2.5 acres. The Company decided (December1995/March 1996) to approach HUDA for increase in the size of plot to 6.5 acres and requested HUDA accordingly. Accordingly HUDA offered (March 1996) 6.5 acres (26,000 square metres) of land valuing Rs 4.16 crore at the rate of Rs 1,600 per square metres.

As per terms of tentative allotment letter (March 1996), 25 *per cent* of the cost of land was to be deposited within 35 days and balance 75 *per cent* in two equated six monthly instalments (September 1996 and March 1997) along with interest @ 15 *per cent* per annum and penal interest @ 18 *per cent* per annum for the period of default, if any.

The Company deposited (April 1996) Rs 1.04 crore being 25 *per cent* of the cost of land. Against the first equated instalment of Rs 1.56 crore plus interest, due on 27 September 1996, the Company deposited only Rs 1.04 crore on the due date. It did not deposit the balance amount of Rs 2.08 crore plus interest by due date (March 1997).

HUDA issued (October 1997) a formal letter of allotment for 27,095.04 square metres of land, valuing Rs 4.34 crore and requested for payment of Rs 2.96 crore (including interest). As per allotment letter, the Company was to start construction within six months from the issue of tentative letter of allotment but the Company did not start construction despite show cause notices issued (November 1998) by HUDA. After depositing rupee one crore (September 1999) as adhoc payment, the Company had not deposited the principal amount of Rs 1.26 crore till June 2001 and transferred (July 2001) one acre of land to Government of India for setting up Earth Station. Accordingly, HUDA asked (February 2002) the Company to deposit balance amount of Rs 1.95 crore inclusive of interest of Rs 1.34 crore up to March 2002 which was deposited in March 2002.

During audit (July 2001), it was observed that the Company's decision to purchase a big industrial plot without making financial arrangements for development of the plot was unwarranted since it could not make full payment by due date i.e., March 1997 to HUDA due to the paucity of funds. After depositing (September 1999) Rs one crore as ad hoc payment, the Company did not take any action to develop the Complex by arranging the required funds. It was decided (24 December 2001) to undertake this project at a cost of Rs 92.50 crore by raising loan of Rs 36.25 crore from National Capital Region Planning Board, Delhi. But no formal agreement had been signed (February 2002).

The management stated (February 2002) that payment to HUDA could not be made due to non-receipt of share capital from State Government since 1999. Further, the payment of interest to HUDA had been off set by increase in the market price of the land at Gurgaon. The reply of the management was not tenable as payment of land was to be made by March 1997, as such non-receipt of share capital from State Government after 1999 had no relevance. Since the objective of the Company was to promote the growth of electronics units in the State by providing necessary infrastructure, the management's version that payment of interest would be offset by increase in the market price of land was also not justified.

In the absence of definite development plan, the funds to the extent of Rs 5.03 crore remained blocked.

Thus, in the absence of a definite development plan and appropriate decision to accept the land according to resources, the funds to the extent of Rs 5.03 crore remained blocked. Moreover, the Company had to pay penal interest of Rs 1.34 crore on the delayed payments, which otherwise could have been avoided.

The matter was referred to the Government in March 2002; the reply had not been received (September 2002).

3A.7 Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited

3A.7.1 Payment of penal interest

The Company paid penal interest amounting to Rs 49.80 lakh to NBCFDC during 2000-01 due to poor recovery of loan and diversion of funds for administrative expenses.

The Company had been operating as a State Channelising Agency (SCA) of National Backward Classes Finance & Development Corporation (NBCFDC) for disbursement of term loans to the members of backward classes in the State of Haryana.

The terms of loan agreement, *inter alia*, provided that the NBCFDC would provide financial assistance at the minimum rate of 4.5 *per cent* per annum with a rebate of 0.5 *per cent* for loans up to Rs 2 lakh. The SCA would in turn charge interest at the rate of 7 *per cent* per annum from the beneficiaries, thus, leaving a margin of 3 *per cent* towards administrative cost of SCA after availing the rebate of 0.5 *per cent*. The duration of assistance would be 10 years with a moratorium period of 9 months and 3 months for repayment of principal and interest respectively. In case of default in repayments by the

Company, the NBCFDC would charge compound/penal interest. The penal interest was in the form of compound interest at the rate of 4.5 *per cent* on default amount, which was revised (April 2000) upward to 12 *per cent* per annum with quarterly compounding under new lending policy of NBCFDC.

The Company paid penal interest of Rs 49.80 lakh to NBCFDC due to diversion of recoveries towards administrative expenses.

It was noticed (December 2001) in audit that despite steep increase in the rate of penal interest, the Company continued to commit default in repayment of principal/interest and the default amount increased from Rs 4.04 crore in April 2000 to Rs 7.33 crore in March 2002 whereupon, the NBCFDC recovered penal interest of Rs 49.80 lakh for the defaults up to 31 March 2001. It was observed that the default in repayments was attributable to diversion of recovery amount of Rs 4.05 crore for meeting the administrative expenses during six years up to 2001-02 and decreasing trend in recovery of loans which decreased from 75 *per cent* in 1996-97 to 27 *per cent* in 2001-02.

Thus, poor recovery of loans and utilisation of the same for administrative purposes had resulted in payment of penal interest amounting to Rs 49.80 lakh for the defaults upto 2000-01.

The Company while admitting (February 2002) the facts stated that against 12 *per cent* of the total share capital as administrative subsidy to meet its administrative expenses, the State Government had been releasing only 4 *per cent* as administrative subsidy. The reply was, however, not tenable as the steep downward trend in recovery of loans and failure of the Company to keep administrative expenses within the limits were the main reasons for payment of penal interest.

The matter was referred to the Government in January 2002; the reply had not been received (September 2002).

3B. Statutory corporations

3B.1 Haryana Financial Corporation

3B.1.1 Irregular disbursement of financial assistance

Disbursement of working capital/bridge loan to an ineligible unit and acceptance of insufficient collateral security rendered recovery of Rs 3.98 crore doubtful.

The Corporation sanctioned (November 1993) a term loan of Rs 0.62 crore to APT Yarns (P) Limited to set up a unit to manufacture various varieties of yarn. The loan was repayable in 25 quarterly instalments. The loan amounting to Rs 48.23 lakh was disbursed during the period from April 1994 to January 1995 and balance loan of Rs 13.77 lakh was cancelled (June 1995) due to no demand from the unit. The unit approached (December 1994) the Corporation for working capital limit of Rs 25 lakh and the same was sanctioned (December 1994) against hypothecation of stocks and book debts with the condition that loanee would offer collateral security in the shape of immovable assets equivalent to 50 *per cent* of the loan sanctioned. While the loanee availed only the first installment (17 May 1995) of Rs 6.25 lakh against above sanctioned working capital limit, the Corporation further sanctioned (May 1995) additional working capital limit of Rs 25 lakh in the shape of bridge loan without analysing the reasons for not availing existing limit of Rs 25 lakh. The loanee availed Rs 24.99 lakh (May 1995) against bridge loan and Rs 18.75 lakh (June and July 1995) against the working capital limit sanctioned in December 1994.

Since the unit was in default of term loan, working capital loan and bridge loan since September 1995, the Corporation recalled the entire outstanding loan of Rs 1.20 crore including interest of Rs 21.58 lakh in February 1996 and took over (May 1997) the possession of the unit, whose value was assessed as Rs 32.92 lakh.

During audit, it was observed (December 2001) that the Corporation accepted the land measuring 144 square yards and building thereon valuing Rs 15.44 lakh against the actual measurement of 16 square yards as collateral security in respect of working capital loan without verifying the original documents from the revenue records and relied upon the valuation reports submitted by the valuers. It also did not obtain credit worthiness report from the bankers of the loanee though required as per the sanction letter for enhancement of working capital limits. Further, the Corporation accepted an existing primary security obtained against the term loan as collateral security for release of working capital facilities against the laid down norms. The Board of Directors also desired (May 1995) that bridge loan should be given only to existing well performing units and units should be in operation for four years. But in this case, bridge loan was sanctioned despite the fact that unit was in operation for about 5 months only.

Disbursement of financial assistance to an ineligible unit and acceptance of invalid collateral security rendered recovery of Rs 3.98 crore as doubtful.

The unit was disposed of (June 1998) for Rs 35 lakh. After adjusting the sale proceeds, the Corporation tried (July 1999) to take over the possession of collateral security, in order to recover the balance amount of Rs 1.97 crore. The Corporation could not take over the possession of collateral security (January 2002) as the property was not in the name of the promoter. Thus, disbursement of working capital/bridge loan to an ineligible unit and acceptance of invalid collateral security had rendered recovery of Rs 3.98 crore (May 2002) as doubtful.

The Corporation in its reply (May 2002) stated that collateral security was accepted after examining the title of the property. The reply was not tenable, as the Corporation could not take possession of the collateral security, as the property was not in the name of promoter. The Corporation, however, admitted that it accepted existing primary security as collateral security towards working capital facilities against the requirement of separate collateral security.

The matter was referred to the Government in March 2002; the reply had not been received (September 2002).

3B.1.2 Irregular sanction/disbursement of working capital assistance

Irregular sanction/disbursement of working capital assistance led to doubtful recovery of Rs 0.66 crore.

