REPORT

OF THE

COMPTROLLER AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED

31 MARCH 1995

No. 2

(COMMERCIAL)

GOVERNMENT OF HARYANA

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Preface

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

Government companies;

Statutory corporations; and

Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations including Haryana State Electricity Board and has been prepared for submission to the Government of Haryana for presentation to the Legislature under Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. Some of the omissions noticed during the audit of annual accounts of the Government companies under Section 619(4) of the Companies Act, 1956, are included in this Report. The results of audit relating to departmentally managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil) - Government of Haryana.

3. There are, however, certain companies which inspite of Government investment are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled companies/corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government investment was more than Rs.10 lakhs as on 31 March 1995 is given in Annexure - I.

4. In respect of the Haryana State Electricity Board which is a Statutory corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Haryana Financial Corporation and Haryana Warehousing Corporation he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The Audit Reports on the annual accounts of all the corporations are forwarded separately, as per respective Acts, to the Government of Haryana.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1994-95 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1994-95 have also been included, wherever considered necessary.

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— Government companies,

— Statutory corporations, and

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The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1994-95 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1994-95 have also been included, wherever considered necessary.

OVERVIEW

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1. *The State had 22 Government companies (including four subsidiaries) and three Statutory corporations as on 31 March 1995.*

(Paragraphs 1.2.1 and 1.3.1)

- *The aggregate paid-up capital of Government companies was Rs.137.90 crores, of which Rs.125.16 crores were invested by State Government, Rs.3.98 crores by Central Government, Rs.8.76 crores by others (including holding companies). The State Government loans to the extent of Rs.92.03 crores were outstanding as on 31 March 1995 against 12 Government companies.*

(Paragraph 1.2.1 and Annexure-2)

- *The State Government guaranteed the repayment of loans (and interest thereon) raised by eight companies. The amounts guaranteed and outstanding thereagainst as on 31 March 1995 were Rs.333.68 crores and Rs.120.89 crores, respectively.*

(Paragraph 1.2.3)

- *Six companies had finalised their accounts for the year 1994-95; the accounts of remaining 16 companies were in arrears ranging from one year to eight years. The oldest arrear in accounts pertaining to any company relates to 1987-88. Thus, the results of investment of Rs.153.23 crores in these companies are not conclusively known.*

(Paragraph 1.2.4)

- *Out of six companies which had finalised accounts for the year 1994-95, five companies had earned an aggregate profit of Rs.21.31 crores (one company prepares its accounts on no profit/no loss basis) and one of these companies (Haryana State Industrial Development Corporation Limited) paid dividend amounting to Rs.one crore to the Government.*

(Paragraphs 1.2.4 & 1.2.5.2)

- *According to the latest available accounts five companies suffered a total accumulated loss of Rs.62.78 crores which exceeded their paid-up capital* *by nearly three times. Out of these, four companies suffered loss for 4 to 11 consecutive years. Maximum accumulated loss of Rs.39.94 crores was suffered by Haryana State Minor Irrigation and Tubewells Corporation Limited; accounts of which were finalised up to 1990-91. There is little scope of recovery of loan of Rs.21.69 crores granted to three companies whose share capital had been eroded.*

(Paragraph 1.2.5.3 & Annexure 2)

- *The aggregate paid-up capital of the three Statutory corporations as on 31 March 1995 was Rs.1213.26 crores; of which Rs.1205.66 crores were invested by the State Government and Rs.7.60 crores by others. The State Government loans to the extent of Rs.841.49 crores were outstanding as on 31 March 1995 against these corporations. The State Government had also guaranteed repayment of loans (and interest thereon) raised by three corporations. The amounts guaranteed and outstanding thereagainst as on 31 March 1995 were Rs.1563.20 crores and Rs.834.92 crores, respectively.*

(Paragraphs 1.3.2 & 1.3.3)

- *The accounts of Haryana State Electricity Board for the year 1993-94 showed a deficit of Rs.410.90 crores while the acounts of Haryana Financial Corporation and Haryana Warehousing Corporation showed a profit of Rs.1.94 crores and Rs.20.96 crores for the years 1993-94 and 1994-95, respectively.*

(Paragraphs 1.3.1, 1.3.4, 1.5.4 & 1.6.3)

2. *The activities of Haryana State Small Industries and Export Corporation Limited, Haryana Harijan Kalyan Nigam Limited and Performance of Panipat Thermal Power Project of Haryana State Electricity Board were reviewed in audit.*

2.1 *The Haryana State Small Industries And Export Corporation Limited was incorporated on 19 July 1967 with the object to assist small and medium scale industries in the State.*

(Paragraph 2A.1)

- *The accumulated loss of Rs.55.52 lakhs as on 31 March 1994 had eroded 47* ***per cent*** *of the paid-up capital of the Company. The losses during 1992-93 and 1993-94 were mainly due to liberalisation by Central*

Government in the policy of distribution of raw materials (Iron and Steel), uneconomic working of Rural Industries Scheme and export division.

(Paragraph 2A.6)

- *Of the 15 raw material depots run by the Company 14 earned profit during 1991-92. However, 8 depots during 1992-93 and 9 depots during 1993-94 started incurring losses. The gross loss of loss incurring depots amounted to Rs.17.89 lakhs during the two years up to 1993-94. The Company did not take remedial action to make these depots viable.*

(Paragraph 2A.7.2)

- *During five years up to 1993-94, the Company recovered Rs.65.75 lakhs due to demurrage, wharfage and shortages of material from Small Scale Industrial units in contravention of the laid down policy of Central Government (Joint Plant Committee) and advice of the State Government.*

(Paragraph 2A.7.3)

- *The volume of exports transacted by the Company as compared to the total exports from the State was a meagre 0.1 to 0.7* ***per cent*** *during the five years up to 1993-94. The Company incurred gross loss of Rs.11.03 lakhs during 1992-93 and 1993-94 on its export promotion activity.*

(Paragraph 2A.8)

- *Due to defective agreement and inept handling of a transaction for export of deformed steel bars, the Company had suffered an avoidable loss of Rs.51.70 lakhs.*

(Paragraph 2A.8.2)

- *Seven out of ten visits abroad by the Company's officials during the five years up to 1993-94, involving expenditure of Rs.16.73 lakhs, had fetched business of Rs.0.02 lakh only.*

(Paragraph 2A.8.3)

- *The contribution of the Company in providing marketing assistance to the SSI units was negligible and was confined to 0.42 to 2.02* ***per cent*** *of the units registered with the Company during five years up to 1993-94.*

(Paragraph 2A.10)

- *The Company suffered a loss of Rs.86.64 lakhs during 1992-93 and 1993-94 on its activities under the Rural Industries Scheme as it could not keep the expenditure within the grants in view of the decrease in grants by the State Government since 1982-83.*

(Paragraph 2A.11)

2.2 *The Haryana Harijan Kalyan Nigam Limited was incorporated on 2 January 1971 under the Companies Act, 1956 for the socio-economic and educational upliftment of persons belonging to scheduled castes community in the State of Haryana.*

(Paragraph 2B.1)

- *The Company suffered continuous losses due to high establishment costs and under utilisation of capacity of the production units set up for providing wage employment as well as preliminary training to scheduled caste persons. The accumulated loss stood at Rs.259.39 lakhs, as per provisional accounts (accounts finalised up to 1986-87) as on 31 March 1994.*

(Paragraph 2B.6)

- *Out of a population of 32.51 lakh scheduled castes in the State, the Company could cover only 12.30 lakh members from 1970-71 to 1993-94.*

(Paragraph 2B.8)

- *Even though there were enough number of applicants the physical and financial targets were fixed without any basis on the lower side which could also not be achieved. There was no procedure for assessing the extent to which the socio-economic objectives have been achieved.*

(Paragraph 2B.8(b))

- *There was a decline in number of beneficiaries and increase in establishment cost which ranged between Rs.451.50 and Rs.992.56 per beneficiary during five years up to 1993-94. It was noticed that the other agency of the State Government (Directorate of Rural Development) which was engaged in similar activity incurred less establishment cost ranging between Rs.222.88 and Rs.532.93 per beneficiary during the same period.*

(Paragraph 2B.8(c))

- *For recovery of loan given to the beneficiaries, targets were fixed on the lower side even though the amount recoverable was very high. Even for the lower side targets fixed by the Company themselves, the percentage of recoveries of loans to targets ranged between 8.82 and 23.80 during the four years ended 31 March 1994. As a result the recoverable amount accumulated to Rs.666.72 lakhs. In 2316 cases involving a loan of Rs.42.90 lakhs, disbursed during 1987-89 and overdue for recovery, not even a single instalment was deposited by the loanees till March 1995.*

(Paragraph 2B.9)

- *Of the four small industries training-cum-production centres set up to provide wage employment as well as preliminary training to scheduled castes persons, the units at Murthal and Karnal were closed during the years 1991-92 and 1992-93, respectively, due to heavy losses (Rs.17.42 lakhs during five years up to 1991-92 in case of Murthal and Rs.10.20 lakhs (net) in case of Karnal) and production at Ambala unit stopped during 1994-95 due to lesser production and the losses accumulated to Rs.20.27 lakhs during the years 1991-92 to 1993-94. Thus, their programmes of activities had not matched with the objectives for which these were set up.*

(Paragraph 2B.10)

- *Due to delay in preferring the claims to Government of India for matching assistance, the Company could not avail itself of assistance to the tune of Rs.159.68 lakhs for the years 1982-83 to 1989-90.*

(Paragraph 2B.12 (a))

2.3 Panipat Thermal Power Project (Project) has five generating units (Stage I - 2 units, Stage II - 2 units and Stage III - 1 unit) with a total designed capacity of 650 MW. With a view to bridging the gap between the availability and demand of power in the State, the Board decided to instal Stage IV (Sixth unit) with a designed capacity of 210 MW which is under construction. Execution and commissioning of stage III (unit V), construction of stage IV (unit VI) and performance of stage I, II and III (units I to V) were reviewed in Audit.

(Paragraphs 3.1 and 3.3)

- *The stage III (Unit V - 210 MW) scheduled for commissioning in December 1984 at an estimated cost of Rs.111.10 crores was actually commissioned in March 1989 at a cost of Rs.272.22 crores with a cost over run of Rs.161.12 crores (145* ***per cent****) and a time over run of 51 months (94* ***per cent****). The time and cost over run were due to delay in finalisation of contracts, delay in taking possession of land, failure of equipments and shortage of funds.*

  (Paragraphs 3.4.1 & 3.4.2)

- *During the execution of Stage III (unit V) the Board paid to the contractors price escalation, over run/idle time charges of Rs.181.72 lakhs due to defective planning and improper coordination of activities in placement of supply and work orders (Rs.162.46 lakhs) and inadequate provision of quantities of work (Rs.19.26 lakhs).*

  (Paragraphs 3.4.2.1, 3.4.2.2 & 3.4.2.3)

- *Though the project had adequate wagon tipplers for unloading coal on common hopper from conventional railway wagons, it constructed (May 1992) a 300 metre long track hopper suitable for unloading the coal through central discharge hopper wagons at a cost of Rs.389.70 lakhs without ensuring from Railways, the availability of central discharge hopper wagons which were yet to be manufactured. The track hopper was lying idle (August 1995).*

  (Paragraph 3.4.3)

- *The Stage IV (unit-VI - 210 MW) approved by planning commission at an estimated cost of Rs.238.27 crores in July 1989 was expected to be commissioned in December 1993. Though the Board has revised its estimate (January 1995) to Rs.338.15 crores with rescheduled date of completion as March 1996, only an expenditure of Rs.132.62 crores was incurred up to March 1994.*

  (Paragraph 3.5.1)

- *The plant load factor of units I to IV ranged between 14.6* ***per cent*** *and 53.3* ***per cent*** *during the four years up to 1993-94 against the norm of 58* ***per cent*** *recommended by the Rajadhyaksha Committee. Actual generation per KW of installed capacity ranged between 1275 Kwh and*

4665 Kwh for units I to IV which were lower as compared to the norms of 5350 Kwh.

(Paragraph 3.6)

- *Percentage of forced outages due to trouble in boiler, fault in turbogenerator coal mills, shortage of coal etc., was 30.7* **per cent** *of the total available hours. This resulted in generation loss of 6236.51 Mkwh valued at Rs.708.87 crores.*

(Paragraph 3.7.1)

- *Time taken in overhauling of units I to V in excess of norms ranged between 23 to 359 days during the three years up to 1993-94 which resulted in generation loss of 1853.07 Mkwh valued at Rs.223.67 crores.*

(Paragraph 3.7.2)

- *Due to poor quality of coal and non overhauling of the units in time consumption of coal was in excess of norms to the extent of 19.33 lakh tonnes valued at Rs.162.50 crores during the four years up to 1993-94.*

(Paragraph 3.8.1)

- *Though only two in-motion weigh bridges installed on reception lines were sufficient for weighment of full rakes of coal wagons as and when these were placed on reception line by the Railways, the Board had incurred an avoidable expenditure of Rs.72.34 lakhs on installation of four additional in-motion weigh bridges at wagon tippler lines.*

(Paragraph 3.8.4)

- *Consumption of secondary fuel oil in units I to IV ranged between 20.47 and 52.89 ml/Kwh as against All India maximum average of 10 ml/Kwh during the four years up to 1993-94. This had resulted in excess consumption of 82791 Kilo litre oil valued at Rs.34.70 crores.*

(Paragraph 3.9)

- *The consumption of demineralised water in excess of the estimates during the four years up to 1993-94 was to the extent of 7.48 lakh tonnes valued at Rs.43.30 lakhs.*

(Paragraph 3.10)

- *Employment of manpower in excess of norms resulted in extra expenditure of Rs.589.69 lakhs during the four years up to 1993-94.*

(Paragraph 3.12)

- *Even after incurring an expenditure of Rs.875.33 lakhs up to March 1992 on renovation and modernisation (R&M) of Units I and II, actual generation during 1992-93 and 1993-94 was 647.64 Mkwh (as against expected generation of 1850.12 Mkwh) which was also less than the generation of 1322.95 Mkwh achieved prior to R&M work.*