The working capital assistance scheme of the Corporation, *inter alia,* provided that in case an applicant was not an existing borrower unit, the unit would mortgage its primary security, hypothecate its current assets and furnish immovable property equivalent to 50 *per cent* of the proposed working capital assistance as collateral security. The collateral security would be distinct from the primary security. The disbursement would be made only after the completion of the requisite formalities.

Faridabad Weaving Factory Pvt. Ltd., Faridabad applied (February 1995) for working capital limit of Rs 25 lakh and offered its existing plant and machinery as primary security besides corporate guarantee of East India Cotton Mfg. Co. Ltd., Faridabad. While forwarding (February 1995) the case to Head Office, the Faridabad branch pointed out that value of existing machinery was Rs 0.55 lakh only. Pending sanction, the unit applied (March 1995) for enhanced limit of Rs 0.80 crore. The Corporation sanctioned (29 March 1995) the limit of Rs 0.65 crore subject to the condition that loanee would furnish corporate guarantee of Rs 44.75 lakh and collateral security of Rs 29 lakh besides hypothecation of current assets. The limit of Rs 0.65 crore included cash credit: Rs 36 lakh, clean bill discounting: Rs 20 lakh and letter of credit: Rs 9 lakh. However, the condition of collateral security of Rs 29 lakh was not included in the sanction letter issued on 29 March 1995.

The Corporation disbursed loan to a unit which was being run in rented premises and without proper guarantee resulting in doubtful recovery of Rs 0.66 crore.

The Corporation disbursed Rs 30.11 lakh against cash credit (Rs 17.88 lakh) and discounted bills (Rs 12.23 lakh) during December 1995 to February 1996 despite the fact that the Corporation knew (May 1995) that the unit was being run in rented premises along with five other units in the same shed and there was every possibility of shifting the material from one unit to another unit. Further, the corporate guarantee obtained was not sufficient in view of other loans raised by the guarantor. The unit cleared (September 1996) the amount of bill discounting.

When the unit failed to repay the instalments, the Corporation decided (July 1996) to take the possession of the unit. But the same could not be taken because of the operation of 7-8 similar identical units in the same premises. Recovery certificate issued (February 1999) against directors/guarantors was received back (October 1999) with the remarks that unit was lying closed and amount could be recovered by the sale of primary and other properties first. Meanwhile, one corporate guarantor obtained stay against the recovery certificate. Further outcome thereof was awaited (June 2002). The Corporation could not take over the possession of the unit resulting in doubtful recovery of Rs 0.66 crore (principal: Rs 17.88 lakh, interest and other expenses: Rs 48.30 lakh).

The management replied (January 2002) that corporate guarantee of East India Cotton Mfg. Co. Ltd. was considered insufficient and it was decided to release working capital on pro-rata basis on available existing security. The reply was not tenable because as per policy, the collateral security was to be taken in the shape of immovable fixed assets, whereas the Corporation accepted the machinery and corporate guarantee as collateral security. Further, the Corporation accepted the reassessed value of an existing plant and machinery (Rs 33.72 lakh) having depreciated value of Rs 0.55 lakh as additional collateral security.

Thus, irregular sanction/disbursement of working capital assistance led to doubtful recovery (April 2002) of Rs 0.66 crore to the Corporation. No responsibility had been fixed so far (March 2002).

The matter was referred to the Government in May 2002, the reply had not been received (September 2002).

(Ashwini Attri)
Accountant General (Audit) Haryana

Chandigarh

Dated 03 FEB 2003

Countersigned

(Vijayendra N. Kaul)
Comptroller and Auditor General of India

New Delhi

Dated 14 FEB 2003

ANNEXURES

ANNEXURE-1

Statement showing particulars of up to date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2002 in respect of Government companies and Statutory corporations.

(Referred to in paragraph No. 1.2.1.1, 1.2.1.2, 1.2.2, 1.3.1)

(Figures in column 3 (a) to 4 (f) are Rupees in lakh)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans outstanding at the close of 2001-02			Debt equity ratio for 2001-02 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total							
							Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10	--	--	--	1089.10	--	--	--	1908.72	31.48	1940.20	1.78:1 (2.23:1)
2.	Haryana Agro Industries Corporation Limited	253.83	160.21	--	--	414.04	--	--	--	68.16	--	68.16	0.17:1 (0.25:1)
3.	Haryana Land Reclamation and Development Corporation Limited	136.64	--	--	19.66	156.30	--	--	--	--	--	--	0.00:1 (0.00:1)
4.	Haryana Seeds Development Corporation Limited	275.87	111.50	--	76.54	463.91	--	--	--	200.00	--	200.00	0.43:1 (0.51:1)
Sector wise total		**1755.44**	**271.71**	--	**96.20**	**2123.35**	--	--	--	**2176.88**	**31.48**	**2208.36**	**1.04:1 (1.30:1)**
INDUSTRY													
5.	Haryana State Industrial Development Corporation Limited	6286.13 (1575.26)	--	--	--	6286.13 (1575.26)	2.00	--	10496.86	218.62	37412.69	37631.31	5.99:1 (5.80:1)
6.	Haryana State Small Industries and Export Corporation Limited	181.48 (0.60)	10.00	--	--	191.48 (0.60)	0.60	--	--	209.26	133.43	342.69	1.79:1 (0.00:1)
Sector wise total		**6467.61 (1575.86)**	**10.00**	--	--	**6477.61 (1575.86)**	**2.60**	--	**10496.86**	**427.88**	**37546.12**	**37974.00**	**5.86:1 (5.63:1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2001-02			Debt equity ratio for 2001-02 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total							
							Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
ENGINEERING													
7.	Haryana Roadways Engineering Corporation Limited	200.00	--	--	--	200.00	--	--	5014.00		6592.00	6592.00	32.96:1 (21.68:1)
Sector wise total		**200.00**	--	--	--	**200.00**	--	--	**5014.00**	--	**6592.00**	**6592.00**	**32:96:1 (21:68:1)**
ELECTRONICS													
8.	Haryana State Electronics Development Corporation Limited	780.76	--	--	--	780.76	--	--	--	5.00	--	5.00	0.01:1 (0.01:1)
9.	Hartron Informatics Limited@	--	--	50.00	--	50.00	--	--	--	--	--	--	0.00:1 (0.00:1)
Sector wise total		**780.76**	--	**50.00**	--	**830.76**	--	--	--	**5.00**	--	**5.00**	**0.01:1 (0.01:1)**
HANDLOOM and HANDICRAFTS													
10.	Haryana State Handloom and Handicrafts Corporation Limited	265.17	30.00	--	--	295.17	--	--	--	122.50	--	122.50	0.41:1 (0.42:1)
Sector wise total		**265.17**	**30.00**	--	--	**295.17**	--	--	--	**122.50**	--	**122.50**	**0.41:1 (0.42:1)**
FOREST													
11.	Haryana Forest Development Corporation Limited	60.54 (40.51)	--	--	--	60.54 (40.51)	--	--	--	--	--	--	0.00:1 (0.00:1)
Sector wise total		**60.54 (40.51)**	--	--	--	**60.54 (40.51)**	--	--	--	--	--	--	**0.00:1 (0.00:1)**
MINING													
12.	Haryana Minerals Limited@	--	--	24.04		24.04	--	--	--	--	--	--	0.00:1 (0.00:1)
Sector wise total		--	--	**24.04**		**24.04**	--	--	--	--	--	--	**0.00:1 (0.00:1)**
CONSTRUCTION													
13.	Haryana Police Housing Corporation Limited	2500.00	--	--	--	2500.00	--	--	--	--	1169.00	1169.00	0.47:1 (0.57:1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans outstanding at the close of 2001-02			Debt equity ratio for 2001-02 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total							
							Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
14.	Haryana State Roads and Bridges Development Corporation Limited	2694.23 (2684.23)	--	--		2694.23 (2684.23)	1906.00	--	8961.85	--	8824.95	8824.95	3.28:1 (1.79:1)
Sector wise total		**5194.23 (2684.23)**	**--**	**--**		**5194.23 (2684.23)**	**1906.00**	**--**	**8961.85**	**--**	**9993.95**	**9993.95**	**1.92:1 (0.86:1)**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION													
15.	Haryana Scheduled Castes Finance & Development Corporation Limited	2867.45 (50.00)	--	--	--	2867.45 (50.00)	50.00	--	--	68.39	--	68.39	0.02:1 (0.03:1)
16.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	850.99 (20.00)	--	--	--	850.99 (20.00)	20.00	--	386.04	2255.18	--	2255.18	2.65:1 (2.44:1)
17.	Haryana Women Development Corporation Limited	414.72 (30.00)	109.98	--	--	524.70 (30.00)	5.00	--	--	--	--	--	0.00:1 (0.00:1)
	Sector wise total	**4133.16 (100.00)**	**109.98**	**--**	**--**	**4243.14 (100.00)**	**75.00**	**--**	**386.04**	**2323.57**	**--**	**2323.57**	**0.55:1 (0.50:1)**
TOURISM													
18.	Haryana Tourism Corporation Limited	1553.06	--	--	--	1553.06	--	--	--	--	--	--	0.00:1 (0.00:1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2001-02			Debt equity ratio for 2001-02 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total							
							Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
Sector wise total		**1553.06**	-	-	--	**1553.06**	-	--	--	--	--	--	**0.00:1 (0.00:1)**
POWER													
19.	Haryana Power Generation Corporation Limited	22062.87 (7051.93)	-	-	-	22062.87 (7051.93)	827.80	592.00	5409.88	2174.47	128559.12	130733.59	5.93:1 (6.35:1)
20.	Haryana Vidyut Prasaran Nigam Limited	54803.87	-	-	-	54803.87	1387.80	1868.28	106717.48	7447.16	276697.09	284144.25	5.18:1 (5.41:1)
21.	Uttar Haryana Bijli @ Vitran Nigam Limited @	12215.85	-	54698.55	-	66914.40	827.79	3471.93	43541.35	4870.94	60735.56	65606.50	0.98:1 (0.50:1)
22.	Dakshin Haryana Bijli Vitran Nigam Limited @	9289.85 (6679.79)	-	43727.35	-	53017.20 (6679.79)	827.79	1271.77	32096.40	3855.10	34837.51	38692.61	0.73:1 (0.31:1)
Sector wise total		**98372.44 (13731.72))**	-	**98425.90**	-	**196798.34 (13731.72)**	**3871.18**	**7203.98**	**187765.11**	**18347.67**	**500829.28**	**519176.95**	**2.64:1 (2.46:1)**
Total A (All sector wise Government companies)		**118782.41 (18132.32)**	**421.69**	**98499.94**	**96.20**	**217800.24 (18132.32)**	**5854.78**	**7203.98**	**212623.86**	**23403.50**	**554992.83**	**578396.33**	**2.66:1 (2.46:1)**
B. Statutory corporations													
FINANCING													
1.	Haryana Financial Corporation	2527.67	432.66	--	131.98	3092.31	--	--	3191.00	--	47194.00	47194.00	15.26:1 (15:01:1)
Sector wise total		**2527.67**	**432.66**	--	**131.98**	**3092.31**	--	--	**3191.00**	--	**47194.00**	**47194.00**	**15.26:1 (15:01:1)**
AGRICULTURE AND ALLIED													
2.	Haryana Warehousing Corporation	292.04	292.04	--	--	584.08	--	--	--	--	66.11	66.11	0.11:1 (0.14:1)
Sector wise total		**292.04**	**292.04**	--	--	**584.08**	--	--	--	--	**66.11**	**66.11**	**0.11:1 (0.14:1)**
Total B (All sector wise Statutory Corporations		**2819.71**	**724.70**	--	**131.98**	**3676.39**	--	--	**3191.00**	--	**47260.11**	**47260.11**	**12.85:1 (12.83:1)**
Grand total (A+B)		**121602.12 (18132.32)**	**1146.39**	**98499.94**	**228.18**	**221476.63 (18132.32)**	**5854.78**	**7203.98**	**215814.86**	**23403.50**	**602252.94**	**625656.44**	**2.82:1 (2.66:1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2001-02			Debt equity ratio for 2001-02 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total							
							Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
C.	NON-WORKING GOVERNMENT COMPANIES												
AGRICULTURE AND ALLIED													
1.	Haryana Dairy Development Corporation*** Limited	--	--	--	--	--	--	--	--	--	--	--	--
Sector wise total		--	--	--	--	--	--	--	--	--	--	--	--
	INDUSTRY												
2.	Haryana Tanneries Limited	117.15	--	--	18.00	135.15	--	--	0.48	253.19	103.52	356.71	2.64:1 (2.64:1)
3.	Punjab State Irons Limited	7.45 (7.05)	--	--	--	7.45 (7.05)	--	--	--	--	--	--	0.00:1 (0.00:1)
4.	Haryana Concast Limited@	290.00	--	340.51	54.99	685.50	--	--	--	139.00	230.00	369.00	0.54:1 (0.54:1)
Sector wise total/Total – C		**414.60 (7.05)**	--	**340.51**	**72.99**	**828.10 (7.05)**	-	-	**0.48**	**392.19**	**333.52**	**725.71**	**0.52:1 (0.88:1)**
Grand Total (A+B+C)		**122016.72 (18139.37)**	**1146.39**	**98840.45**	**301.17**	**222304.73 (18139.37)**	**5854.78**	**7203.98**	**215815.34**	**23795.69**	**602586.46**	**626382.15**	**2.82:1 (2.64:1)**

Note: Except in respect of companies/corporations which finalised their accounts for 2001-02 (Sl. Nos. C-1) figures are provisional and as given by the companies/corporations.

Figures in brackets indicate share application money in column 3 (a) and 3 (e).

* Includes bonds, debentures, inter corporate deposits etc.

** Loans outstanding at the close of 2001-02 represents long-term loans only.

*** The Company was under liquidation since 28 February 2001. A sum of Rs 39.41 lakh out of Rs 557.48 lakh was repaid to State Government on 21 June 2001 and the case is pending for strucking off the name of the Company from the register of Registrar of Companies.

@ Subsidiary companies.

ANNEXURE-2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in paragraphs 1.2.3, 1.2.4, 1.2.5, 1.3.4, 1.3.5)

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A. Working Government companies															
AGRICULTURE AND ALLIED															
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	Agriculture	9 January 1970	1996-97	2001-02	(-) 946.13	Overstatement of loss by Rs 0.51 crore	1089.10	(-) 8320.95	(-) 5000.56	(-) 814.91	-	5	4356.73	4539
2.	Haryana Agro Industries Corporation Limited	-do-	30 March 1967	2000-01	2001-02	(+) 23.40	Overstatement of profit by Rs 5.55 crore	414.04	(+) 1824.49	(+) 40730.46	(+) 4158.21	10.21	1	28604.37	425
3.	Haryana Land Reclamation and Development Corporation Limited	-do-	27 March 1974	2001-02	2002-03	(+) 61.82	Nil	156.30	(+) 582.82	(+) 741.78	(+) 74.78	10.08	-	4077.10	243
4.	Haryana Seeds Development Corporation Limited	-do-	12 September 1974	2000-01	2001-02	(-)30.20	Nil	480.66	(+) 140.00	(+) 1880.43	(+) 80.36	4.27	1	2157.90	433
Sector wise total						(-) 891.11		2140.10	(-) 5773.64	(+) 38352.10	(+) 3498.44	9.12		39196.10	5640
INDUSTRY															
5.	Haryana State Industrial Development Corporation Limited	Industry	8 March 1967	2000-01	2001-02	(+) 225.69	Overstatement of profit by Rs 0.14 crore	6284.13	(+) 468.21	(+) 45109.42	(+) 2916.67	6.47	1	3371.75	468

Sl. No.	Sector and name of the Company	Name of Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
6.	Haryana State Small Industries and Export Corporation Limited	-do-	19 July 1967	2000-01	2001-02	(-)308.15	Nil	191.38	(-) 400.65	(+) 883.74	(-) 247.80	-	1	21536.60	320
	Sector wise total		--	--	--	(-) 82.46	--	6475.51	(+)67.56	(+) 45993.16	(+) 2668.87	5.8		24908.35	788
	ENGINEERING														
7.	Haryana Roadways Engineering Corporation Limited	Transport	27 November 1987	1999-2000	2001-02	(+) 0.01	Overstatement of profit by Rs.0.65 crore	200.00	(+) 77.71	(+) 3764.29	(+) 899.02	23.88	2	1685.87	182
				2000-01	2002-03	(+) 4.82	Under finalisation	200.00	(+) 82.52	(+) 4705.62	(+) 587.84	12.49	1	2765.71	182
	Sector wise total	--	--	--	--	(+) 4.82		200.00	(+) 82.52	(+) 4705.62	(+) 587.84	12.49		2765.71	182
	ELECTRONICS														
8.	Haryana State Electronics Development Corporation Limited	Electronics	15 May 1982	2000-01	2001-02	(+) 35.13	Nil	780.76	(+) 468.17	(+) 1133.28	(+) 35.13	3.10	1	486.58	302
9.	Hartron Informatics Limited[@]	-do-	8 March 1995	2001-02	2002-03	(+) 4.51	Under finalisation	50.00	(+) 32.55	(+) 82.44	(+) 4.51	5.47	--	18.25	Nil
	Sector wise total					(+) 39.64		830.76	(+) 500.72	(+) 1215.72	(+) 39.64	3.26		504.83	302
	HANDLOOM AND HANDICRAFTS														
10.	Haryana State Handloom and Handicrafts Corporation Limited	Industries	20 February 1976	1999-2000	2001-02	(-) 87.40	Understatement of accumulated loss by Rs 21.97 lakh	295.17	(-) 589.27	(+) 21.75	(-) 76.50	-	2	461.00	153