(Paragraph 3.13.2)

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

- *The Haryana Agro Industries Corporation Limited could have earned a profit of Rs.4.75 lakhs had the offer of the firm for bulk supply of beverages and canned products been accepted.*

(Paragraph 4.1.1)

- *The Haryana Tourism Corporation purchased a ferris wheel without assessing its viability and its installation at unsuitable site has resulted in a loss of Rs.2.27 lakhs to the Company in addition to locking up of funds to the extent of Rs.7.61 lakhs.*

(Paragraph 4.3.1)

- *The Haryana State Electricity Board (Board) made an avoidable payment of excise duty amounting to Rs.10.66 lakhs due to non-modification of terms in regard to excise duty on coils used in the repair of damaged transformers in the work contract entered into between July 1992 and February 1993 in the light of decision of Excise Tribunal.*

(Paragraph 4.4.1)

- *The Board had incurred an extra expenditure of Rs.4.46 lakhs due to non finalisation of tenders within the validity period and subsequent delay in lodging the claim with the defaulting firm.*

(Paragraph 4.4.2)

- *The Board did not insist for depositing the shifting charges by a firm before starting the work of shifting/diversions of the route of electrical line resulting into an extra expenditure of Rs.2.80 lakhs.*

  (Paragraphs 4.4.3)

- *Non compliance of the decision of the Board by the workshop authorities to dispense with the provision of silicagel breather for the lower capacity transformers viz. 63 KVA and below, resulted in an avoidable expenditure of Rs.2.83 lakhs.*

  (Paragraph 4.4.4)

- *The Haryana Financial Corporation (Corporation) suffered a loss of Rs.3.29 lakhs on account of theft and encashment of forged cheques due to negligence in following up of normal procedure for safe custody of cheque book and lack of proper financial control on the part of Management.*

  (Paragraph 4.5.1)

- *The Corporation suffered a loss of Rs.14.88 lakhs due to undue favour to a firm in settlement of a loan case in contravention of the guidelines issued by the Management.*

  (Paragraph 4.5.2)

Chapter - I

General view of Government companies and Statutory corporations

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Introduction

1. GENERAL VIEW OF GOVERNMENT COMPANIES INCLUDING DEEMED GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introduction

The accounts of the Government companies and deemed Government companies (as defined in Section 619 B of the Companies Act 1956) are audited by the Statutory Auditors who are appointed by Central Government on the advice of Comptroller and Auditor General of India (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(4) of the Companies Act.

Of the Statutory corporations, the accounts of Haryana State Electricity Board are audited solely by CAG under the Electricity (Supply) Act 1948. The accounts of Haryana Financial Corporation and Haryana Warehousing Corporation are audited by the Chartered Accountants appointed by the State Government in consultation with the CAG who also undertakes the audit of these Corporations separately. Audit Reports on the accounts of all the Statutory corporations are issued by the CAG to the respective organisations/State Government.

1.2 Government companies-General view

1.2.1 As on 31 March 1995, there were 22 Government companies (including four subsidiaries) with total investment of Rs.229.93 crores (Equity:Rs.137.90 crores; long-term loans:Rs.92.03 crores) as against 23 companies (including five subsidiaries) with a total investment of Rs.294.90 crores as on 31 March 1994 (Equity:Rs.126.85 crores; long-term loans: Rs.168.05 crores). There was no deemed Government company as on 31 March 1995.

1.2.2 The financial position and working results particulars in respect of all the Government companies are given in Annexures 2 & 3, respectively.

The sector-wise investment in these companies was as below:

EQUITY AND LOANS

Department/ type of PSUs	As at the end of						Debt equity ratio in 1994-95
	1994-95			1993-94			
	Number	Equity	Loan	Number	Equity	Loan	
			(Rupees in lakhs)				
1. Agriculture							
A. Government companies	3	1000.84	882.70	3	996.79	721.46	0.88 : 1
B. Subsidiary companies	-	-	-	-	-	-	-
2. Animal Husbandry							
A. Government companies	1	557.48	-	1	557.48	63.00	-
B. Subsidiary companies	-	-	-	-	-	-	-
3. Forest							
A. Government companies	1	40.21	-	1	20.00	-	-
B. Subsidiary companies	-	-	-	-	-	-	-
4. Home							
A. Government companies	1	910.00	-	1	460.00	-	-
B. Subsidiary companies	-	-	-	-	-	-	-
5. Industries							
A. Government companies	6	5063.87	907.21	6	4547.65	727.09	0.18:1
B. Subsidiary companies	3	722.04	207.25	4	964.16	256.46	0.27:1
6. Irrigation							
A. Government companies	1	1089.10	1551.00	1	1089.10	10148.82	1.42:1
B. Subsidiary companies	-	-	-	-	-	-	-
7. Social Welfare							
A. Government companies	3	2836.08	416.32	3	2529.53	321.08	0.15:1
B. Subsidiary companies	-	-	-	-	-	-	-
8. Tourism							
A. Government companies	1	1007.02	-	1	957.02	-	-
B. Subsidiary companies	1	362.91	-	1	362.91	-	-
9 Transport							
A. Government companies	1	200.00	5238.58	1	200.00	4566.67	26.19:1
B. Subsidiary companies	-	-	-	-	-	-	-
Total	**22**	**13789.55**	**9203.06**	**23**	**12684.64**	**16804.58**	-

Analysis of Investments

(a) Decrease in investment in irrigation sector is mainly due to repayment of loans and conversion of loans into subsidy in respect of

Haryana State Minor Irrigation and Tubewells Corporation Limited during the year.

(b) In pursuance of the Industrial policy of the Central Government to disinvest the share holding in PSUs, the State Government also decided in 1995 to partially disinvest its holding in selected Government companies. During the year 1994-95, the State Government disinvested its shares in the following company:

Name of Company	Share holding as on 31.3.94	Number of shares disinvested during the year 1994-95	Share holding as on 31.3.95
Haryana Breweries Limited	111450 out of 2432340 of Rs.10/- each	111450	Nil

1.2.3 Guarantees

The guarantees given by the State Government against loans and credits given by banks etc. to the Public Sector Enterprises for the preceding three years up to 1994-95 and outstanding as on 31 March 1995 are shown in the table below: (see Annexure 4 also).

GUARANTEES GIVEN BY STATE GOVERNMENT

Sl. No.	Guarantees	Amount guaranteed during			Total amount guaranteed as on 31.3.95	Guaranteed amount out-standing as on 31.3.95
		1992-93	1993-94	1994-95		
		(Rupees in crores)				
1.	Cash credit from State Bank of India and other nationalised banks	Nil	Nil	Nil	Nil	Nil
2.	Loans from other sources	46.18	27.82	54.98	333.68	120.89
3.	Letters of credits opened by S.B.I. in respect of imports	Nil	Nil	Nil	Nil	Nil
4.	Payment obligation under agreements with foreign consultants or contracts	Nil	Nil	Nil	Nil	Nil

The guarantee was for repayment of both, loan and interest. No guarantee commission has been paid during the year.

Budgetary outgo and waiver of dues

(i) The outgo from the State Government to 16 PSUs during the years 1992-93 to 1994-95 in the form of equity capital, loans and subsidy is as detailed below:

	1992-93	1993-94 *(Rupees in crores)*	1994-95
(1) Equity capital outgo from Budget	9.23	13.75	14.26
(2) Loans given out from Budget	8.30	2.05	0.05
(3) Subsidy	26.88	112.08	35.17
Total outgo	**44.41**	**127.88**	**49.48**

(ii) In the last three years, the amounts of receipt due to the Government which were foregone by way of loans written off or interest waived or due to grant of moratorium on loans repayments are given in the table below:

WAIVER OF DUES

		1992-93	1993-94 *(Rupees in crores)*	1994-95
1.	Loans repayments written off	Nil	79.95	0.20
2.	Interest waived	Nil	Nil	Nil
3.	Penal interest waived	Nil	Nil	Nil
4.	Repayment of loans on which moratorium allowed	Nil	Nil	Nil
5.	Others	Nil	Nil	Nil
	Total	**-**	**79.95**	**0.20**

The amount foregone has gone down in 1994-95.

1.2.4 Finalisation of accounts

Accountability of Public Sector Undertakings to the legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the legislature. Of 22 Government companies, the accounts of 16 companies were in arrears for periods ranging from **one** year to **eight** years as indicated in Annexure-3 (as on 30 September 1995).

According to the latest finalised accounts of these companies, 10 companies had incurred losses of Rs.10.74 crores and 11 companies earned profit of Rs.26.24 crores as indicated in the table below:

Sl. No.	Number of companies	Year up to which accounts were finalised	Profit		Loss		Reference to Serial numbers of Annexure-3 (Serial numbers in bold indicate loss making companies)
			Number of companies	Amount	Number of companies	Amount	
			(Amount in crores of rupees)				
1.	6	1994-95	6*	21.31	-	-	1,3,6,7,8,9
2.	8	1993-94	4	4.81	4	3.48	**2,4,11,13,14,15**, 20,21
3.	1	1992-93	-	-	1	0.37	**10**
4.	3	1990-91	-	-	3	6.28	**5,16,18**
5.	2	1988-89	1	0.12	1	0.36	**19**,22
6.	1	1986-87	-	-	1	0.25	**17**
Total	**21**		**11**	**26.24**	**10**	**10.74**	

One company i.e. Punjab State Irons Limited has not submitted its certified annual accounts after coming under audit jurisdiction of Accountant General (Audit) Haryana (September 1995).

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the companies in the annual general meeting within time schedule prescribed in the Companies Act 1956. Though the concerned administrative departments and officials of

* One company engaged in construction work add its excess of expenditure over income to the works-in-progress and no profit or loss is indicated.

the Government were apprised by Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time schedule, the investment amounting to Rs.153.23 crores (equity Rs.73.77 crores; long-term loans Rs.79.46 crores) made in these companies remained outside the purview of audit and their accountability could not be ensured.

1.2.5 Working results

1.2.5.1 Profit making Companies

During the year, eight companies which finalised accounts for 1994-95 or previous years, earned profit of Rs.22.95 crores (including one company running on no profit/no loss basis). Of these, six companies earned profit for two successive years or more and one company declared dividend. Free reserves and surpluses amounting to Rs.7.24 crores were built up in five companies.

1.2.5.2 Profits and dividends

Out of six companies which finalised their accounts for 1994-95 by September 1995, five companies (excluding one company running on no profit/no loss basis) earned profit of Rs.21.31 crores on total share capital of Rs.55.03 crores. Of these profit making companies, one company declared dividend amounting to Rs.one crore as detailed below:

Name of Company	Profit earned	Dividend declared	
	(Rupees in crores)	Per cent	Amount *(Rupees in crores)*
Haryana State Industrial Development Corporation Limited	8.18	2.46	1.00

The dividend as percentage of share capital in the profit making company worked out to 2.46. The remaining profit making companies did not declare any dividend on the profit of Rs.13.13 crores earned by them in 1994-95. On the total equity capital contributed by the

State Government, the return worked out to 0.80 *per cent* in 1994-95 compared to 0.45 *per cent* in 1993-94.

1.2.5.3 Loss making companies

According to the latest available accounts, five companies had eroded their paid-up capital as the accumulated losses amounting to Rs.62.78 crores of these companies had far exceeded the paid-up capital of Rs.21.23 crores. Of the 10 loss making companies, nine companies suffered loss for 2 to 11 years as shown below:

Sl. No.	Name of company	Accumulated loss (Rupees in lakhs)	Suffering loss due to	Paid-up capital (Rupees in lakhs)	Percentage of capital eroded
1.	Haryana Harijan Kalyan Nigam Limited	485.34	High incidence of administrative expenses	972.50	49.91
2.	Haryana State Handloom and Handicrafts Corporation Limited	222.83	-do-	252.00	88.42
3.	Haryana Matches Limited	12.50	-do-	12.50	100.00
4.	Haryana Women Development Corporation Limited	120.66	-do-	174.72	69.06
5.	Haryana Backward Classes Kalyan Nigam Limited	145.06	-do-	474.99	30.54
6.	Haryana Dairy Development Corporation Limited	900.07	-do-	557.48	161.45
7.	Haryana State Minor Irrigation and Tubewells Corporation Limited	3993.80	-do-	1089.10	366.71
8.	Haryana Tanneries Limited	709.27	-do-	135.15	524.80
9.	Haryana Concast Limited	662.62	-do-	328.50	201.71

Inspite of the poor performance leading to complete erosion of paid-up capital, the State government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, waiver of interest, conversion of loan into equity, subsidy, etc. The total financial support provided during 1994-95, to four companies of these nine companies amounted to Rs.37.01 crores.

The main reasons for the poor performance of these companies as analysed by Audit were high incidence of salaries, wages, administrative expenses.

1.2.5.4 Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the statutory auditors. Accordingly, the audited annual accounts of Government companies are reviewed on a selective basis. During the period from October 1994 to September 1995, accounts of 13 companies were selected for review. The net effect of the important comments as a result of such review was as follows:

Details	**Number of accounts**	**Monetary effect** *(Rupees in crores)*
Decrease in profits	2	0.40
Non-disclosure of material facts	2	20.14

The financial results of all the 22 companies based on the latest available accounts are given in Annexure-3.