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
Sector wise total						(-) 87.40		295.17	(-) 589.27	(+) 21.75	(-) 76.50	-		461.00	153
FOREST															
11.	Haryana Forest Development Corporation Limited	Forest	7 December 1989	1995-96	2000-01	(+) 14.02	Nil	60.46	(+) 19.18	(+) 80.13	(+) 14.02	17.50	6	527.16	63
Sector wise total						(+) 14.02		60.46	(+) 19.18	(+) 80.13	(+) 14.02	17.50	-	527.16	63
MINING															
12.	Haryana Minerals Limited@	Mining and Geology	2 December 1972	1999-2000	2001-02	(-) 151.37	Nil	24.04	(-) 73.35	(-) 58.16	(-) 148.41	-	2	1412.12	841
Sector wise total		--				(-) 151.37	Nil	24.04	(-) 73.35	(-) 58.16	(-) 148.41	-	-	1412.12	841
CONSTRUCTION															
13.	Haryana Police Housing Corporation Limited	Home	29 December 1989	2000-01 2001-02	2001-02 2002-03	B B	-	2500.00 2500.00	-	-	-	-	1 --	988.34 1695.43	88 88
14.	Haryana State Roads and Bridges Development Corporation Limited.	PWD(B &R)	13 May 1999	2000-01	2001-02	(+) 7.26		788.23	(+) 3.29	(+) 2098.77	7.26	0.35	1	Nil	Nil
Sector wise total						(+) 7.26		3288.23	(+) 3.29	2098.77	7.26	0.35		1695.43	88
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION															
15	Haryana Scheduled Castes Finance and Development Corporation Limited	Scheduled Castes and Backward Classes Welfare	2 January 1971	1997-98	2001-02	(+) 67.38	Nil	2741.30	(-) 616.92	(+) 2934.76	(+) 92.41	3.15	4	161.70	267

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
16.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	Scheduled Castes and Backward Classes Welfare	10 December 1980	1997-98	2001-02	(-) 42.06	-	755.99	(-) 311.57	(+) 1511.02	(-) 16.49	-	4	28.49	81
17.	Haryana Women Development Corporation Limited	Women and Child Development	31 March 1982	1998-99	2000-01	(+) 0.89	Non Review Certificate	464.70	(+) 21.03	(+) 448.02	(+) 0.89	0.20	3	23.40	77
Sector wise total						(+) 26.21		3961.99	(-) 907.46	(+) 4893.80	(+) 76.81	1.57		213.59	425
TOURISM															
18.	Haryana Tourism Corporation Limited	Tourism and Public Relations	1 May 1974	1997-98	2001-02	(-) 49.75	-	121214	(+) 455.09	(+) 1923.76	(-) 49.75	-	4	6316.40	1955
Sector wise total						(-) 49.75		1212.14	(+) 455.09	(+) 1923.76	(-) 49.75	-	-	6316.40	1955
POWER															
19.	Haryana Power Generation Corporation Limited	Power	17 March 1997	1999-2000	2001-02	D	Under statement of loss by Rs 14.74 lakh	15010.07	-5191.14	+143319.27	+9134.51	6.37	2	80754.89	5232
20.	Haryana Vidyut Prasaran Nigam Limited	-do-	19 August 1997	1999-2000	2001-02	(-) 3146.55	Under statement of loss by Rs 72.17 lakh.	47772.07	(-)24475.16	(-)20842.91	(+)15114.63	–	2	277381.94	5577
				2000-01	2001-02	(-) 270.15	Over statement of profit by Rs 87.90 lakh	53416.07	(-)24745.31	(+)173277.84	(+)25271.39	14.58	1	321358.67	5348
21.	Uttar Haryana Bijli Vitran Nigam Limited	-do-	15 March 1999	2000-01	2001-02	(-) 2328.86	Under statement of loss by Rs 5372.20 lakh	66086.61	(-)25744.15	(+)59877.36	(+)651.77	1.09	1	189872.50	17728

Sl. No	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
22.	Dakshin Haryana Bijli Vitran Nigam Limited	-do-	15 March 1999	2000-01	2001-02	(-) 19564.16	Under statement of loss by Rs 1680.35 lakh	52189.41	(-)37556.87	(+)37486.19	(–)18022.40	-	1	157587.41	13608
	Sector wise total					(-) 22163.17		186702.16	(-)93237.47	413960.66	17035.27	4.12	-	749573.47	41916
	Total A (Govt. Companies)					**(-) 23333.31**		**205191.16**	**(-) 99452.83**	**(+) 513187.31**	**(+)23653.49**	**4.61**	-	**827574.16**	
	B. Statutory Corporations														
	FINANCING														
1.	Haryana Financial Corporation	Industries	1 April 1967	2000-01	2002-03	(+) 300.54	Under finalisation	3405.84	(-) 8479.16	(+) 56320.48	(+) 7037.35	12.50	1	7760.13	352
	Sector wise total					(+) 300.54		3405.84	(-) 8479.16	(+)56320.48	(+) 7037.35	12.50		7760.13	352
	AGRICULTURE AND ALLIED														
2.	Haryana Warehousing Corporation	Agriculture	1 November 1967	2001-02	2002-03	(+) 1908.15	Under audit	584.08	(+) 0.21	(+) 69406.77	(+) 1921.46	2.77	--	3596.09	1057
	Sector wise total	-	-	-	-	(+) 1908.15		584.08	(+) 0.21	(+) 69406.77	(+) 1921.46	2.77	-	3596.09	1057
	Total B (Statutory corporations)					**(+) 2208.69**		**3989.92**	**(-) 8478.95**	**(+)125727.25**	**8958.81**	**7.13**	-	**11356.22**	**1409**
	Grand total (A+B)	-	-	-	-	**(-) 21124.62**		**209181.08**	**(-)107931.78**	**(+)638914.56**	**32612.30**	**5.10**		**838930.38**	

Sl. No	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
C.	**Non Working Companies**														
AGRICULTURE AND ALLIED															
1	Haryana Dairy Development Corporation Limited	Agriculture	3 November 1969	2000-01	2000-01	(-) 0.43	Nil	557.48	(-) 673.74	-	-	-	1	-	-
Sector wise total						(-) 0.43		557.48	(-) 673.74	-	-	-		-	-
INDUSTRY															
2	Haryana Tanneries Limited	Industry	12 September 1972	2000-01 2001-02	2001-02 2002-03	(-) 0.29 (-) 0.39	Nil Nil	135.15 135.15	1054.90 (-) 1055.29	(-) 1054.90 (-) 1055.29	(-) 0.29 (-) 0.39	- -	1		Nil Nil
3	Punjab State Irons Limited	Industry	1 July 1965	2000-01	2001-02	(-) 0.31	Non-review certificate	7.45	(-)1.87	(+) 5.46	(-) 0.31		1		Nil
4	Haryana Concast Limited	Industry	29 November 1973	1997-98	1998-99	(-) 797.09	Nil	685.50	(-) 2718.04	(+) 939.68	(-) 357.03	-	4	Nil	Nil
Sector wise total						(-) 797.79		828.10	(-) 3775.20	(-) 110.15	(-) 357.73	-	-	-	-
Total C						(-) 798.22		1385.58	(-) 4448.94	(-) 110.15	(-) 357.73	-	-	-	-
Grand Total (A+B+C)						**(-) 21922.84**		**210566.66**	**(-)112380.72**	**(+)638804.41**	**(+)32254.57**	**5.05**		**838930.38**	**53762**

A Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/Corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

B Excess of expenditure over income capitalised and no profit and loss account prepared.

C Return on capital employed has been worked out by adding profit plus interest charged to profit and loss account.

@ Subsidiary companies

D The Company's total income was equal to expenditure, hence no profit no loss.

ANNEXURE-3

Statement showing grants and subsidy received/receivable guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and guarantees outstanding at the end of March 2002

(Referred in paragraph .1.2.2)

(Figures in column 3(a) to 7 are in Rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	[*] Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year[@]					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
A. Working Government Companies																
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	-	8233.00	-	8233.00	-	259.00 (259.00)	-	-	259.00 (259.00)	-	-	-	-	-	-
2.	Haryana Agro Industries Corporation Limited	4.49[Ψ]	-	-	4.49[Ψ]	66000.00 (66505.00)	-	-	-	66000.00 (66505.00)	-	-	-	-	-	-
3.	Haryana Land Reclamation and Development Corporation Limited		2.68-	-	2.68	-	-	-	-	-	-	-	-	-	-	
4.	Haryana Seeds Development Corporation Limited	11.71	217.15	-	228.86	Nil (900.00)	-	-	-	Nil (900.00)	-	-	-	-	-	-
5.	Haryana State Industrial Development Corporation Limited	104.84[Ψ]	-	-	104.84[Ψ]	-	Nil (36084.00)	-	-	Nil (36084.00)	-	-	-	-	-	-
6.	Haryana State Small Industries and Export Corporation Limited	-	-	-	-	-	-	-	-	-	23.30	-	-	23.30	-	-
7.	Haryana Roadways Engineering Corporation Limited	-	-	-	-	-	5013.00 (8608.71)	-	-	5013.00 (8608.71)	-	-	-	-	-	-
8.	Haryana State Electronics Corporation Limited	-	210.90[Ψ]	-	210.90[Ψ]	-	-	-	-	-	-	-	-	-	-	-