(a) Return on capital invested

As the capital structure differs from company to company and rates of interest charged on long-term loans given to the companies are not uniform, it may be unrealistic to compare profit of the companies wholly on the basis of profit and loss as reflected in these accounts. To study the results on a uniform basis, therefore, the capital was taken into account consisting of the total paid-up capital, long-term loans and free reserves less accumulated losses at the close of the financial year. Similarly, the return was taken not only as the profit or loss (before tax and prior period adjustments) as disclosed in the accounts but also the interest paid on long-term loans. On this basis, the return on total investment of Rs.173.48 crores in six companies amounted to Rs.33.17 crores (before tax and prior period adjustments) in 1994-95 which comes to 19.12 ***per cent*** compared to 10.97 ***per cent*** in 1993-94. The return on capital invested as per latest available accounts during 1994-95 in 22 companies in different sectors was as follows:

Sl. No.	Sector	Number of companies	Capital invested	Return on capital invested	Percentage of return on capital invested
			(Rupees in crores)		
1.	Agriculture	3	29.38 (22.53)	12.99 (7.13)	44.21 (31.65)
2.	Animal Husbandry	1	1.74 (1.73)	0.01 (0.08)	0.57 (4.62)
3.	Forest (First Account)	1	0.19	- 0.01	-
4.	Home	1	9.10 (1.00)	- (-)	- (-)
5.	Industries	9	149.20 (118.67)	22.12 (11.19)	14.83 (9.43)
6.	Irrigation	1	93.10 (84.71)	3.92 (6.31)	4.21 (7.45)
7.	Social Welfare	3	9.85 (8.26)	- 0.34 (-5.26)	- (-)
8.	Tourism	2	17.48 (15.34)	1.64 (1.26)	9.38 (8.21)
9.	Transport	1	18.35 (4.70)	0.22 (0.01)	1.20 (0.21)
	Total	**22**	**328.39** **(256.94)**	**40.55** **(20.72)**	**12.35** **(8.06)**

(Figures for previous years in brackets)

(b) Return on capital employed

Capital employed has been taken as net fixed assets (excluding capital works-in-progress) plus working capital. Interest on borrowed funds is added/substracted to the net profit/loss as disclosed in the profit and loss account. Thus, during 1994-95 the total capital employed worked out to Rs.237.72 crores in six companies and the return thereon amounted to Rs.49.23 crores which is 20.71 ***per cent*** as compared to return of Rs.26.33 crores (14.34 ***per cent***) in 1993-94.

Sector-wise details of the return on capital employed as per latest available accounts in 22 companies during 1994-95 was as under:

Sl. No.	Sector	Number of companies	Capital employed	Return on capital employed	Percentage of return on capital employed
			(Rupees in crores)		
1.	Agriculture	3	85.66 (67.76)	28.39 (18.98)	33.14 (28.01)
2.	Animal Husbandry	1	3.47 (3.46)	0.01 (0.08)	0.29 (2.31)
3.	Forest (First Account)	1	0.19	- 0.01	-
4.	Home	1	14.15 (1.04)	0.24 (-)	1.70 (-)
5.	Industries	9	176.36 (144.53)	22.68 (11.63)	12.86 (8.05)
6.	Irrigation	1	155.02 (117.20)	3.92 (6.31)	2.53 (5.38)
7.	Social Welfare	3	10.83 (8.02)	- 0.34 (-5.26)	- (-)
8.	Tourism	2	15.07 (12.87)	1.64 (1.26)	10.88 (9.79)
9.	Transport	1	19.21 (5.53)	0.22 (0.01)	1.15 (0.18)
	Total	**22**	**479.96 (360.41)**	**56.75 (33.01)**	**11.82 (9.16)**

(Figures for previous years in brackets)

1.2.6 Buy back of shares by joint sector companies promoted by Government companies

Some of the Government companies are engaged in the development/promotion of industries in the State by providing loans or making investments in their share capital. The terms and conditions of the promotional agreement provides for the buy back of the shares from the

Government companies by the co-promoter after the promoted unit starts commercial production. During the year, the shares of the following units were disinvested by a Government company:

Name of company		Name of unit in which investment was made	Number of shares bought back
Haryana State Industrial Development Corporation Limited	1.	Amtek Auto Limited	263500 of Rs.10/- each
	2.	Haryana Breweries Limited	1119435 of Rs.10/- each

1.2.7 Important points made by Statutory Auditors and CAG

Some of the important points made by the Statutory Auditors and the Comptroller and Auditor General of India in respect of the companies whose annual accounts were audited during the period from October 1994 to September 1995, are indicated below:

1.2.7.1 The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directions to the Statutory Auditors of Government companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the Statutory Auditors on the accounts of one company for the years 1992-93 and 1993-94 were received during the year and did not contain any point worth reporting.

1.2.7.2 Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the Audit Reports of the Statutory Auditors. Under this provision, the review of annual accounts of Government companies is being conducted in selected cases. Accounts relating to 13 companies were selected for such review during the period from October 1994 to September 1995.

Some of the major errors/omissions noticed in the course of review of annual accounts of some of these companies, not pointed out by the Statutory Auditors were as under:

(a) Haryana State Handloom and Handicrafts Corporation Limited (accounts for the year 1992-93)

Accumulated loss was understated by Rs.13.82 lakhs due to treating of this amount as recoverable from State Government for the schemes which have since been closed.

(b) Haryana Police Housing Corporation Limited (accounts for the year 1993-94)

(i) Expenditure on building works was understated by Rs.5.55 lakhs.

(ii) The contracts remaining to be executed on capital accounts and not provided for as on 31 March 1994 amounting to Rs.19.90 crores, have not been disclosed.

(c) Haryana Concast Limited (accounts for the year 1993-94)

(i) Loss for the year was understated by Rs.26.23 lakhs due to non-provision of interest payable on cash credit.

(ii) Expenditure in foreign currency (Rs.18.83 lakhs) on *c.i.f.* value of imported raw materials has not been disclosed in the accounts in term of Part II of Schedule VI to the Companies Act 1956.

1.2.8 Capacity utilisation

The percentage of utilisation of the installed or rated capacity of all the four manufacturing companies (to the extent the information is available) are given in Annexure-5. The installed capacity is often uprated or down rated depending upon the condition of plant and machinery, manpower constraints, number of shifts worked, etc. leading to revision of rated capacity. The figures computed by the companies have not been presented in terms of a standard man-hour unit of capacity or production. The actual capacity utilisation has been poor. Thus, there is a need for monitoring capacity utilisation in terms of standard man-hours of production feasible, targeted and achieved.

1.2.9 Other investments

The State Government has invested Rs.0.77 crore in four companies. Though the Government has invested Rs.10 lakhs and above in these companies, they are not subject to audit by the Comptroller and Auditor General. A list of these companies is given in Annexure-1.

1.3 Statutory corporations

1.3.1 General aspects

There were three Statutory corporations in the State as on 31 March 1995. Audit arrangement of these Corporations are shown below:

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrangement	Year up to which accounts finalised	Separate Audit Report placed in legislature up to the year	Authority for audit by CAG
Haryana State Electricity Board	Electricity (supply) Act, 1948	3 May 1967	CAG is the sole Auditor	1993-94	1992-93	Section 69 of Electricity (Supply) Act, 1948
Haryana Financial Corporation	State Financial Corporations Act, 1951	1 April 1967	Accounts audited by Chartered Accountants appointed by State Government in consultation with CAG.	1993-94	1991-92	Section 37 (6) of the State Financial Corporations Act, 1951
Haryana Warehousing Corporation	State Warehousing Corporations Act, 1962	1 November 1967	-do-	1994-95	1990-91	Section 31 (1) of the State Warehousing Corporations Act, 1962

1.3.2 Investment

The total investment in these corporations as on 31 March 1995 was Rs.3420.67 crores (Equity: Rs.1213.26 crores; Long-term loans: Rs.2207.41 crores) as against three Statutory corporations with total investment of Rs.3280.28 crores as on 31 March 1994 (Equity: Rs.1213.42 crores; Long-term loans: Rs.2066.86 crores).

The sector-wise investment in three corporations is as below:

EQUITY AND LOANS

Department/ type of PSUs	As at the end of 1994-95 Equity	1994-95 Loan	1993-94 Equity	1993-94 Loan	Debt equity ratio in 1994-95
	(Rupees in crores)				
1. Agriculture					
Haryana Warehousing Corporation	5.84 (2.92)	2.20 (Nil)	5.84 (2.92)	2.91 (Nil)	0.38:1
2. Industries					
Haryana Financial Corporation	17.42 (12.74)	395.09 (4.08)	17.58 (12.74)	287.72 (Nil)	22.68:1
3. Irrigation					
Haryana State Electricity Board	1190.00 (1190.00)	1810.12 (837.41)	1190.00 (1190.00)	1776.23 (911.52)	1.52:1
Total	**1213.26 (1205.66)**	**2207.41 (841.49)**	**1213.42 (1205.66)**	**2066.86 (911.52)**	

(Figures in brackets denote State Government investment)

1.3.3 Guarantee on loans

The guarantees given by the State Government against loans and credits given by banks etc. to the corporations for the preceding three years up to 1994-95 and outstanding as on 31 March 1995 are shown in the table below:

GUARANTEES GIVEN BY STATE GOVERNMENT

Sl. No.	Guarantees	Amount guaranteed during 1992-93	1993-94	1994-95	Total amount guaranteed as on 31-3-1995	Guaranteed amount outstanding as on 31.3.95
				(Rupees in crores)		
1.	Cash credit from State Bank of India and other Nationalised banks	71.00	143.00	165.00	165.00	28.32
2.	Loans from other sources	222.57	289.45	239.72	1398.20	806.60
3.	Letters of credits opened by SBI in respect of imports	Nil	Nil	Nil	Nil	Nil
4.	Payment obligation under agreement with foreign consultants or contracts	Nil	Nil	Nil	Nil	Nil
	Total	**293.57**	**432.45**	**404.72**	**1563.20**	**834.92**

The guarantee was for both, the principal and the interest. No guarantee commission had been paid during the year.

Budgetary outgo and waiver of dues

The outgo from the State Government to three Corporations during the years 1992-93 to 1994-95 in the form of equity capital, loans and subsidy is as detailed below:-

	1992-93	1993-94	1994-95
		(Rupees in crores)	
(1) Equity capital outgo from Budget	803.69	1.52	Nil
(2) Loans given out from Budget	189.43	230.01	303.81
(3) Subsidy	35.27	71.82	115.11
Total outgo	**1028.39**	**303.35**	**418.92**

1.3.4 Finalisation of accounts

According to the latest finalised accounts of these three corporations, two corporations earned profit of Rs.22.90 crores while the Haryana State Electricity Board showed a deficit of Rs.410.90 crores as indicated in the table below:

Sl.No.	Name of the corporation	Year up to which accounts were finalised	Profit/ surplus	Loss/ deficit
			(Rupees in crores)	
1.	Haryana State Electricity Board	1993-94	-	410.90
2.	Haryana Financial Corporation	1993-94	1.94	-
3.	Haryana Warehousing Corporation	1994-95	20.96	-
	Total		**22.90**	**410.90**

Out of three Corporations, Haryana State Electricity Board submitted its accounts for the year 1994-95 in August 1995 for audit and the same are under finalisation (September, 1995); one corporation had not submitted its accounts for the year 1994-95 (September 1995).

1.3.5 Subsidy

Subsidy received by a corporation during the last three years has been shown in the table below :

Sl. No.	Name of the corporation	Subsidy received during		
		1992-93	1993-94	1994-95
			(Rupees in crores)	
1.	Haryana State Electricity Board	35.23	71.78	115.07
2.	Haryana Financial Corporation	Nil	Nil	Nil
3.	Haryana Warehousing Corporation	0.04	0.04	0.04
	Total	**35.27**	**71.82**	**115.11**

Increase in subsidy was mainly due to increase in rural electrification subsidy.

1.3.6 Working results of Statutory corporations

The working results of the Statutory corporations for the latest year for which accounts have been finalised are summarised in Annexure-6. Salient points about the accounts and physical performance of these corporations are given below in paragraphs 1.4 to 1.6.

1.4 Haryana State Electricity Board

1.4.1 The State Government loans amounting to Rs.1190 crores were converted into Capital of the Board under sections 12(A) and 66(A) of the Electricity (Supply) Act, 1948 (Rs.390 crores during the year 1988-89 and Rs.800 crores during 1992-93).

The additional capital requirements of the Board are met by way of loans from Government, public, commercial banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding at the close of each of the two years up to 31 March 1995 were as follows:

Source	**Amount outstanding as on 31 March**		**Percentage increase(+) decrease(-)**
	1994	**1995 (Provisional)**	
	(Rupees in crores)		
State Government	911.52	837.41	(-)8.13
Other sources			
Loans from life insurance Corporation of India	145.67	157.83	(+)8.35
Loans from Rural Electrification Corporation Limited	155.91	159.39	(+)2.23
Bonds and other loans	563.13	655.49	(+)16.40
Total	**1776.23**	**1810.12**	**(+) 1.91**

1.4.2 The table below summarised the financial position of the Board at the end of each of the three years up to 1994-95:

Source	1992-93	1993-94	1994-95 (Provisional)
	(Rupees in crores)		
A. Liabilities			
1. Capital	1190.00	1190.00	1190.00
2. Long-term loans:			
From Government	681.52	911.52	837.41
Others	734.66	811.63	907.17
Deposits from public institutions	33.40	53.08	65.54
3. Other loans including consumers' contribution	522.62	564.57	240.49
4. Reserve and reserve funds	136.66	162.42	190.45
5. Current liabilities	916.05	1211.22	1201.90
Total -A	**4214.91**	**4904.44**	**4632.96**
B Assets			
1. Gross fixed assets	2080.09	2211.11	2345.13
Less: Depreciation	455.41	535.00	678.40
2. Net fixed assets	1624.68	1676.11	1666.73
3. Capital works-in-progress	379.18	398.27	409.33
4. Current assets	852.18	1060.29	832.08
5. Accumulated deficit	1358.87	1769.77	1724.82
Total-B	**4214.91**	**4904.44**	**4632.96**
C. Capital employed*	1560.81	1525.18	1296.91
D. Capital invested**	2639.58	2966.23	3000.12