Sl. No.	Name of the Public Sector Undertaking	#Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
9.	Hartron Informatics Limited*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Haryana State Handloom and Handicrafts Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Haryana Forest Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	Haryana Minerals Limited*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Haryana Police Housing Corporation Limited	-	701.00 Ψ	-	701.00 Ψ	-	- (2652.00)	-	-	- (2652.00)	-	-	-	-	-	-
14.	Haryana State Roads and Bridges Development Corporation Limited	3029.10	-	-	3029.10	-	29461.00 (46827.00)	-	-	29461.00 (46827.00)	-	-	-	-	1491.00	-
15.	Haryana Scheduled Castes Finance and Development Corporation Limited	789.05	-	-	789.05	-	1500.00 (831.00)	-	-	1500.00 (831.00)	-	-	-	-	-	-
16.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	-	33.24	-	33.24	-	- (3500.00)	-	-	- (3500.00)	-	-	-	-	-	-
17.	Haryana Women Development Corporation Limited	-	50.00	-	50.00	-	-	-	-	-	-	-	-	-	-	-
18.	Haryana Tourism Corporation Limited	127.88 Ψ	370.00 Ψ	-	497.88 Ψ	-	-	-	-	-	-	-	-	-	-	-
19.	Haryana Power Generation Corporation Limited	592.00 Ψ	-	16.76 Ψ	608.76 Ψ	4100.00 (1337.00)	127897.70 (127897.70)	-	-	131997.70 (129234.70)	-	-	-	-	-	-
20	Haryana Vidyut Prasaran Nigam Limited	-	-	-	-	- (3145.00)	2667.00 (256362.86)	-	-	2667.00 (259507.86)	-	-	-	-	-	-
21	Uttar Haryana Bijli Vitran Nigam Limited	-	52630.18	-	52630.18	20000.00 (21731.00)	19741.70 (17288.00)	-	-	39741.70 (39019.00)	-	-	-	-	22715.74	-
22	Dakshin Haryana Bijli Vitran Nigam Limited	-	32375.00	-	32375.00	-	58463.50 (25331.00)	-	-	58463.50 (25331.00)	-	-	-	-	-	-
Total A		**829.21 Ψ 3829.86**	**1281.90 Ψ 93541.25**	**16.76 Ψ**	**2127.87 Ψ 97371.11**	**90100.00 (93618.00)**	**245002.90 (525641.27)**		-	**335102.90 (619259.27)**	**23.30**	-	-	**23.30**	**24206.74**	

Sl. No.	Name of the Public Sector Undertaking	# Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
B.	**Statutory Corporations**															
1.	Haryana Financial Corporation	-	-	-	-	-	1685.00 (25467.00)	-	-	1685.00 (25467.00)	-	-	-	-	-	-
2.	Haryana Warehousing Corporation	-	-	-	-	61500 (49168)	-	-	-	61500.00 (49168.00)	-	-	-	-	-	-
Total B						61500 (49168)	1685.00 (25467.00)	-	-	63185.00 (74635.00)						
Grand total (A+B)		829.21$^{\psi}$ **3829.86**	1281.90$^{\psi}$ **93541.25**	16.76$^{\psi}$	2127.87$^{\psi}$ **97371.11**	151600.00 (142786.00)	246687.90 (551108.27)			**398287.90** **(693894.27**	23.30	-	-	23.30	24206.74	-
C.	**Non Working Companies**															
1	Haryana Dairy Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Haryana Tanneries Limited	-	-	-	-	-	- (30.00)	-	-	- (30.00)	-	-	-	-	-	-
3	Punjab State Irons Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Haryana Concast Limited	-	-	-		- (2586.19)	-	- (568.04)	-	- (3154.23)	-	-	-	-	-	-
Total C		-	-	-	-	- (2586.19)	- (30.00)	- (568.04)	-	- (3184.23)	-	-	-	-	-	-
Grand Total (A+B+C)		829.21$^{\psi}$ **3829.86**	1281.90$^{\psi}$ 93541.25	16.76$^{\psi}$	2127.87$^{\psi}$ 97371.11	151600.00 (145372.19)	246687.90 (551138.27)	(568.04)	-	398287.90 (697078.50)	23.30	-	-	23.30	24206.74	-

\# Subsidy included subsidy receivable at the end of the year which also shown in brackets.

@ Figures in brackets indicate guarantees outstanding at the end of the year.

ψ Represents grants received.

ANNEXURE-4

Statement showing financial position, working results and operational performance of power sector Companies

(Referred to in paragraph No. 1.2.4)

1. Haryana Power Generation Corporation Limited

Financial position

Particulars	1998-99	1999-2000	2000-01 (Provisional)
		(Rupees in crore)	
A. Liabilities			
Equity capital	75.10	150.10	212.35
Loans from Government	-	-	-
Other long term loans (including bonds)	1095.85	1335.58	1347.43
Reserves and surplus	-	-	0.05
Current liabilities and provisions	461.83	443.30	548.18
Total –A	**1632.78**	**1928.98**	**2108.01**
B. Assets			
Gross fixed assets	502.75	507.01	520.38
Less: Depreciation	18.44	79.95	127.76
Net fixed assets	484.31	427.06	392.62
Capital works-in-progress	568.61	915.45	1132.42
Investments	47.50	0.15	0.15
Deferred cost	-	-	-
Current assets	480.43	533.98	530.90
Miscellaneous expenditure	0.02	0.43	0.01
Accumulated losses	51.91	51.91	51.91
Total - B	**1632.78**	**1928.98**	**2108.01**
C. Capital employed*	**1071.52**	**1433.19**	**1507.76**

* Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital, the element of deferred cost and investments are excluded from current assets.

Working results

Sl. No.	Particulars	1998-99	1999-2000	2000-01 (Provisional)
		(Rupees in crore)		
1.	(a) Revenue receipts	517.49	807.55	798.50
	(b) Subsidy/subvention from Government	-	-	-
	Total	517.49	807.55	798.50
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	446.44	633.52	679.32
3.	Gross surplus(+)/deficit(-) for the year (1-2)	(+) 71.05	(+) 174.03	(+) 119.18
4.	Adjustments relating to previous years	6.76	(-) 21.15	(-) 4.34
5.	Final gross surplus (+)/deficit(-) for the year (3+4)	(+) 64.29	(+) 152.88	(+) 114.84
6.	Appropriations:			
	(a) Depreciation (less capitalised)	18.45	61.53	47.82
	(b) Interest on Government loans	-	-	-
	(c) Interest on other loans, bonds, advance, etc. and finance charges	85.94	180.31	179.89
	(d) Total interest on loans and finance charges (b+c)	85.94	180.31	179.89
	(e) Less: Interest capitalised	40.10	88.96	112.87
	(f) Net interest charged to revenue (d-e)	45.84	91.35	67.02
	(g) Total appropriation (a+f)	64.29	152.88	114.84
7.	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6 (g)-1(b)}	Nil	Nil	Nil
8.	Net surplus (+) deficit(-) {5-6(g)}	Nil	Nil	Nil
9.	Total return on capital employed*	45.84	91.35	67.02
10.	Percentage of return on capital employed	4.28	6.37	4.45

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Operational performance

Particulars		1999-2000	2000-01 (Provisional)	2001-02 (Provisional)
Installed capacity			(MW)	
(a)	Thermal	815	815	1025*
(b)	Hydro	48	48	48
(c)	Gas	-	-	-
(d)	Other/Nuclear	-	-	-
Total		**863**	**863**	**1073**
Normal maximum demand Power generated			(MKWH)	
(a)	Thermal	3811.39	3550.61	4931.99
(b)	Hydro	239.94	241.81	229.15
(c)	Gas	-	-	-
(d)	Other	-	0.48	0.43
Total		**4051.33**	**3792.90**	**5161.57**
Less: Auxiliary consumption				
(a)	Thermal (Percentage)	445.86 (11.70)	419.04 (11.80)	548.00 (11.11)
(b)	Hydro (Percentage)	1.47 (0.61)	1.61 (0.67)	1.67 (0.73)
(c)	Gas (Percentage)	-	-	-
(d)	Other (Percentage)	-	0.01 (2.08)	0.01 (2.33)
Total (Percentage)		447.33 (11.04)	420.66 (11.09)	549.68 (10.65)
Net power generated		3604	3372.24	4611.89
	Total power available for sale	3604	3372.24	4611.89
	Power sold:			
(a)	With in the State**	3604	3372.24	4611.89
(b)	Outside the State	-	-	-
	Transmission and distribution losses	-	-	-
	Load factor (percentage)			
	Panipat Thermal plant	50.02	47.91	61.86
	Faridabad Thermal plant	65.91	56.91	55.90
	Percentage of transmission and distribution losses to total power available for sale	-	-	-
	Number of villages/towns electrified	-	-	-
	Number of pump sets/well energised	-	-	-
	Number of sub-stations	-	-	-
	Transmission/distribution lines (in kms.)	-	-	-
(a)	High/medium voltage	-	-	-
(b)	Low voltage	-	-	-
	Connected load (in MW)	-	-	-
	Number of consumers	-	-	-
	Number of employees	5232	5005	N.A.
	Consumer/employees Ratio	-	-	-

* Inclusive of unit VI (210 MW) of Panipat Thermal Power Station, which was synchronised in March 2001 but generation was started from September 2001.

** The entire generation of Power is sold to Haryana Vidyut Prasaran Nigam Limited.

	Total expenditure on staff during the year (Rupees in crore)	62.45	72.56	N.A.
	Percentage of expenditure on staff to net revenue expenditure	9.86	10.68	N.A.
		(Paise per KWH)		
(a)	Revenue (excluding subsidy from Government)	224.07	236.79	N.A.
(b)	Expenditure*	192.86	215.63	N.A.
(c)	Profit(+)/Loss(-)	31.21	21.16	N.A.
(d)	Average subsidy claimed from Government	-	-	-
(e)	Average interest charges	25.35	19.87	N.A.