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

** Capital invested represents paid-up capital plus long-term loans and free reserves.

1.4.3 The working results of the Board for each of the three years up to 1994-95 are summarised below:

Sl. No.	Particulars	1992-93	1993-94	1994-95 (Provisional)
			(Rupees in crores)	
1.	(a) Revenue Receipts	755.58	856.57	994.74
	(b) Subsidy from the State Government	35.23	71.78	115.07
	Total	**790.81**	**928.35**	**1109.81**
2.	Revenue expenditure including write off of intangible assets	937.83	1119.76	1234.04
3.	Gross deficit for the year (1-2)	**147.02**	**191.41**	**124.23**
4.	Appropriations:			
	(a) Interest on Government loans	56.18	51.16	42.67
	(b) Interest on other loans	107.25	121.83	137.92
	(c) Contribution to repayment of loans under Section 65 of the Act	--	--	--
	Total	**163.43**	**172.99**	**180.59**
5.	Deficit for the year (3+4)	310.45	364.40	304.82
6.	Net prior period adjustment Debit(+)/Credit(-)	(+)25.21	(+)46.50	(-)349.77
7.	Net surplus(+)/deficit(-) (5+6)	(-)335.66	(-)410.90	(+)44.95
8.	Total return on:			
	Capital employed (7-4)	(-)172.23	(-)237.91	(+)225.54
	Capital invested	(-)191.97	(-)259.12	(+)201.98
9.	Percentage of return on:			
	Capital employed	-	-	17.39
	Capital invested	-	-	6.73

1.4.4 The table below indicates the physical performance of the Board during each of the three years up to 1994-95:

Sl. No.	**Particulars**	**1992-93**	**1993-94**	**1994-95 (Provisional)**
			(MKWH)	
1.	Installed capacity			
-	Thermal	1217.3	1241.1	1255.5
-	Hydel	1020.5	1020.5	1116.8
-	Nuclear	30.0	30.0	28.1
	Total	**2267.8**	**2291.6**	**2400.4**
2.	Power generated			
-	Thermal	3890	3154	3434
-	Hydel	3927	3386	3705
	Total	**7817**	**6540**	**7139**
3.	Auxiliary consumption	417	357	377
4.	Net power generated (2-3)	7400	6183	6762
5.	Power purchased/Procured from other sources	4158	4985	4615
6.	Total power available for sale (4+5)	11558	11168	11377
			(MW)	
7.	Normal maximum demand	1855	1855	1947
			(MKWH)	
8.	Power sold including power supplied free to own works	8625	8316	8176

Sl. No.	Particulars	1992-93	1993-94	1994-95 (Provisional)
9.	Transmission and distribution losses to total power available for sale	2933	2852	3201
10.	Load factor		*(per cent)*	
(a)	for Panipat Thermal Plant	46.97	37.70	42.29
(b)	for Faridabad Thermal Plant	62.09	51.08	54.17
11.	Percentage of transmission and distribution losses to total power available for sale	25.4	25.5	28.1
			(KWH)	
12.	Number of units generated per KW of installed capacity	3447	2854	2974
			(Number)	
13.	Villages/towns electrified	7154	7154	7154
14.	Pump sets/wells			
-	Energised	379780	381791	377479
-	Awaiting energisation	62936	70360	71430
15.	Substations (33 KV & above)	352	366	383
16.	Transmission/distribution lines		**(Kilometres)**	
(a)	High/medium voltage	59797	60343	61489
(b)	Low voltage	100332	101151	101892
			(MW)	
17 (a)	Connected load	5295	5566	5894
			(KW)	
(b)	Load awaiting energisation	601977	646148	690200

Sl. No.	Particulars	1992-93	1993-94	1994-95 (Provisional)
			(Number)	
18.	Consumers	2843656	2973476	3067838
19.	Employees	51558	54452	53829
			(Rupees in lakhs)	
20.	Total expenditure on staff	19451.63	22399.98	24871.70
			(Per cent)	
21.	Percentage of expenditure on staff to total revenue expenditure	20.7	20.0	20.2
22.	Break-up of sale of energy according to category of consumers		(MKWH)	
(a)	Agricultural	4062.704	3959.110	3653.415
(b)	Industrial	1914.327	1719.231	1884.892
(c)	Commercial	226.769	221.718	245.691
(d)	Domestic	1485.593	1549.745	1550.253
(e)	Others*	935.432	866.346	841.551
	Total	**8624.825**	**8316.150**	**8175.802**
			(figures in paise)	
23	(a) Revenue per KWH**	87.60	103.00	121.67
	(b) Expenditure per KWH***	127.68	155.45	173.02
	(c) Loss per KWH	40.08	52.45	51.35

1.5 Haryana Financial Corporation

1.5.1 The paid-up capital of the Corporation as on 31 March 1995 was Rs.17.42 crores (State Government : Rs.12.74 crores; Industrial Development Bank of India : Rs.4.33 crores; Others : Rs.0.35 crore) as

* Includes free supply to Board's staff and officers.

** The revenue per KWH sold has bēn arrived at after excluding subsidy from State Government on account of rural electrification losses.

*** This includes charges on account of depreciation and interest.

against Rs.17.58 crores as on 31 March 1994 (State Government : Rs.12.74 crores; Industrial Development Bank of India : Rs.4.33 crores; others : Rs.0.51 crore).

1.5.2 The State Government had guaranteed the repayment of Rs.17.42 crores of share capital and payment of minimum dividend thereon at three to five *per cent* under Section 6(i) of the Act, ibid.

Government had also guaranteed the repayment of market loans (through bonds) of Rs.95.10 crores raised by the Corporation. Amount of principal outstanding thereagainst as on 31 March 1995 was Rs.95.10 crores.

1.5.3 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1993-94:

Sl. No.	Particulars	1991-92	1992-93	1993-94
		(Rupees in crores)		
A.	**Liabilities**			
1.	Paid-up capital	12.21	15.91	17.58
2.	Reserve fund, other reserves and surplus	16.29	13.04	14.67
3.	Borrowings			
	(i) Bonds	58.63	74.58	91.59
	(ii) Others	86.83	131.58	196.13
4.	Other liabilities and provisions	10.36	17.83	9.25
	Total-A	**184.32**	**252.94**	**329.22**
B.	**Assets**			
1.	Cash and bank balances	4.90	7.85	10.15
2.	Loans and advances	176.20	240.49	312.14
3.	Net fixed assets	0.33	0.30	0.67
4.	Other assets	2.89	4.30	6.26
	Total-B	**184.32**	**252.94**	**329.22**
C.	**Capital employed***	**157.14**	**200.97**	**273.98**
D.	**Capital invested****	172.04	229.81	314.30

* Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, reserves and borrowings.

** Capital invested represents paid-up capital plus long-term loans plus free reserves.

1.5.4 The following table gives details of the working results of the Corporation for each of the three years up to 1993-94:

Sl. No.	Particulars	1991-92	1992-93 (Rupees in crores)	1993-94
1.	**Income**			
(a)	Interest on loans and advances	17.52	23.06	36.13
(b)	Other income	1.06	1.39	1.44
	Total-1	**18.58**	**24.45**	**37.57**
2.	**Expenditure**			
(a)	Interest on long-term loans	12.20	17.72	29.48
(b)	Other expenses	3.75	4.06	6.15
	Total-2	**15.95**	**21.78**	**35.63**
3.	Profit before tax	2.63	2.67	1.94
4.	Provision for tax	0.73	0.74	0.71
5.	Other appropriations	1.60	1.93	1.23
6.	Amount available for dividend	0.30	-	-
7.	Dividend paid	0.30	-	-
8.	Total return on :			
	- Capital employed	14.83	20.39	31.42
	- Capital invested	14.83	20.39	31.42
9.	Percentage return on :			
	- Capital employed	9.4	10.1	11.5
	- Capital invested	8.6	8.9	10.0

1.5.5 The operational performance of the Corporation in the disbursement/ recovery of loans during each of the three years up to 1993-94 is indicated below :

Sl. No.	Particulars	1991-92		1992-93		1993-94		Cumulative	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
		(Amount in crores of rupees)							
1.	Applications pending at the beginning of the year	166	26.97	239	69.59	186*	72.13*	-	-
2.	Applications received	1188	203.31	1124	169.95	1039	162.81	15910	1277.14
3.	Total	1354	230.28	1363	239.54	1225	234.94	16335	1418.86
4.	Applications sanctioned	741	114.41	990	172.46	792	134.33	11230	840.29
5.	Applications withdrawn/ rejected	374	46.28	214	17.18	252	53.62	4526	374.50
6.	Applications pending at the close of the year	239	69.59	159	49.90	181	46.99	340	96.89
7.	Loans disbursed	694	51.67	650	91.82	623	155.18	9577	542.68
8.	Amount outstanding at the close of the year	4116	175.41	4324	239.70	4906	311.38	4906	311.38
9.	Amount overdue for recovery at the close of the year	1512	49.03	1912	88.36	1559	103.09	1559	31.24
10.	Percentage of default to total loans outstanding	-	28.0	-	36.9	-	33.1	-	-

* Includes 27 applications amounting to Rs.22.23 crores which were in transit as on 31 March 1993.

1.6 Haryana Warehousing Corporation

1.6.1 The paid-up capital of the Corporation, as on 31 March 1994 and also as on 31 March 1995 was Rs.5.84 crores (State Government : Rs.2.92 crores; Central Warehousing Corporation : Rs.2.92 crores).

1.6.2 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1994-95:

Sl. No.	Particulars	1992-93	1993-94 *(Rupees in crores)*	1994-95
A.	**Liabilities**			
1.	Paid-up capital	5.84	5.84	5.84
2.	Reserves and surplus	40.38	51.33	71.86
3.	Borrowings	3.08	11.83	21.22
4.	Trade dues and current liabilities	10.80	12.87	14.09
	Total-A	**60.10**	**81.87**	**113.01**
B.	**Assets**			
1.	Gross block	28.71	30.01	32.61
2.	Less: depreciation	6.03	6.68	7.39
3.	Net fixed assets	22.68	23.33	25.22
4.	Capital works-in-progress	0.60	0.69	1.39
5.	Investment	1.00	1.00	1.00
6.	Current assets, loans and advances	35.82	56.85	85.40
	Total - B	**60.10**	**81.87**	**113.01**
C.	**Capital employed***	**47.70**	**67.31**	**96.53**
D.	**Capital invested****	**46.77**	**56.99**	**74.35**

* Capital employed represents net fixed assets plus working capital.

** Capital invested represents paid-up capital plus free reserves plus long-term loans.

1.6.3 The following table gives details of the working results of the Corporation for each of the three years up to 1994-95:

Sl. No.	Particulars		1992-93	1993-94 (Rupees in crores)	1994-95
1.	**Income**				
	(i)	Warehousing charges	6.50	10.23	18.36
	(ii)	Other receipts	3.19	10.58	12.26
		Total-1	**9.69**	**20.81**	**30.62**
2.	**Expenditure**				
	(i)	Establishment charges	3.10	3.48	3.94
	(ii)	Interest	0.50	0.52	0.44
	(iii)	Other expenses	2.37	5.38	5.28
		Total - 2	**5.97**	**9.38**	**9.66**
3.	Profit before tax		3.72	11.43	20.96
4.	Previous year adjustment (Net)		(+)0.98	(+)0.15	(+)0.15
5.	Other appropriations (excluding profit transferred to Balance Sheet)		4.70	11.58	21.11
6.	Dividend paid		0.58	0.58	0.58 (payable)
7.	Return on capital employed (2(ii)+3)		4.22	11.95	21.40
8.	Percentage of return on capital employed		8.8	17.8	22.2

1.6.4 The following table gives details about the operational performance of the Corporation during each of the three years up to 1994-95:

Sl. No.	Particulars	1992-93	1993-94	1994-95
			(Number)	
1.	Number of stations covered	103	104	105
2.	Storage capacity created up to the end of the year:		**(Lakh tonnes)**	
	(a) Owned	5.67	5.71	7.25
	(b) Hired	2.56	3.96	4.27
	Total	**8.23**	**9.67**	**11.52**
			(Number)	
3.	Average storage capacity* utilised during the year	5.39	8.56	10.76
			(Per cent)	
4.	Percentage of utilisation of average capacity	66.0	88.5	93.4
			(Rupees)	
5.	Average expenses per tonne	112.62	109.58	89.78
6.	Average income per tonne	179.78	243.11	284.57

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

During the year 1994-95, the COPU completed discussion of all the 50 paragraphs (6 reviews and 44 paragraphs) of the Audit Report (Commercial) for the years 1989-90 and 1990-91. Position of discussion

* Includes that of godowns closed during the respective years.

of Audit Reports pending in the COPU as on 31 March 1995 is shown below:

Year	Pending Discussion		No. of paras to which replies received from Companies/ Corporations/Board	
	Reviews	**Paras**	**Reviews**	**Paras**
1991-92	3	18	-	17
1992-93	3	17	1	5
1993-94	3	20	1	2

Report for the year 1993-94 was placed before the State Legislature on 6 March 1995. Paras on Audit Reports 1991-92 to 1993-94 will be discussed during the year 1995-96.

In respect of Audit Reports (Commercial) discussed in the COPU up to 1990-91, 236 recommendations were pending for final follow up action by Government as on 31 March 1995.

Chapter - II

Reviews on the working of selected Government companies

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Reviews on the working of selected Government companies

Chapter II

Section - 2

Reviews relating to Government companies

This chapter contains reviews on the working of the following companies:

Haryana State Small Industries and Export Corporation Limited

Haryana Harijan Kalyan Nigam Limited

2A. HARYANA STATE SMALL INDUSTRIES AND EXPORT CORPORATION LIMITED

Highlights

The Company was incorporated on 19 July 1967 with the object to assist small and medium scale industries in the State.

(Paragraph 2A.1)

The accumulated loss of Rs.55.52 lakhs as on 31 March 1994 had eroded 47 per cent of the paid-up capital of the company. The losses during 1992-93 and 1993-94 were mainly due to liberalisation by Central Government in the policy of distribution of raw materials (Iron and Steel), uneconomic working of Rural Industries Scheme and export division.

(Paragraph 2A.6)

Of the 15 raw material depots run by the company 14 earned profit during 1991-92. However, eight depots during 1992-93 and nine depots during 1993-94 started incurring losses. The gross loss of loss incurring depots amounted to Rs.17.89 lakhs during the two years up to 1993-94. The Company did not take remedial action to make these depots viable.

(Paragraph 2A.7.2)

During five years up to 1993-94, the company recovered Rs.65.75 lakhs due to demurrage, wharfage and shortages of material from Small Scale Industrial units in contravention of the laid down policy of Central Government (Joint Plant Committee) and advice of the State Government.

(Paragraph 2A.7.3)

The volume of exports transacted by the Company as compared to the total exports from the State was a meagre 0.1 to 0.7 per cent during the five years up to 1993-94. The Company incurred gross loss of Rs.11.03 lakhs during 1992-93 and 1993-94 on its export promotion activity.

(Paragraph 2A.8)

Due to defective agreement and inept handling of a transaction for export of deformed steel bars,the Company had suffered an avoidable loss of Rs 51.70 lakhs.

(Paragraph 2A.8.2)

Seven out of ten visits abroad by the Company's officials during the five years up to 1993-94, involving expenditure of Rs.16.73 lakhs, had fetched business of Rs.0.02 lakh only.

(Paragraph 2A.8.3)

The contribution of the Company in providing marketing assistance to the SSI units was negligible as it was confined to 0.42 to 2.02 per cent of the units registered with the Company during five years up to 1993-94.

(Paragraph 2A.10)

The Company suffered a loss of Rs.86.64 lakhs during 1992-93 and 1993-94 on its activities under the Rural Industries Scheme as it could not keep the expenditure within the grants in view of the decrease in grants by the State Government since 1982-83.

(Paragraph 2A.11)

2A.1 Introduction

The Company was incorporated on 19 July 1967 as a Government company with a view to assist the small and medium industries in the State.

2A.2 Objectives

The main objects of the Company are to:

- establish, promote or otherwise assist and protect the interest of small and medium scale industries within the State;
- develop, establish, run industrial estates and emporia within the State;
- carry on the business of export and import of goods which may be required for industrial development of the State; and
- carry on and execute all kinds of financial, commercial, trading or other operations.

In pursuance of the above objects the Company undertook the following activities from time to time:

- Procurement and distribution of scarce raw material;
- Marketing assistance to small scale industries (SSI) units;
- Export promotion;
- Setting up of emporia for sale of handloom, handicrafts and other goods;
- Development of handlooms and handicrafts through training-cum-production centers;
- Promotion of rural industries (RI), and
- Distribution of liquor through (whole sale) L-I to various retailers.

2A.3 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 1988-89 (Commercial) - Government of Haryana. The review was discussed (December 1993) by the Committee on Public Undertakings (COPU) and their recommendations are contained in the thirty-seventh report presented to the State Legislature in March 1994. The Company has not intimated (August 1995) the action taken on the recommendations of the COPU.

The present review, conducted during the period October 1994 to February 1995, covers the working of the Company during the five years up to 1993-94.

2A.4 Organisational set-up

As on 31 March 1994, the Board consisted of 12 Directors (maximum number) including one nominee Director each of Small Industrial Development Bank of India (SIDBI) and Government of India. Five official and five non-official Directors are appointed by the State Government. The Managing Director is the Chief Executive of the Company and is assisted in his day-to-day work by a Chief General Manager and four General Managers.

There had been frequent changes in the incumbency of the post of Managing Director. During November 1987 to August 1994, nine officials held the post and period of their terms ranged between 2 and 18 months.

2A.5 Finance and resources

2A.5.1 Share capital

The authorised capital of the Company as on 31 March 1994 was Rs.150 lakhs consisting of 1.50 lakh equity shares of Rs.100 each. The paid-up capital as on 31 March 1994 was Rs.117.95 lakhs (State Government: Rs.107.95 lakhs and All India Handicrafts Board: Rs.10 lakhs).

2A.5.2 Borrowings

The Company had obtained loans from SIDBI under raw material and marketing assistance scheme and as on 31 March 1994, Rs.187.50 lakhs were outstanding on that account.

2A.5.3 Cash credit facility

The Company made arrangements for availing of cash credit facility from a commercial bank by hypothecation of stocks of raw material up to the maximum limit of Rs.7.50 crores for meeting its working capital requirements. Interest paid each year on cash credit during the five years up to 1993-94 ranged between Rs.19.89 lakhs and Rs.24.80 lakhs. As on 31 March 1994, the balance outstanding in the cash credit account stood at Rs.656.62 lakhs.

2A.6 Financial position and working results

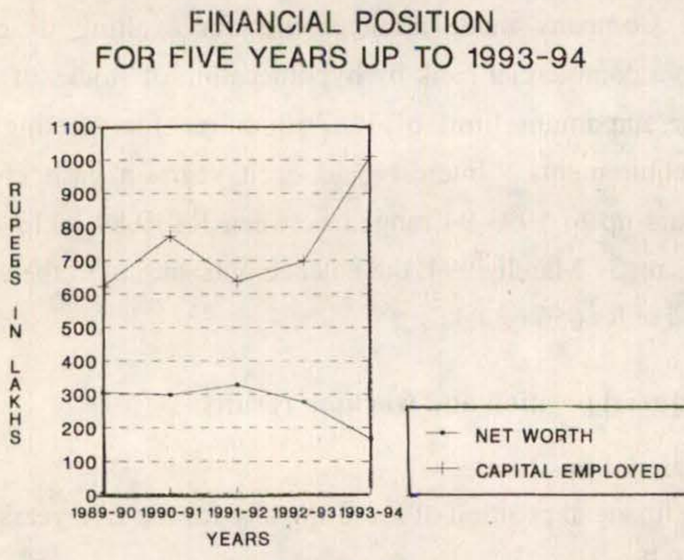
2A.6.1 Financial position

The financial position of the Company for the five years up to 1993-94 was as follows:

Serial number	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
				(Rupees in lakhs)		
A.	**LIABILITIES**					
(a)	Paid-up capital	85.75	95.75	95.75	110.75	117.95
(b)	Reserves and surplus:					
(i)	Capital reserve	115.93	91.05	103.22	105.62	104.91
(ii)	General reserve	103.67	111.22	129.67	60.87	-
(c)	Borrowings	316.75	475.45	309.36	421.35	844.12
(d)	Trade dues and other current liabilities (including provisions)	933.57	858.20	1144.04	826.19	1445.59
	Total A	**1555.67**	**1631.67**	**1782.04**	**1524.78**	**2512.57**
B.	**ASSETS**					
(a)	Gross block	179.96	166.14	173.25	245.22	242.64
(b)	Less: depreciation	40.88	41.32	44.66	59.42	63.35
(c)	Net fixed assets	139.08	124.82	128.59	185.80	179.29
(d)	Investments	0.70	0.70	0.70	0.70	0.70
(e)	Current assets, loans and advances	1415.89	1506.15	1652.75	1338.28	2277.06
(f)	Accumulated loss	-	-	-	-	55.52
	Total B	**1555.67**	**1631.67**	**1782.04**	**1524.78**	**2512.57**
C.	**Capital employed***	**621.40**	**772.77**	**637.30**	**697.89**	**1010.76**
D.	**Net worth****	**305.35**	**298.02**	**328.64**	**277.24**	**167.34**

* Capital employed represents net fixed assets plus working capital.

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



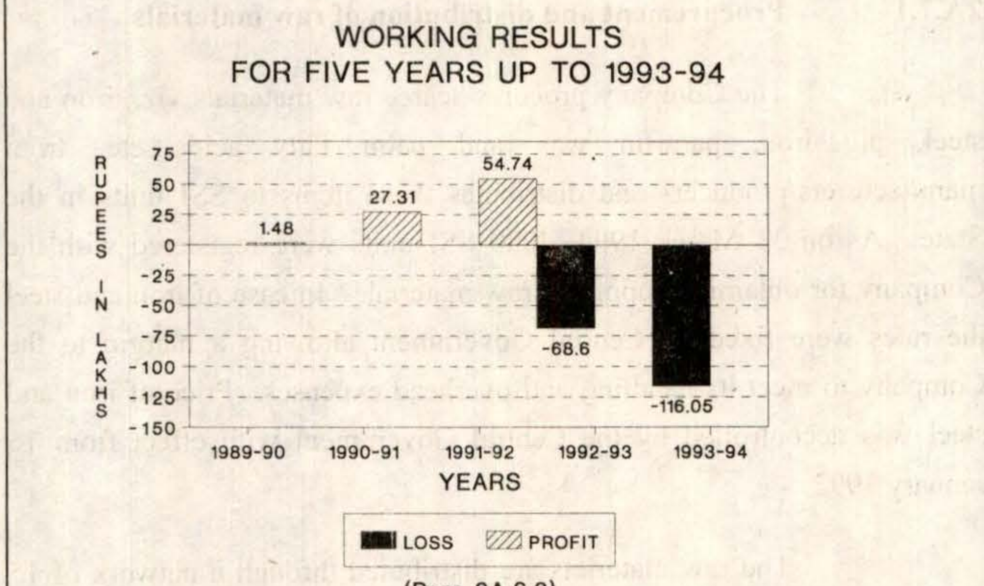
(Para 2A.6.1)

Accumulated loss (Rs.55.52 lakhs) had eroded 47 ***per cent*** of paid-up capital (Rs.117.95 lakhs) of the Company up to 1993-94.

2A.6.2 Working results

The working results of the Company for the five years up to 1993-94 were as under:

Serial number	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
				(Rupees in lakhs)		
A.	**INCOME**					
(a)	Sales	3747.20	4971.18	6434.58	4705.94	6451.13
(b)	Other income	44.43	35.30	50.75	44.11	71.31
(c)	Grants received from Government and its agencies	58.44	56.71	69.29	32.00	39.33
(d)	Accretion(+)/ decretion(-) to stock	(+)245.48	(-)164.94	(-)219.12	(+)159.81	(+)547.78
	Total 'A'	**4095.55**	**4898.25**	**6335.50**	**4941.86**	**7109.55**
B.	**EXPENDITURE**					
(a)	Purchases	3776.13	4530.11	5874.95	4574.84	6791.99
(b)	Other expenses	272.54	290.16	352.72	385.71	384.22
(c)	Interest	45.40	50.67	53.09	49.91	49.39
	Total `B'	**4094.07**	**4870.94**	**6280.76**	**5010.46**	**7225.60**
(C)	**Profit(+)/Loss(-)**	**(+)1.48**	**(+)27.31**	**(+)54.74**	**(-)68.60**	**(-)116.05**



(Para 2A.6.2)

The Board in its reports to the shareholders for the years 1992-93 and 1993-94 attributed the losses to liberalization in the policy of distribution of raw materials by the Central Government in January 1992 and inability of the Company to export rice to the middle-east countries due to certain political reasons. It was, however, seen in audit that prior to 1992-93, export of rice (Rs.3.46 crores) was only to the United Kingdom during 1991-92 and never to the middle-east countries.

According to an analysis made in audit following factors also contributed to the losses during the two years ending March 1994:

- ***Expenditure incurred by the Company in Rural Industries Scheme during the two years up to 1993-94 was more than the grants received from the Government resulting in loss of Rs.86.40 lakhs (1992-93: Rs.49.42 lakhs and 1993-94: Rs.36.98 lakhs).***
- ***Taking up of unviable trading activity of distribution of liquor during 1993-94 resulting in loss of Rs.3.86 lakhs.***
- ***Uneconomic working of the export division resulting in loss of Rs.11.03 lakhs during the years 1992-93 and 1993-94.***

2A.7 Appraisal of activities

2A.7.1 Procurement and distribution of raw materials

The Company procures scarce raw materials viz., iron and steel, pig iron, paraffin wax and palm fatty acids etc. from manufacturers/producers and distributes these items to SSI units in the State. As on 31 March 1994, 4080 SSI units were registered with the Company for obtaining supply of raw materials. In case of iron and steel the rates were fixed by Central Government allowing a margin to the Company to meet its handling and overhead expenses. Price of iron and steel was decontrolled by the Central Government with effect from 16 January 1992.

The raw materials are distributed through a network of 15 depots spread out mostly at district levels throughout the State. The Company also handles zinc and other non-ferrous metals on agency basis.

2A.7.1.1 Iron and steel and pig iron

The Company is required to procure the material according to requirement of SSI units. The table given below indicates details of quantities of iron and steel and pig iron indented, allocated by Joint Plant Committee (JPC) and lifted by the Company during five years up to 1993-94.

Year	Quantity					Percentage of quantity	
	Indented	Allo-cated	Lifted	Short-lifted	Sold to SSI	Allo-cated to quan-tity indented	Lifted to quantity allocated
	(In thousand metric tonnes)						
1989-90	168	59	34	25	37	35	58
1990-91	174	56	44	12	51	32	79
1991-92	250	61	52	9	54	24	85
1992-93	273	68	38	30	38	25	56
1993-94	297	66	42	24	39	22	64
Total	**1162**	**310**	**210**	**100**	**219**		

It may be seen that though the quantity allocated each year ranged between 22 and 35 ***per cent*** of the quantity indented, the Company was able to lift only 56 to 85 ***per cent*** of the quantities allocated.

The Management stated (July 1995) that the lifting was done considering the market trends. The reply is not convincing because the quantity indented was 1162 M.T. which was the requirement of SSI units but was met only to the extent of 210 M.T.