2. Haryana Vidyut Prasaran Nigam Limited

Financial position

Particulars	1999-2000	2000-01	2001-02 (Provisional)
	(Rupees in crore)		
A. Liabilities			
Equity Capital	477.72	534.16	540.86@
Loans from Government	4.25	94.30	74.47
Other long term loans (including bonds)	844.82	2687.49	2766.97
Reserves and surplus	0.76	4.60	7.65
Current liabilities and provisions	2366.86	1492.21	922.28
Total - A	**3694.41**	**4812.76**	**4312.23**
B. Assets			
Gross fixed assets	648.29	718.14	833.27
Less: Depericiation	43.54	73.88	113.35
Net fixed assets	604.75	644.26	719.92
Capital works-in-progress	225.74	217.15	181.03
Deferred cost	-	-	
Current assets	1327.94	2363.58	1788.73
Investments	1289.09	1339.68	1371.40
Miscellaneous expenditure	2.14	0.64	0.56
Accumulated losses	244.75	247.45	250.59
Total - B	**3694.41**	**4812.76**	**4312.23**
C. Capital employed**	**(-) 208.43**	**1732.78**	**1767.40**

* Revenue expenditure includes depreciation but excludes interest on long-term loans.

@ The figures of equity capital did not tally with that appearing in Annexure-1and are overstated by Rs 717.80 lakh due to the fact that the State Government disallowed the equity capital to that extent but revised sanction letter in this regard was yet to be issued by the State Government.

** Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

Working results

Sl. No.	Particulars	1999-2000	2000-01	2001-02 (Provisional)
		(Rupees in crore)		
1.	(a) Revenue receipts	2690.03	3213.59	3391.34
	(b) Subsidy/subvention from Government	83.79	-	-
	Total	**2773.82**	**3213.59**	**3391.34**
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	2630.57	2966.31	3145.07
3.	Gross surplus(+)/deficit(-) for the year (1-2)	(+)143.25	(+)247.28	246.27
4.	Adjustments relating to previous years	(+) 64.18	(+) 41.55	(+)25.02
5.	Final gross surplus (+)/deficit(-) for the year (3+4)	(+)207.43	(+)288.83	(+)271.29
6.	**Appropriations:**			
	(a) Depreciation (less capitalised)	56.29	33.38	39.86
	(b) Interest on Government loans	4.74	1.35	8.91
	(c) Interest on other loans, bonds, advance, etc. and finance charges	197.05	274.80	237.32
	(d) Total interest on loans and finance charges (b+c)	201.79	276.15	246.23
	(e) Less: Interest capitalised	19.18	20.73	14.84
	(f) Net interest charged to revenue (d-e)	182.61	255.42	231.39
	(g) Contingency Reserve	-	2.73	3.18
	(h) Total appropriation (a+f+g)	238.90	291.53	274.43
7.	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6(h)-1(b)}	(-) 115.26	(-) 2.70	(-) 3.14
8.	Net Surplus (+) deficit(-) {5-6(h)}	(-) 31.47	(-) 2.70	(-) 3.14
9.	Total return on capital employed*	(+)151.14	252.72	(+) 228.25
10.	Percentage of return on capital employed	-	14.58	12.91

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Operational performance

Particulars		1999-2000	2000-01	2001-02 (Provisional)
Installed capacity		(MW)		
(a)	Thermal	361.50	361.50	361.50
(b)	Hydro	1058.30	1058.30	1144.90
(c)	Gas	420.10	566.10	566.10
(d)	Other/Nuclear	65.60	65.60	53.10
Total		**1905.50**	**2051.50**	**2125.60**
Normal maximum demand		2619.00	2693.00	2900.00
	Power generated:	(MKWH)		
(a)	Thermal	216.97	215.67	198.29
(b)	Hydro	3431.60	2985.32	2834.78
(c)	Gas	-	-	-
(d)	Other	-	-	-
Total		**3648.57**	**3200.99**	**3033.07**
Net power generated		3648.57	3200.99	3033.07
Power Purchased		11957.86	13654.43	14806.66
(a)	With in the State			
	Government:	3603.66	3372.24	4744.91
	Private:	172.77	263.94	258.81
(b)	Other States	294.94	193.27	1.60
(c)	Central Grid	7886.49	9824.98	9801.34
	Total power available for sale	15606.43	16855.42	17839.73
	Power sold:			
(a)	With in the State	13086.97	15712.39	16561.50
(b)	Outside the State	-	-	-
	Transmission and distribution losses	2519.46	1143.03	1278.23
	Load factor (percentage)			
	Percentage of transmission and distribution losses to total power available for sale	16.14	6.78	7.17
	Number of villages/towns electrified	-	-	-
	Number of pump sets/wells energised	-	-	-
	Number of sub-stations	-	-	-
	Transmission/distribution lines (in kms.)	8931	9078	9354
(a)	High/medium voltage	4458	4571	4726
(b)	Low voltage	4473	4507	4628
	Connected load (in MW)	7221217	7660688	8225271
	Number of consumers	2	2	2
	Number of employees	5577	5348	5225
	Consumer/employees ratio	2789	2674	2613
	Total expenditure on staff during the year (Rupees in crore)	217.60	101.91	117.68
	Percentage of expenditure on staff to total revenue expenditure	8.27	3.44	3.74
	Units sold (MKWH)	13086.97	15712.39	16561.50

	(Paise per KWH)			
(a)	Revenue (excluding subsidy from Government)	205.55	204.53	204.77
(b)	Expenditure*	205.31	190.91	192.31
(c)	Profit(+)/Loss(-)	(+)0.24	(+) 13.62	12.46
(d)	Average subsidy claimed from Government	6.04	-	-
(e)	Average interest charges	13.95	16.26	13.97

3. Uttar Haryana Bijli Vitran Nigam Limited

Financial Position

Particulars	1999-2000	2000-01	2001-02 (Provisional)
		(Rupees in crore)	
A. Liabilities			
Equity Capital	573.08	660.87	661.97@
Loans from Government	-	-	48.71
Other long term loans (including bonds)	190.23	312.18	607.35
Reserves and surplus	14.09	29.22	49.65
Current liabilities and provisions	720.61	1193.99	755.72
Total- A	**1498.01**	**2196.26**	**2123.40**
B. Assets			
Gross fixed assets	787.09	834.47	919.02
Less: Depreciation	94.59	159.37	225.81
Net fixed assets	692.50	675.10	693.21
Capital works-in-progress	1.71	8.84	14.64
Deferred cost	-	-	
Current assets	569.01	1108.82	1001.94
Investments	-	-	2.13
Miscellaneous expenditure	0.63	146.06	120.99
Accumulated losses	234.16	257.44	290.49
Total - B	**1498.01**	**2196.26**	**2123.40**
C. Capital employed**	**542.61**	**598.77**	**954.07**

* Revenue expenditure includes depreciation but excludes interest on long-term loans.

@ The figures of equity capital did not tally with that appearing in Annexure-1and are overstated by Rs 717.79 lakh due to the fact that the State Government disallowed the equity capital to that extent but revised sanction letter in this regard was yet to be issued by the State Government.

** Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

Working results

Sl. No.	Particulars	1999-2000	2000-01	2001-02 (Provisional)
		(Rupees in crore)		
1.	(a) Revenue receipts	789.59	1393.06	1629.07
	(b) Subsidy/subvention from Government	189.62	505.67	519.19
	Total	**979.21**	**1898.73**	**2148.26**
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	1154.31	1823.83	2082.13
3.	Gross surplus(+)/deficit (-) for the year (1-2)	(-) 175.10	(+) 74.90	66.13
4.	Adjustments relating to previous years	-	(-) 3.81	25.90
5.	Final gross surplus(+)/deficit(-) for the year (3+4)	(-) 175.10	(+) 71.09	92.03
6.	**Appropriation:**			
	(a) Depreciation (less capitalised)	44.22	62.44	65.32
	(b) Interest on Government loans	0.68	0.43	6.13
	(c) Interest on other loans, bonds, advance, etc. and finance charges	14.72	30.65	53.34
	(d) Total interest on loans and finance charges (b+c)	15.40	31.08	59.47
	(e) Less: Interest capitalised	0.56	1.28	2.02
	(f) Net interest charged to revenue (d-e)	14.84	29.80	57.45
	(g) Contingency reserve	-	2.13	2.31
	(h) Total appropriation (a+f+g)	59.06	94.37	125.08
7.	Surplus(+)/deficit(-)before accounting for subsidy from State Government {5-6(h)-1(b)}	(-) 423.78	(-) 528.95	(-)552.24
8.	Net surplus(+)/deficit(-) {5-6(h)}	(-) 234.16	(-) 23.28	(-)33.05
9.	Total return on capital employed *	(-) 219.32	(+) 6.52	24.40
10.	Percentage of return on capital employed	-	1.09	2.56

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Operational performance

	Particulars	1999-2000 (July 1999 to March 2000)	2000-01	2001-02 (Provisional)
Power Purchased			(MKWH)	
(a)	With in the State			
	Government:	5213.330	7580.228	8112.67
	Private:	-	-	-
(b)	Other States	-	-	-
(c)	Central Grid	-	-	-
	Total power available for sale	5213.330	7580.228	8112.67
	Power sold:			
(a)	With in the State	3893.601	5211.990	5482.83
(b)	Outside the State	-	-	-
	Transmission and distribution losses	1319.729	2368.238	2629.84
	Load factor (percentage)	-	-	-
	Percentage of transmission and distribution losses to total power available for sale	25.31	31.24	32.42
	Number of villages/towns electrified	-	-	-
	Number of pump sets/wells energised	218065	221200	223797
	Number of sub-stations	132	134	134
	Transmission/distribution lines (in kms.)			
(a)	High/medium voltage	28905	29006	29920
(b)	Low voltage	58157	58255	58813
	Connected load (in MW)	3754.90	3957.743	4243.8
	Number of consumers	1877156	1931486	1961289
	Number of employees	17929	17728	16707
	Consumer/employees Ratio	105:1	109:1	117:1
	Total expenditure on staff during the year (Rupees in crore)	147.84	211.17	214.95
	Percentage of expenditure on staff to total revenue expenditure	12.81	11.58	10.32
	Units sold		(MKWH)	
(a)	Agriculture (Percentage share to total units sold)	2116.549 (54.36)	2526.184 (48.47)	2506.39 (45.71)
(b)	Industrial (Percentage share to total units sold)	638.736 (16.40)	914.948 (17.55)	1108.67 (20.22)
(c)	Commercial (Percentage share to total units sold)	154.236 (3.96)	230.311 (4.42)	276.76 (5.05)
(d)	Domestic (Percentage share to total units sold)	830.512 (21.33)	1133.224 (21.74)	1195.15 (21.80)
(e)	Others (Percentage share to total units sold)	153.568 (3.95)	407.323 (7.82)	395.86 (7.22)
	Total	**3893.601 (100)**	**5211.990 (100)**	**5482.83 (100)**
			(Paise per KWH)	
(a)	Revenue (excluding subsidy from Government)	151.46	267.28	297.12
(b)	Expenditure*	221.42	361.91	391.67

* Revenue expenditure includes depreciation but excludes interest on long-term loans.

(c)	Profit(+)/Loss(-)	(-) 69.96	(-) 94.63	(-) 94.55
(d)	Average subsidy claimed from Government	36.37	97.02	94.69
(e)	Average interest charges	2.85	5.72	10.48

4. Dakshin Haryana Bijli Vitran Nigam Limited

Financial position

Particulars	1999-2000	2000-01	2001-02 (Provisional)
		(Rupees in crore)	
A. Liabilities			
Equity Capital	463.37	521.89	522.99@
Loans from Government	-	25.83	38.55
Other long term loans (including bonds)	130.27	157.57	348.38
Reserves and surplus	15.57	45.62	91.14
Current liabilities and provisions	685.04	1159.21	1172.94
Total - A	**1294.25**	**1910.12**	**2174.00**
B. Assets			
Gross fixed assets	726.48	788.13	846.47
Less: Depreciation	80.18	139.17	196.42
Net fixed assets	646.30	648.96	650.05
Capital work-in-progress	8.15	5.54	16.23
Investments	-	-	1.96
Deferred cost	-	-	-
Current assets	459.24	879.58	1077.24
Miscellaneous expenditure	0.63	0.47	0.32
Accumulated losses	179.93	375.57	428.20
Total - B	**1294.25**	**1910.12**	**2174.00**
C. Capital employed**	428.65	374.87	570.58

@ The figures of equity capital did not tally with that appearing in Annexure-1and are overstated by Rs 717.79 lakh due to the fact that the State Government disallowed the equity capital to that extent but revised sanction letter in this regard was yet to be issued by the State Government.

** Capital employed represents net fixed assets (including work-in-progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

Working results

Sl. No.	Particulars	1999-2000	2000-01	2001-02 (Provisional)
		(Rupees in crore)		
1.	(a) Revenue receipts	801.80	1261.84	1520.78
	(b) Subsidy/subvention from Government	138.59	314.03	244.35
	Total	**940.39**	**1575.87**	**1765.13**
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	1074.02	1698.12	1734.64
3.	Gross surplus (+)/deficit(-) for the year (1-2)	(-) 133.63	(-) 122.25	(+) 30.49
4.	Adjustments relating to previous years	-	(-) 1.98	(+) 7.71
5.	Final gross surplus(+)/deficit(-) for the year (3+4)	(-) 133.63	(-) 124.23	(+) 38.20
6.	**Appropriation :**			
	(a) Depreciation (less capitalised)	37.68	54.04	53.95
	(b) Interest on Government loans	-	-	4.54
	(c) Interest on other loans, bonds, advance, etc. and finance charges	9.40	16.47	31.36
	(d) Total interest on loans and finance charges (b+c)	9.40	16.47	35.90
	(e) Less: Interest capitalised	0.78	1.05	1.00
	(f) Net interest charged to revenue (d-e)	8.62	15.42	34.90
	(g) Contingency Reserve		1.96	1.97
	(h) Total appropriation (a+f+g)	46.30	71.42	90.82
7.	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6(h)-I(b)}	(-) 318.52	(-) 509.68	(-) 296.97
8.	Net surplus(+)/deficit(-) {5-6(h)}	(-) 179.93	(-) 195.65	(-) 52.62
9.	Total return on capital employed *	(-) 171.31	(-) 180.23	(-) 17.72
10.	Percentage of return on capital employed	-	-	

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and less account (less interest capitalised)

Operational performance

	Particulars	1999-2000 (July 1999 to March 2000)	2000-01	2001-02 (Provisional)
Power Purchased			(MKWH)	
(a)	With in the State			
	Government:	5014.56	7221.57	7354.65
	Private:	-	-	-
(b)	Other States	-	-	-
(c)	Central Grid	-	-	-
	Total power available for sale	5014.56	7221.57	7354.65
	Power sold:			
(a)	With in the State	3493.89	4894.02	5149.76
(b)	Outside the State	-	-	-
	Transmission and distribution losses	1520.67	2327.55	2204.89
	Load factor (percentage)	-	-	-
	Percentage of transmission and distribution losses to total power available for sale	30.33	32.23	29.98
	Number of villages/towns electrified	3333	3333	3333
	Number of pump sets/wells energised	135100	136566	138080
	Number of sub-stations	163	113	117
	Transmission/distribution lines (in kms.)			
(a)	High/medium voltage	28726	29221	30210
(b)	Low voltage	47541	47960	48320
	Connected load (in MW)	3364.82	3733.23	3967.56
	Number of consumers	1534324	1555813	1578070
	Number of employees	13920	13608	13024
	Consumer/employees Ratio	110:1	114:1	121:1
	Total expenditure on staff during the year (Rupees in crore)	117.74	163.27	158.91
	Percentage of expenditure on staff to revenue expenditure	10.96	9.61	9.16
	Units sold		(MKWH)	
(a)	Agriculture (Percentage share to total units sold)	1483.610 (42.46)	2006 (40.99)	1950.98 (37.88)
(b)	Industrial (Percentage share to total units sold)	786.45 (22.51)	1190 (24.31)	1381.97 (26.84)
(c)	Commercial (Percentage share to total units sold)	150.43 (4.31)	230 (4.70)	268.20 (5.21)
(d)	Domestic (Percentage share to total units sold)	752.090 (21.52)	1029 (21.02)	1093.33 (21.23)
(e)	Others (Percentage share to total units sold)	321.31 (9.20)	439 (8.98)	455.28 (8.84)
	Total	**3493.89 (100)**	**4894 (100)**	**5149.76 (100)**

		(Paise per KWH)		
(a)	Revenue (excluding subsidy from Government)	229.49	257.83	295.31
(b)	Expenditure*	307.40	358.02	347.32
(c)	Profit (+)/Loss(-)	(-) 77.91	(-) 100.19	(-) 52.01
(d)	Average subsidy claimed from Government	39.67	64.17	47.45
(e)	Average interest charges	2.47	3.15	6.78

* Revenue expenditure includes depreciation but excludes interest on long term loans.