2A.7.2 Working of raw material depots

The Company was running 15 raw material depots in the State for receiving supplies of raw materials and its sale to SSIs. In addition, three agencies at Jagadhri, Faridabad and Chandigarh, were handling materials of Hindustan Zinc Limited and Hindustan Copper Limited. The Company had not prepared the working results of the depots showing the viability of each depot. Based on the margin earned on sales and expenditure, operational results of the depots as worked out in audit for three years up to 1993-94 are tabulated below:

Gross profit of seven and eight depots was not sufficient even to cover expenditure on salary during the two years up to 1993-94

Year	Number of depots earning profit	Gross* profit in lakhs of rupees	Number of depots incurring loss	Amount of of gross loss	Overall profit
				(Rupees in lakhs)	
1991-92	14	107.47	1	0.24	107.23
1992-93	7	36.56	8	6.45	30.11
1993-94	6	45.27	9	11.44	33.83

After decontrol in the price of Iron and Steel in January 1992 number of loss incurring depots increased from one in 1991-92 to nine in 1993-94. The sale of these depots had also dropped. The above profit (which does not take into account the Head Office expenditure) is to be viewed in the light of the fact that the Company had paid interest of Rs.53.09 lakhs, Rs.49.91 lakhs and Rs.49.39 lakhs during the above three

* Includes Rs.5.07 lakhs, Rs.5.72 lakhs and Rs.10.27 lakhs representing agency commission during three years, respectively, in respect of Faridabad depot.

years, respectively, chargeable mainly to the raw material activity. It was noticed in audit that margin on sale of materials handled by seven and eight depots was not sufficient even to cover expenditure on salary during the years 1992-93 and 1993-94, respectively. No action to make these depots viable was taken by the Company.

The Board of Directors approved (March 1994) closure of two depots at Kurukshetra and Mandi Dabwali in order to curtail the loss to some extent. The decision was, however, deferred by the Board in June 1994 in view of representations received from the Industrial Associations of the concerned stations without taking measures to make them viable. It was seen in audit that these depots had suffered further losses amounting to Rs.3.29 lakhs (Kurukshetra: Rs.2.23 lakhs and Dabwali: Rs.1.06 lakhs) from April 1994 to November 1994.

The Management stated (July 1995) that efforts would be made to ensure that all the depots were economically viable.

2A.7.3 Charging of higher rates for pig iron from SSIs

The Joint Plant Committee (JPC) of Central Government had been allowing to the Company, a margin to meet its handling and overhead expenses in respect of sale of pig iron. The Company was, however, recovering shortages, demurrage and wharfage by including these elements in the issue rates charged from SSIs inspite of the fact that such charges stood already included in the margin allowed to the Company.

Rs.65.75 lakhs on account of demurrage , wharfage and shortages etc. recovered from SSI units against the provisions

This practice of including shortage and demurrage/wharfage while calculating the issue rate for sale of pig iron to SSIs was stopped from September 1986 on the advice (May 1985) of the State Government. The Company, without referring the matter to the State Government, revived the practice from February 1988 on the plea that non-inclusion of these elements in the issue rate, had caused a loss of Rs.7.71 lakhs from September 1986 to February 1988. During five years up to 1993-94, Rs.1.61 lakhs and Rs.64.14 lakhs on account of demurrage/wharfage and shortages, respectively, had been recovered from SSIs in contravention of the advice of the State Government and policy of JPC.

The Management stated (July 1995) that the charges on account of shortages, demurrage, wharfage etc., were added to the issue rates as the material was procured on behalf of SSIs who had to bear the same when they bring material by wagon loads from the plant. The reply is not tenable in view of the policy of JPC and advice of the State Government.

2A.7.4 Shortage of raw materials

Shortage of raw materials valued at Rs.15.34 lakhs noticed at the time of sale of stock items at various depots relating to the years 1986-87 to 1991-92 had been debited to concerned officials. The Company had issued charge sheets to 25 officials in June 1992 for explaining their position relating to shortages valued at Rs.8.06 lakhs up to 1990-91. Though replies to the charge sheets had been received between June 1992 and December 1992, further action to make the loss good had not been taken (April 1995). The Company had not taken any action to investigate the remaining shortages valued at Rs.7.28 lakhs up to 1991-92. The Management stated (July 1995) that the matter regarding the causes of the shortages was under consideration. Further developments were awaited (August 1995).

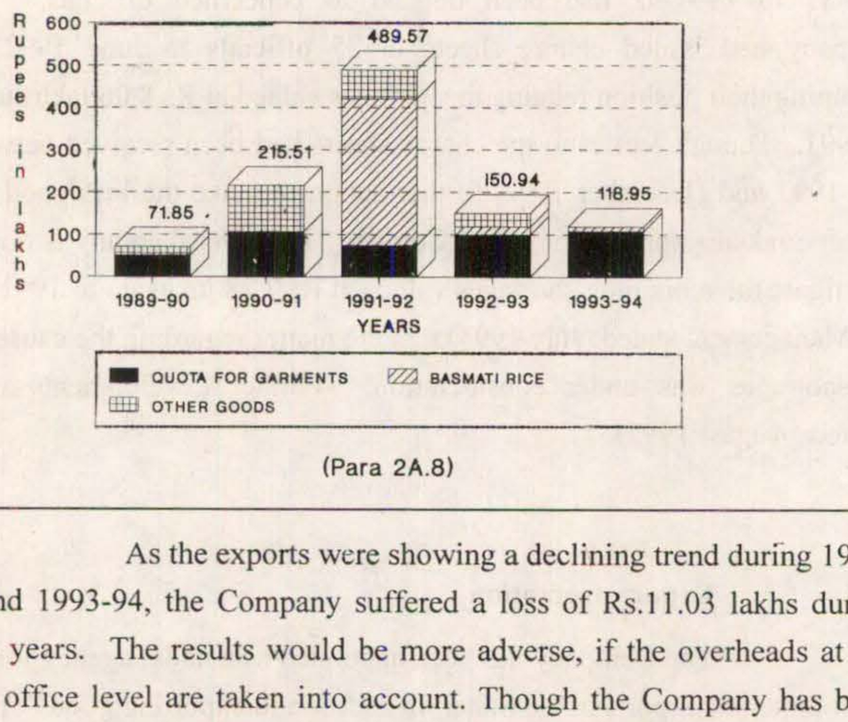
2A.8 Export promotion

The Company has been appointed as a nodal agency for the development of exports in the State. In addition to exporting goods itself, the Company helps industrial units of the State in promoting their exports in the international market. The Company had not worked out the profitability of this activity, though it has been engaged in exports, promotion of export since inception i.e. July 1967. The table ~~below~~

below indicates volume of exports and gross profit/loss on exports as worked out in audit, during five years up to 1993-94.

Year	Value of exports: Against quota for garments	Basmati rice	Other goods	Total	Export expenses including value of purchases and direct salaries of Export Wing	Profit(+)/ loss (-)
	(Rupees in lakhs)					
1989-90	50.94	-	20.91	71.85	67.38	(+) 4.47
1990-91	106.42	-	109.09	215.51	196.20	(+)19.31
1991-92	74.47	345.82	69.28	489.57	489.33	(+) 0.24
1992-93	99.51	19.10	32.33	150.94	155.33	(-) 4.39
1993-94	107.66	11.29	-	118.95	125.59	(-) 6.64
Total	**439.00**	**376.21**	**231.61**	**1046.82**	**1033.83**	**(+)12.99**

VALUE OF EXPORTS
DURING 1989-90 TO 1993-94



(Para 2A.8)

As the exports were showing a declining trend during 1992-93 and 1993-94, the Company suffered a loss of Rs.11.03 lakhs during these years. The results would be more adverse, if the overheads at the head office level are taken into account. Though the Company has been making projections for exports, reasons for variance between targets and actual performance were not being analysed.

Against the total export of the State the contribution of the Company was negligible as it ranged between 0.1 and 0.7 ***per cent*** during five years up to 1993-94. Out of the total exports (except rice) worth Rs.670.61 lakhs, 72 ***per cent*** of the commodities originated from the States other than Haryana. Export of Basmati rice came down to Rs.19.10 lakhs in 1992-93 and Rs.11.29 lakhs in 1993-94 as against Rs.345.82 lakhs in 1991-92. This was stated to be due to inability of the Company to export to middle east countries due to political reasons.

It was noticed in audit that decrease in exports was due to loss of status of 'Export House' by the Company from 1989-90 and onwards on account of lesser exports. The manufacturers were reluctant to export their goods through the Company as the Company could not give income tax disclaimer certificate to them in the absence of said status. The status of 'Export House' was again granted to the Company because the Central Government (August 1993) had declared all the State Export Corporations as export houses. According to the Management (February/July 1995) recession in European market etc. was also responsible for decrease in volume of exports in addition to the above.

2A.8.1 Avoidable loss due to defective agreement

The Company entered into an agreement (January 1990) with M/s Bala's, New Delhi for arranging export of readymade garments under its Past Performance Entitlement (PPE) quota 1990. Terms and conditions of the agreement, ***inter alia***, provided that:

- ***the Company would receive a commission of 10 per cent on floor prices fixed by the Central Government for PPE allotment.***

- ***the firm would furnish a bank guarantee of Rs.7.35 lakhs (10 per cent of PPE) to cover the risk of the Company for not executing the total allocation of PPE worth Rs.73.50 lakhs.***

- ***the Company would keep import replenishment licences granted for the export against the PPE quota.***

The agreement did not contain any clause for compensation for non-fulfillment of export obligations. It was noticed in audit that the firm furnished bank guarantee of Rs.4.02 lakhs only against Rs.7.35 lakhs. Against the allocation of exports for Rs.73.50 lakhs, the firm could export only goods worth Rs.6.45 lakhs. The Company recovered its commission (Rs.7.35 lakhs) by invoking bank guarantee (Rs.4.02 lakhs) and deducting Rs.3.33 lakhs from the sum payable to the firm.

As per agreement the Company was to keep import replenishment licences for the quantity exported. During the year 1990, such licences were sold at a premium of 20 ***per cent***. The Company could export additional quantity of garments worth Rs.6.84 lakhs through another party. The balance quantity (Rs.60.21 lakhs) could not be exported on which it lost premium of Rs.2.27 lakhs (taking into account Rs.0.41 lakh earned on export of additional quantity). Thus, due to inadequate agreement, the Company suffered loss of Rs.2.27 lakhs.

The Management stated (July 1995) that in the absence of any compensation clause in the agreement, it had withheld Rs.1.13 lakhs of the firm and after this experience started watching the progress of associate manufacturers and collecting bank guarantee as per agreement before actual commencement of business.

2A.8.2 Loss in export of deformed steel bars

Defective agreement and inept handling of exports led to a loss of Rs.51.70 lakhs

The Company entered into an agreement (July 1993) with a New Delhi firm for export of 1000 MT of deformed steel bars worth US dollars 272,000 to a Singapore buyer on which the Company was to get eight ***per cent*** commission on *f.o.b.* value. In the proposal approved by the Board (June 1993) it was stated that all export expenses would be borne by the firm. Profit of Rs.7.15 lakhs by way of commission was anticipated (June 1993).

Terms and conditions of agreement, *inter alia* included that:

- ***the firm would organise and arrange procurement and export of deformed steel bars. The firm would adhere to the time schedule for export and default would rest on the firm.***

- ***the firm would give performance guarantee of Rs.20 lakhs or hypothecate/pledge 20 acres of unencumbured agriculture land and the Company would be entitled to recoup shortfall in commission upto Rs.five lakhs from disposal of the mortgaged land.***

1000 MTs of bars were purchased (August 1993) by the Company for Rs.101.28 lakhs before shipping arrangements were made. Due to delayed arrangement of ship, export to the Singapore buyer could not be made. Thereafter, the goods were exported to Burma on *c.i.f.* terms in March 1994 and Rs. 99.17 lakhs were realised (June 1994) by the Company against the expenditure of Rs. 150.87 lakhs entailing loss of Rs.51.70 lakhs.

The following points were noticed in audit:

(i) The agreement did not contain any clause to make the firm liable for the losses, if any, in the deal. It also did not bring out the limit of financial involvement of the Company and the firm. The Compnay continued to incur expenses without any contribution from the firm.

(ii) The Company had made the firm liable for payment of its commission upto Rs.5 lakhs only though it was submitted to the Board in June 1993 that a performance guarantee of Rs.20 lakhs would be taken in favour of the Company.

(iii) As per agreement, the firm was to arrange export after organising and arranging procurement of bars which implied that the hipping arrangements were to be made by the firm. But this aspect was not clearly defined in the agreement. The Company did not include any penal clause to safeguard its financial interest by making the firm liable for extra expendure on delayed shipments.

(iv) The bars were sent to Kandla port instead of Bombay for reasons not on record, though the Singapore buyer had informed (June 1993) that for 1000 MTs cargo arranging a vessel from Kandla port was difficult. Moreover, while confirming the supply, the Company had quoted its price *f.o.b* Bombay.

(v) The mortgage deed executed in July 1993 for 20 acres of agricultural land had not been got registered in the court (July 1995). In the absence of registration, the recovery of commission of Rs.five lakhs is doubtful.

Defective agreement and improper planning on the part of the Management had resulted in loss of Rs. 51.70 lakhs to the Company.

While admitting the defects in the agreement and inept handling of the case, the Company constituted (November 1994) a sub-committee of four Directors for indepth study of the case.

The Management stated (July 1995) that two meetings of the sub-committee had been held in December 1994 and May 1995. Final developments were awaited (August 1995).

2A.8.3 Foreign visits

In order to explore markets for exports from the State and to boost business, the Company participates in international trade fairs and the officers undertake export promotion visits to foreign countries.

COPU in their nineteenth report presented to the State Legislature in March 1985, had recommended that before making any visit by an officer of the Company, proper planning, programme and targets for getting business should be fixed and achievement of such visits evaluated and assessed thereagainst and in case of non-fulfillment of targets/orders booked on such visits, responsibility of the officer should be fixed for such failure.

Expenditure on foreign visits: Rs.16.73 lakhs, buisness fetched: Rs.0.02 lakh.

Exact break-up of business transacted by visiting individual country on a single trip was not worked out by the Company. In the absence thereof, effectiveness of a visit to a particular country was not susceptible to verification. It was, however, observed that **seven** out of **ten** visits abroad during the period from 1989-90 to 1993-94 involving expenditure of Rs.16.73 lakhs had fetched business of Rs.0.02 lakh only. The Company had not fixed any responsibility for failure of these visits even in the face of the recommendations of COPU.

The Management stated (July 1995) that no responsibility had been fixed as the officers submitted their tour reports to the Board of Directors wherein they gave full justification of the visit.