ANNEXURE – 5

Statement showing financial position of Statutory corporations

(Referred to in paragraph No. 1.2.4)

1. Haryana Financial Corporation

	Particulars	1998-99	1999-2000	2000-2001
			(Rupees in crore)	
A.	**Liabilities**			
	Paid-up capital	33.87	33.87	34.06
	Share application money	--	-	
	Reserve fund and other reserves and surplus	14.41	14.41	14.23
	Borrowings:			
(i)	Bonds and debentures	223.46	223.46	258.71
(ii)	Fixed deposits	29.32	26.68	15.14
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	279.69	243.66	232.77
(iv)	Reserve Bank of India	6.00	-	-
(v)	Loan in lieu of share capital:			
(a)	State Government	--	-	-
(b)	Industrial Development Bank of India	--	-	-
(vi)	Others (including State Government)	53.58	35.63	2.39
	Other liabilities and provisions	72.40	96.16	31.86
	Total A	**712.73**	**673.87**	**589.16**
B.	**Assets**			
	Cash and Bank balances	50.49	35.60	55.91
	Investments	10.25	9.93	0.99
	Loans and Advances	577.02	534.78	403.61
	Net Fixed assets	24.14	23.01	21.04
	Other assets	14.54	14.57	15.02
	Miscellaneous expenditure and deficit	36.29	55.98	92.59
	Total B	**712.73**	**673.87**	**589.16**
C.	**Capital employed***	**632.06**	**596.02**	**563.20**

* Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

2. Haryana Warehousing Corporation

	Particulars	1999-2000	2000-01	2001-02
			(Rupees in crore)	
A.	**Liabilities**			
	Paid-up capital	5.84	5.84	5.84
	Reserves and surplus	155.03	177.71	195.89
	Borrowings:- Government Others	 -- 133.54	 -- 274.18	 - 492.34
	Trade dues and current liabilities (including provisions)	30.71	38.41	51.98
	Total-A	**325.12**	**496.14**	**746.05**
B.	**Assets**			
	Gross block	54.49	63.61	88.22
	Less: Depreciation	12.27	13.59	15.79
	Net Fixed assets	42.22	50.02	72.43
	Capital works-in-progress	9.73	6.52	10.67
	Current assets, loans and advances	273.17	439.60	662.95
	Total B	**325.12**	**496.14**	**746.05**
C.	**Capital employed****	**294.41**	**457.13**	**694.07**

** Capital employed represents the net fixed assets (including capital works-in-progress) plus working capital

ANNEXURE-6

Statement showing working results of Statutory corporations

(Referred to in paragraph No. 1.2.4)

1. Haryana Financial Corporation

	Particulars	1998-99	1999-2000	2000-01
			(Rupees in crore)	
1.	Income			
(a)	Interest on loans	85.72	78.77	77.60
(b)	Other income	6.29	4.88	3.60
	Total-1	**92.01**	**83.65**	**81.20**
2.	Expenses			
(a)	Interest on long-term and short-term loans	80.15	76.03	67.38
(b)	Other expenses	10.09	12.89	10.82
	Total-2	**90.24**	**88.92**	**78.20**
3.	Profit (+)/loss (-) before tax (1-2)	1.77	(-) 5.27	(+) 3.00
4.	Provision for tax	0.19	-	-
5.	Other appropriations	0.55	-	-
6	Provision for non-performing assets	16.88	-	-
7.	Amount available for dividend	(-) 15.85	(-) 5.27	(+) 3.00
8.	Dividend paid/payable	1.94	1.94	0.84
9.	Total return on Capital employed	81.73	70.76	70.38
10.	Percentage of return on capital employed	13	12	12.50

2. Haryana Warehousing Corporation

	Particulars	1999-2000	2000-01	2001-02
			(Rupees in crore)	
1.	Income			
(a)	Warehousing charges	17.58	25.50	35.96
(b)	Other income	12.20	13.07	12.99
	Total-1	**29.78**	**38.57**	**48.95**
2.	Expenses			
(a)	Establishment charges	7.62	8.05	8.53
(b)	Other expenses	9.10	11.40	21.34
	Total-2	**16.72**	**19.45**	**29.87**
3.	Profit (+)/Loss(-) before tax (1-2)	13.06	19.12	19.08
4.	Prior period adjustments	-	-	2.27
5.	Other appropriations	12.48	18.54	17.91
6.	Amount available for dividend	0.58	0.58	1.17
7.	Dividend for the year	0.58	0.58	1.17
8.	Total return on capital employed	13.17	19.20	19.21
9.	Percentage of return on capital employed	4.5	4.2	2.77

ANNEXURE – 7

Statement showing operational performance of Statutory corporations

(Referred to in paragraph No. 1.2.4.2.2)

1. Haryana Financial Corporation

	(Amount: Rupees in crore)					
Particulars	**1999-2000**		**2000-01**		**2001-02 (Provisional)**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Applications pending at the beginning of the year	85	28.42	103	44.00	51	20.83
Applications received	386	135.60	362	147.27	448	198.75
Total	**471**	**164.02**	**465**	**191.27**	**499**	**219.58**
Applications sanctioned	299	90.61	326	130.37	354	136.91
Applications cancelled/withdrawn/rejected/reduced	69	29.42	88	40.07	73	55.89
Applications pending at the close of the year	103	44.00	51	20.83	72	26.78
Loans disbursed	352	65.45	312	54.65	339	67.40
Loan outstanding at the close of the year	5248	540.72	4753	488.98	4342	479.75
Amount overdue for recovery at the close of the year						
(a) Principal		161.37		180.86	-	205.47
(b) Interest		412.36		543.65	-	684.92
Total	**3825**	**573.73**		**724.51**	-	**890.39**
Amount involved in recovery certificate cases		507.54		650.22	-	175.62
Percentage of overdue loans to the outstanding loans		29.84		36.99	-	42.83

2. Haryana Warehousing Corporation

Particulars	**1999-2000**	**2000-01**	**2001-02 (Provisional)**
Number of stations covered	104	105	110
Storage capacity created up to the end of the year (tonne in lakh)			
(a) Owned	8.35	8.25	9.27
(b) Hired	2.19	4.08	7.96
Total	**10.54**	**12.33**	**17.23**
Average capacity utilised during the year (tonne in lakh)	7.20	11.68	17.89
Percentage of utilisation	68.31	94.73	103.83
Average revenue per tonne per year (Rupees)	244.17	218.32	280
Average expenses per tonne per year (Rupees)	232.22	166.52	159
Profit (+)/Loss (-) per tonne (Rupees)	(+) 11.95	(+) 51.80	NA

ANNEXURE -8

Statement showing the department-wise break up of Inspection Reports outstanding as on 30 September 2002

(Referred to in Paragraph No. 1.8)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which observations outstanding
A.	**Working PSUs**				
1.	Agriculture	5	47	124	1993-94
2.	Industry	4	9	52	1997-98
3.	Transport	1	6	21	1995-96
4.	Electronics	2	3	6	2000-01
5.	Forest	1	3	5	1997-98
6.	Mining and Geology	1	6	21	1996-97
7.	Home	1	2	4	2000-01
8.	Scheduled Castes and Backward Classes Welfare	2	6	18	1998-99
9.	Women and Child Development	1	3	6	1999-2000
10.	Tourism and Public Relations	1	2	2	1996-97
11.	Power	5*	442	839	1981-82
	Total 'A'	**24**	**529**	**1098**	
B	**Non-working PSUs**				
1	Agriculture	1	1	1	1996-97
2	Industry	1	3	6	1995-96
	Total 'B'	**2**	**4**	**7**	
	Grand Total (A+B)	**26**	**533**	**1105**	

* This includes position of IRs and paragraphs outstanding in respect of HERC, the financial position and working results of which are not discussed as it prepares Income and Expenditure Account and Receipts and Payments Accounts.

ANNEXURE - 9

Statement showing the department-wise draft paragraphs/reviews, reply to which were awaited

(Referred to in paragraph No. 1.8)

Sr. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue of draft paragraphs/ reviews
1.	Power	5	1	February to May 2002
2.	Industry	5	-	March to May 2002
3.	Agriculture	2	1	April and May 2002
4.	Scheduled castes and Backward classes Welfare	1	-	February 2002
5.	Electronics	1	-	April 2002
	Total	**14**	**2**	

ANNEXURE-10

Statement showing plant-wise installed capacity vis-à-vis targets fixed for processing seed and actual achievements during 1997-2002 in respect of Haryana Seeds Development Corporation Limited

(Referred to in paragraph No. 2A.9)

Name of Plant	Year	Installed capacity	Targets	Achievement	Capacity utilisation (*per cent*)	Processing cost per qtl. (Rs)
		(In quintals)				
Umri	1997-98	100000	80430	41541	42	56.93
	1998-99	100000	69600	60308	60	51.87
	1999-2000	100000	66200	68318	68	22.55
	2000-01	100000	52650	54206	54	NA
	2001-02	100000	48520	24766	25	NA
Yamunanagar	1997-98	40000	28970	7724	19	292.99
	1998-99	40000	20550	16315	41	110.33
	1999-2000	40000	20700	17371	43	89.45
	2000-01	40000	20600	18537	46	NA
	2001-02	40000	15350	8936	22	NA
Hisar	1997-98	60000	60620	26117	44	134.54
	1998-99	60000	74800	50122	84	109.19
	1999-2000	60000	78000	60364	101	72.37
	2000-01	60000	78900	56010	93	NA
	2001-02	60000	50279	37559	63	NA
Sirsa	1997-98	50000	60675	37264	75	57.88
	1998-99	50000	60600	40852	82	56.75
	1999-2000	50000	60700	50277	101	46.75
	2000-01	50000	46500	32235	65	NA
	2001-02	50000	37170	19469	39	NA
Tohana	1997-98	20000	28255	14787	74	93.86
	1998-99	20000	25570	22421	112	42.67
	1999-2000	20000	33000	22812	114	33.78
	2000-01	20000	20900	19304	97	NA
	2001-02	20000	18145	8994	45	NA
Pataudi	1997-98	20000	18110	6207	31	96.80
	1998-99	20000	15900	4831	24	96.14
	1999-2000	20000	15700	5745	29	91.41
	2000-01	20000	12120	5000	25	NA
	2001-02	20000	9760	4374	22	NA
Total	1997-98	290000	277060	133640	46	122.17
	1998-99	290000	267020	194849	67	77.82
	1999-2000	290000	274300	224887	78	59.39
	2000-01	290000	231670	185292	64	NA
	2001-02	290000	179224	104098	36	NA