The following points were noticed in this regard:

(a) Avoidable loss due to non-refund of participation charges

On a proposal (January 1993) from India Trade Promotion Organisation (ITPO), the Company decided (March 1993) to participate in Buyer-Seller meet, Tokyo to be held from 30 August 1993 to 2 September 1993. Total participation charges were fixed by ITPO at Rs.1.36 lakhs. Rules for the participation, ***inter alia***, provided that the participation charges would be refunded in case of withdrawal of participation before selection of participants by ITPO.

Conveying its decision for participation in the meet, the Company informed ITPO (March 1993) that the participation charges would be remitted after approval from the State Government. It was, however, noticed in audit that though the Company had sent participation fee in May 1993 and its selection for the meet was conveyed in June 1993, Government's approval was sought on 19 August 1993, just before 11 days of the holding of the meet. The Government did not approve (August 1993) the participation. On being requested by the Company (August 1993), ITPO refused (September 1993) to refund the participation charges on the ground of last minute withdrawal by the former.

Delayed action on the part of the Management had, thus, resulted in a loss of Rs.1.38 lakhs (including Rs.0.02 lakh on visas and cancellation fee of tickets). The Government had asked (October 1994) the Company for fixation of responsibility for the loss; responsibility had not been fixed (July 1995).

The Management stated (July 1995) that in future Government's approval would be obtained before remittance of participation charges.

(b) Unjustified expenditure on visit abroad

The Company got reserved (April 1993) 12 square metre space through ITPO for participating in the HEIMTEXTIL - International Trade Fair to be held at Frankfurt (Germany) from 12 to 15 January 1994. It was anticipated by the Company that participation in the fair would yield a business of Rs.20 lakhs thereby generating profit of Rs.4 lakhs. In August 1993, Association of Corporations and Apex Societies of Handlooms, Ministry of Textiles (ACASH) invited the Company for participation in the same fair and offered to bear 75 ***per cent*** of air-fare and daily allowance (DA) for one participant in addition to entire expenses of stall rent, display etc. The Company decided (November 1993) to participate in the fair by deputing its three representatives - one through ACASH and two at its own expenses by installing two stalls on the plea that participation in the fair through ACASH was as a supplier and not as an exporter. The participants also visited France and Spain and an expenditure of Rs.6.10 lakhs (including space rent of Rs.0.85 lakh for Company's own stall) was incurred of which Rs.0.72 lakh (being 75 ***per cent*** of air-fare and DA of one participant) was reimbursed by ACASH. Against anticipated business of Rs.20 lakhs, the Company could not get any business due to the reported heavy recession in Europe. The following points were also noticed in audit:

(i) In the tour report submitted to the Board in March 1994, it was stated that the main aim of participation was not to procure export business only but was to develop export of handloom products from the State whereas in the proposal submitted to the Government for travel abroad (October 1993), business of Rs.20 lakhs (profit: Rs.4 lakhs) was anticipated.

(ii) Participation of three representatives in the fair is to be viewed in the light of the fact that only one officer of the Company had participated in HEIMTEXTIL Fair in Frankfurt (January 1992) and STAR fair in Milan (October 1992) and a business of Rs.24.68 lakhs was obtained in HEIMTEXTIL fair. Keeping in view the past practice, only one representative could have been deputed apart from one deputed through ACASH, which could have resulted in a saving of Rs.1.54 lakhs. In reply the Management stated (July 1995) that the Company had decided to participate in Trade fairs/exhibitions after ascertaining the position of specific market. It was further stated that all out efforts would be made to ensure that some results were achieved keeping in view the expenditure involved. The Company, however, did not furnish any justification for participation by three officers.

(c) Loss due to defective agreement

On the recommendations of PHD Chambers of Commerce and Industries (PHDCCI), the Company participated in Ohio State Fair, Columbus held in August 1988 after getting approval from its Board of Directors on 29 June 1988. Profit of Rs.1.50 lakhs had been anticipated in the participation by taking handloom goods, garments, gift items etc. worth Rs.5 to 6 lakhs on consignment basis. The Company, however, suffered a loss of Rs.3.21 lakhs (including goods lost in transit: Rs.1.88 lakhs and excluding profit of Rs.0.50 lakh earned on goods sold for Rs.1 lakh) in addition to wasteful expenditure of Rs.1.32 lakhs on the visit of its officers as it could transact business worth Rs.1 lakh only. The following points were noticed in audit:

(i) While getting the approval for visit from the Board (29 June 1988), the Management had submitted that the goods would be taken on consignment basis from parties. In fact, the Company had already tied up on 27 June 1988 with M/s New Era Steel Company, Delhi for association in participation of the fair on the term that the profit would be shared equally by the firm and the Company but the loss would be entirely borne by the Company.

(ii) As the Board had approved for taking the goods on consignment basis, the Company should have fixed commission on sales and expenses borne by the consignor. On the contrary, the Company agreed to bear entire expenses (excluding air tickets to two representatives of the firm).

Defective agreement and taking handloom goods to a cattle fair in Columbus resulted in loss of Rs.3.21 lakhs

(iii) As per tour report of the officers of the Company, Columbus was not the right place for holding International level fairs and the PHDCCI had no experience of organising fairs of handicraft goods. PHDCCI had neither associated Trade Fair Authority of India (now ITPO) nor approached Ministry of Commerce for assistance in organising the fair. As the Company participates in the exhibitions and fairs organised by ITPO, requisite spade work should have been done before the venture.

(iv) Secretary Industries Department observed (June 1991) that it was irresponsible on the part of the officials to have undertaken tour to Ohio State Fair which was in fact a cattle fair.

The Management stated (July 1995) that the fact about the fair being a cattle fair came to its notice only on return from the fair. On that basis a strong resentment was shown by the Company to PHDCCI. It was also stated that the agreement was a reasonable one as expenditure on inventory, deputing two officials, their air travel etc. were to be borne by the firm. The reply is not tenable as:

(i) the term regarding bearing of full loss by the Company was against its interest;

(ii) no claim for compensation for loss sustained due to the fair being cattle fair was lodged with PHDCCI.

(d) Non submission of travelling allowance claims for foreign visits

The Company had adopted the pattern applicable to the State Government employees for payment of pay and allowances (including travelling allowance) to its employees since inception. The Government instructions of May 1989 (amending the relevant rules in the Punjab Financial Rules) lay down that travelling allowance is forfeited or deemed to have been relinquished if the claim is not preferred within one year from the date on which it becomes due.

It was, however, noticed in audit that the above provisions were not being complied with by the Company. The officers of the Company, who performed foreign visits from time to time by drawing advances for TA in US dollars, did not submit TA claims on completion of their journey. Instead of insisting for submission of TA claims, the Company had booked the expenditure on the basis of advances paid. This irregularity was not brought to the notice of the Board. Thus, in the absence of TA claims, the expenditure of Rs.32.80 lakhs on foreign visits during the years 1989-90 to 1993-94 could not be vouchsafed in audit.

The Management stated (July 1995) that in future requisite TA claims would be obtained immediately on return of officials from foreign tours.

2A.9 Working of Emporia

2A.9.1 Excessive Inventory

The Company had been operating eight emporia (two in the State at Ambala and Hisar and six outside the State at Chandigarh, Delhi, Bombay, Calcutta, Agra and Lucknow). Besides, a mini-emporium at Magpie Tourist Complex, Faridabad was started in March 1990. The

Company was declared (July 1975) by the State Government as an approved source for supplies to its various offices and autonomous bodies.

The Company had not fixed minimum, maximum and reordering levels for various articles. The following table indicates the position of closing stock, sales and stock in terms of months' sales during five years up to 1993-94:

Year	Counter sales*	Closing Stock	Closing stock in terms of months' sale
	(Rupees in lakhs)		
1989-90	54.05	38.54	8.56
1990-91	69.82	47.23	8.12
1991-92	69.53	50.07	8.64
1992-93	91.43	61.52	8.07
1993-94	80.13	53.65	8.03

Closing stock ranged between 8.03 and 8.64 months' sales during the period 1989-90 to 1993-94. Closing stock of Rs.53.65 lakhs included damaged goods at realisable value of Rs.2.35 lakhs (cost: Rs.4.75 lakhs). The closing stocks were high due to lesser counter sales at the emporia and no targets were fixed for the sale. Though the Board had desired (December 1991) for reducing the inventory holding period, no efforts were made by the Company to reduce it.

2A.9.2 Assistance under Marketing Development Scheme (MDA)

The Development Commissioner (Handlooms) New Delhi introduced (November 1988) MDA Scheme from the year 1989-90. Under the Scheme 25 ***per cent*** of the assistance received is to be spent on capital expenditure and the balance 75 ***per cent*** is to be utilised by

* Sales to Government Departments, expo-sales and consignment sales have not been included in the sales as no stocks are required therefor.

allowing rebate to general customers on sales. Assistance was to be provided on the basis of two alternatives for which option was to be exercised by the Company:

(a) Eight ***per cent*** of average sales turnover of handloom fabrics, made-ups and garments as shown in the audited accounts for three years preceding the financial year.

or

(b) (i) Amount equal to average of special rebate assistance (excluding national handloom expo rebate) and share capital assistance received by the Company during three years preceding the financial years.

or

(b) (ii) Amount equal to rebate assistance and share capital assistance pertaining to the year preceding the financial year.

Option for b(i) or b(ii) to (a) could be changed subsequently only once.

The Company opted for assistance under b(i) above and received Rs.6.36 lakhs for 1989-90. It was noticed in audit that the Company continued to claim assistance under this option up to 1991-92 (assistance received in 1990-91: Rs.5.68 lakhs and 1991-92: Rs.5.24 lakhs) without working out the suitability of the option under (a). From 1992-93, the Company changed its option to (a). Had the option been changed from the year 1991-92, the Company could have received Rs.6.47 lakhs instead of 5.24 lakhs during 1991-92 and would have benefitted by Rs.1.23 lakhs.

2A.10 Marketing assistance to SSI units

The Company operates a Marketing Assistance Scheme for rendering marketing assistance to SSI units of the State. Under the Scheme, it participates in various tenders floated by the

Government/Semi-Government agencies on behalf of SSIs after adding 2 to 5 ***per cent*** service charges on the rates offered by SSI units.

The Company had not worked out profitability of the scheme. The table below indicates number of units registered and extent of marketing assistance provided by the Company during five years up to 1993-94:

Serial number	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
1.	No.of SSI units in the State with turnover in lakh of rupees in brackets	92405 (277200)	98996 (296900)	106364 (319000)	113104 (339300)	120268 (360800)
2.	No. of SSI units registered with the Company for assistance	693	707	720	728	733
3.	No. of units and value of assistance (Rupees in lakhs) provided by the Company	14 (84)	7 (91)	3 (125)	6 (154)	13 (276)
4.	Percentage of units assisted to total units registered (3-:-2)	2.02	0.99	0.42	0.82	1.77

The contribution of the Company in providing marketing assistance in the State to the units registered for the purpose was negligible.

The Management attributed (February/July 1995) its negligible contribution to:

(i) non-availability of price preference of 10 to 15 ***per cent*** to SSI units of the State and exemption of sales tax to SSIs set up in backward areas, in case they market their goods through the Company;

(ii) association of limited number of SSIs with the Company for marketing assistance owing to its policy of release of payments to them only after realisation from the buyer.

2A.11 Rural Industrial Scheme

Rs.220.58 lakhs incurred in excess of grants received under Rural Industrial Scheme

Rural Industrial Scheme was entrusted to the Company by the State Industries Department in 1978 for conducting various activities of training etc. for which grant-in-aid was being received from the State Government for revenue as well as capital expenses. Full grant was received up to 1981-82. Thereafter, the grant was gradually reduced by the Government on the ground that the complexes under the scheme were to be operated on commercial basis after five years. COPU had recommended (March 1994) that expenditure should be strictly regulated as per grants in future.

It was, however, noticed in audit that the Company did not take effective steps to keep the expenditure within the grants resulting in excess expenditure of Rs.220.58 lakhs over the grants up to 1993-94. Of this, adjustment of Rs.133.94 lakhs (acquisition of assets: Rs.128.32 lakhs and sale of land: Rs.5.62 lakhs) was made in 1992-93, thereby leaving an excess of Rs.86.64 lakhs which was charged to Company's revenue during the years 1992-93 and 1993-94. The excess expenditure could have been avoided, had the Company taken timely action for keeping the expenditure within the grants. The Board had declared (June 1993) 174 posts (including 141 of the scheme) as surplus to be retrenched on the principle of "Last come first go". Action on the decision of the Board had not yet been taken (June 1995).

2A.12 Loss in running of L-I (Wholesale) liquor agency

In order to boost its business in view of decontrol of prices of iron and steel in January 1992, the Company decided (March 1993) to operate L-I liquor agency at Murthal for sale of liquor on wholesale basis. According to the projections (June 1993) the agency was to earn annual profit of Rs.2.50 lakhs by selling 4200 cases of liquor a month. The agency started functioning from 26 July 1993 at Murthal (shifted to Faridabad in April 1994) and during 1993-94 it suffered a loss of Rs.3.86 lakhs by selling 10302 cases (Whisky: 9603 cases and beer: 699 cases) against anticipated profit of Rs.1.67 lakhs by selling 33600 cases. The Company had not analysed the reasons for the loss. The following points were noticed in audit:

(i) The Company had not conducted proper market survey before taking up the venture. Though the licence fees for the agency was deposited in June 1993, limited market survey in Sonepat district was conducted only at the fag end of July 1993 by the Branch Manager of L-I who, ***inter alia***, reported that all other L-I licensees were having their own L-II licences (for retail sale).

(ii) In March 1993 a leading manufacturer of Indian made foreign liquor had cautioned the Company that liquor trade (wherein wholesale and retail business was linked together) in the State was the complete monopoly business and L-I could not survive without having its own retail outlets. The Company ignored this aspect and went ahead with the venture.

(iii) The Company was marketing the brands of only one firm of Madhya Pradesh which were not so popular in the State.

The Company, thus, could record a sale of 31 ***per cent*** of its projection. Going in for the venture without proper market survey resulted in a loss of Rs.3.86 lakhs to the Company.

2A.13 Internal audit

Reports of Internal Auditors were not placed before the Board

The Company has its own internal audit wing headed by a Deputy Manager. Upto November 1994, audit of 46 units (five each for 1989-90 to 1991-92, eight for 1992-93 and 23 for 1993-94) was in arrears, which was attributed (December 1994) by the Management to shortage of staff. This contention is, however, not tenable as the Company had overall excess staff numbering 174 including 16 accounts assistants and the internal audit could have been strengthened by suitable adjustment of staff.

It was noticed that the internal audit reports contained observations of routine nature. The reports were also not being submitted to the Board of Directors.

2A.14 Conclusion

The Company needs to work out break even sales of various loss incurring raw material depots to make them viable especially in view of the liberalisation in the policy of distribution of iron and steel by the Central Government. Export promotion activity requires to be streamlined to make it profitable and also to make the Company's presence felt in the area of exports from the State. Visits abroad by Company's officials need be business oriented. The Company's contribution in providing marketing assistance to SSI units was negligible. On its activities under the Rural Industrial Scheme, the Company could not keep the expenditure within the grants received from the government.

The matter was reported to the Government in June 1995; reply of Government had not been received (October 1995).

2B REVIEW ON THE WORKING OF HARYANA HARIJAN KALYAN NIGAM LIMITED

Highlights

For the socio-economic and educational upliftment of persons belonging to Scheduled Castes community in the State of Haryana, the State Government set up Haryana Harijan Kalyan Nigam Limited which was incorporated on 2 January 1971 under the Companies Act, 1956.

(Paragraph 2B.1)

The Company suffered continuous losses due to high establishment costs and under utilisation of capacity of the production units set up for providing wage employment as well as preliminary training to scheduled caste persons. The accumulated loss stood at Rs.259.39 lakhs, as per provisional accounts (accounts finalised up to 1985-86) as on 31 March 1994.

(Paragraph 2B.6)

Out of a population of 32.51 lakh Scheduled Castes in the State, the Company could cover only 12.30 lakh members of the community from 1970-71 to 1993-94.

(Paragraph 2B.8)

Even though there were enough number of applicants, the physical and financial targets were fixed without any basis on the lower side which could also not be achieved. There was no procedure for assessing the extent to which the socio-economic objectives were achieved.

(Paragraph 2B.8(b))

There was a decline in number of beneficiaries and increase in establishment cost which ranged between Rs.451.50 and Rs.992.56 per beneficiary during five years up to 1993-94. It was noticed that the other agency of the State Government (Directorate of Rural Development) which was engaged in similar activity incurred less establishment cost ranging between Rs.222.88 and Rs.532.93 per beneficiary during the same period.

(Paragraph 2B.8(c))

For recovery of loan given to the beneficiaries, targets were fixed on the lower side even though the amount recoverable was very high. Even for the lower side targets fixed by the Company themselves, the percentage of recoveries of loans to targets ranged between 8.82 and 23.80 during the four years ended 31 March 1994. As a result the recoverable amount accumulated to Rs.666.72 lakhs. In 2316 cases involving a loan of Rs.42.90 lakhs disbursed during 1987-89 and had become overdue, not even a single instalment was deposited by the loanees till March 1995.

(Paragraph 2B.9)

Out of four industries training-cum-production centres set up to provide wage employment as well as preliminary training to Scheduled Castes persons, the units at Murthal and Karnal were closed during the years 1991-92 and 1992-93, respectively, due to heavy losses (Rs.17.42 lakhs during five years up to 1991-92 in case of Murthal and Rs.10.20 lakhs (net) in case of Karnal) and production at Ambala unit stopped during 1994-95 due to lesser production and the losses accumulated to Rs.20.27 lakhs during the years 1991-92 to 1993-94. Thus, their programmes of activities had not matched with the objectives for which these were set up.

(Paragraph 2B.10)

Due to delay in preferring the claims to Government of India for matching assistance, the Company could not avail itself of assistance to the tune of Rs.159.68 lakhs for the years 1982-83 to 1989-90.

(Paragraph 2B.12(a))

2B.1 Introduction

With the objective of narrowing the socio-economic gap between the general level of economic, social development and educational upliftment and that of the Scheduled Castes in the State of Haryana, the State Government set up Haryana Harijan Kalyan Nigam Limited (HHKNL) which was incorporated on 2 January 1971 under the Companies Act, 1956.

2B.2 Objectives

The main objectives of the Company are to plan, promote and undertake programmes of agricultural development, small scale industries and such other trade, business or activity as may be approved by the State Government for providing employment to the members of the Scheduled Castes community.

In pursuance of the above objectives, the Company has undertaken advancing of loans directly as well as under Bank tie-up scheme. The Company is to provide the members of the community on hire the agricultural or industrial machinery and guarantee the loans taken by them from other sources. The Company also set up industrial units with a view to augment the sources of employment to the community. The Company has, however, not rendered any assistance to the community for their educational upliftment.

2B.3 Organisational set-up

The Company is managed by a Board of Directors. The Board of Directors consisted of 20 Directors including a Chairman and Managing Director appointed by the State Government and a Director as special invitee of the Government of India. The Managing Director is the Chief Executive of the Company who is assisted in his day to day work by a General Manager (projects). Besides, the Company has 16 district offices each headed by a District Manager.

2B.4 Scope of audit

The working of the Company (Horizontal review on working of Haryana Harijan Kalyan Nigam Limited, Haryana Backward Classes Kalayan Nigam Limited and Haryana Economically Weaker Sections Kalyan Nigam Limited) was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1986-87 (Commercial). The recommendations of the Committee on Public Undertakings thereon are contained in its 35th Report presented to State Legislature on 12 March 1993. The present review conducted during the period from October 1994 to February 1995 covers the performance of the Company for five years up to 1993-94.

2B.5 Sources of finance

2B.5.1 Share capital

The authorised capital of the Company initially fixed at Rs.2 crores was enhanced to Rs.20 crores in August 1993. As on 31 March 1994, the paid-up capital of the Company was Rs.16.95 crores subscribed by the State Government (directly Rs.8.78 crores and out of Central Assistance Rs.8.17 crores).

2B.5.2 Borrowings

The Company had obtained loans (Rs.179.40 lakhs) from State Government repayable in easy instalments (free of interest for first five years and at three *per cent* per annum in 15 annual instalments) and National Scheduled Castes and Scheduled Tribes Finance and Development Corporation (NSFDC) (Rs.324.63 lakhs) up to 31 March 1994 and amount outstanding as on that date was Rs.299.37 lakhs (State Government: Rs.102.73 lakhs and NSFDC: Rs.196.64 lakhs).

2B.5.3 Special central assistance

Out of Rs.806.04 lakhs of special central assistance, Rs.463 lakhs was lying unutilized since 1990-91

The Company had received Rs.4491.77 lakhs up to 31 March 1994 on account of special central assistance (since 1982-83) for providing additional benefits to the members of the community including Rs.326.05

lakhs for rehabilitation of scavengers from the Government of India. A sum of Rs.806.04 lakhs was lying unutilised as on 31 March 1994 (Rs.463 lakhs since 1990-91). Besides, a sum of Rs.117.26 lakhs (Government of India: Rs.58.63 lakhs, State Government: Rs.58.63 lakhs) as matching assistance was received up to 31 March 1994.

2B.6 Financial position and working results

(a) Financial position

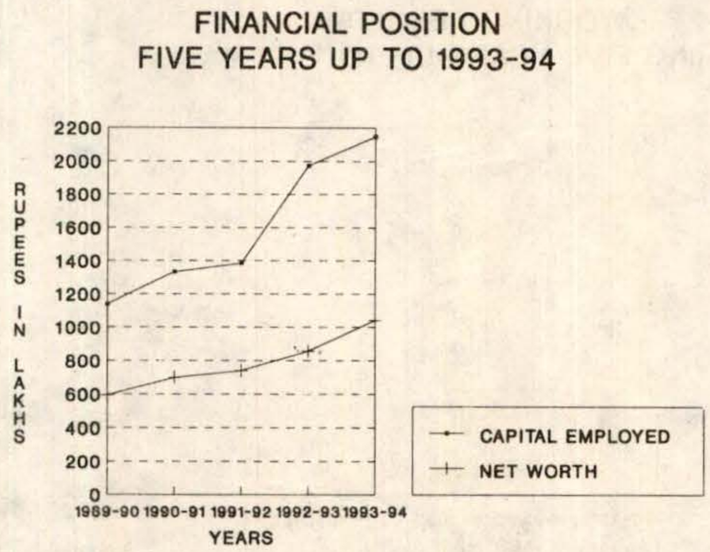
The Company had finalised its accounts only up to 1986-87. The financial position of the Company for five years up to 1993-94 (as per provisional accounts) was as under:

Serial number		Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
			(Rupees in lakhs)				
A.		**LIABILITIES**					
(a)		Paid-up capital#	766.78	878.27	930.14	1051.33	1301.30
(b)		Special central assistance	429.58	522.02	472.02	903.22	806.04
(c)		Reserves and surplus	0.46	0.46	0.46	0.46	0.46
(d)		Borrowings	116.37	113.54	175.42	212.70	299.37
(e)		Trade dues and other current liabilities including provisions	195.89	255.16	340.92	309.24	288.03
		Total A	**1509.08**	**1769.45**	**1918.96**	**2476.95**	**2695.20**
B.		**ASSETS**					
(a)		Gross block	29.70	35.06	36.33	36.63	30.81
		Less: depreciation	15.21	16.68	18.40	19.95	16.26
(c)		Net fixed assets	14.49	18.38	17.93	16.68	14.55
(d)	(i)	Current assets	577.36	733.74	737.53	1001.44	1023.36
	(ii)	Loans	691.87	770.11	896.92	1186.01	1313.77
	(iii)	Advances	51.11	67.06	74.55	77.94	84.13
(e)		Miscellaneous expenditure	174.25	180.16	192.03	194.88	259.39
		Total B	**1509.08**	**1769.45**	**1918.96**	**2476.95**	**2695.20**
C.		**Capital employed***	1138.94	1334.13	1386.01	1972.83	2147.78
D.		**Net worth****	592.99	698.57	738.57	856.91	1042.37

The paid up capital was reduced by Rs.393.73 lakhs due to waiving off loan by State Government up to March 1986.

* Capital employed represents net fixed assets plus working capital.

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



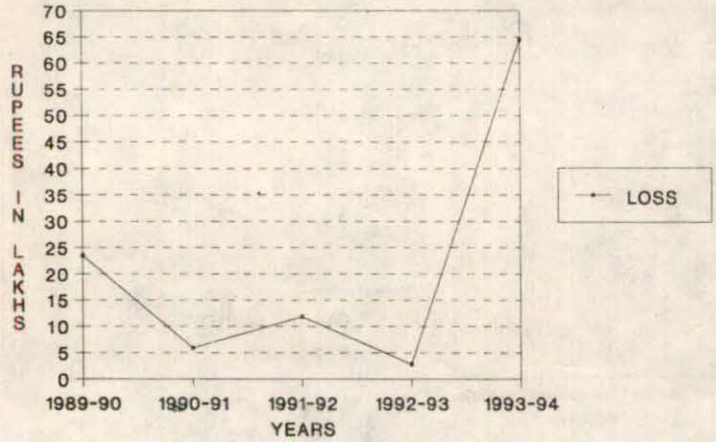
(Para 2B.6)

(b) Working results

The table below indicates the working results of the Company as per provisional accounts for the five years up to 1993-94:

Serial number	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
			(Rupees in lakhs)			
1.	**Income**					
(a)	Sales	65.66	95.79	183.00	104.34	59.65
(b)	Interest on loans from loanees	38.42	22.94	25.59	33.98	30.89
(c)	Matching assistance	-	33.10	29.88	46.24	
(d)	Interest on deposits of unspent balances					
(i)	in savings bank	4.29	2.47	3.00	3.79	2.69
(ii)	in fixed deposits	7.85	4.50	11.15	24.09	23.58
(e)	Other income	0.61	0.22	0.54	0.26	0.47
(f)	Accretion (+)/ Decretion (-) in stock	(+)6.50	(+)22.86	(+)11.30	(-)34.81	(-)11.54
	Total	**123.33**	**181.88**	**264.46**	**177.89**	**105.74**
2.	**Expenditure**					
(a)	Manufacturing expenses	72.89	108.50	188.03	80.15	51.92
(b)	Administrative and other expenses	70.42	75.08	83.46	93.84	112.29
(c)	Depreciation	1.41	1.47	1.72	1.55	1.59
(d)	Interest on loans	2.14	2.74	3.12	5.20	4.44
	Total	**146.86**	**187.79**	**276.33**	**180.74**	**170.24**
	Loss	**23.53**	**5.91**	**11.87**	**2.85**	**64.50**

WORKING RESULTS
DURING FIVE YEARS UP TO 1993-94



(Para 2B.6.b)

The accumulated loss stood at Rs.259.39 lakhs as on 31 March 1994. It was noticed in Audit that the losses were mainly due to high administrative overheads and under utilisation of production units.

2B.7 Cash management

The Company had not evolved any system for preparation of cash/funds flow statements to keep close watch on the funds position and to utilise surplus fund. A test check of main operating accounts for the year 1993-94 revealed that the Company kept heavy balances in the banks from April 1993 to October 1993 ranging between Rs.35.75 lakhs and Rs.74.17 lakhs. Had the Company kept the amounts in short-term deposits after keeping a minimum balance of Rs.10 lakhs for day to day requirement, it could have earned an interest of Rs.1.53 lakhs.

2B.8 Disbursement of loans

(a) Procedure

According to the guidelines issued by Government of India, the Company was to provide financial assistance to eligible Scheduled Castes families in the shape of margin money and subsidy to those whose family annual income did not exceed Rs.4800 in rural areas and Rs.5500 in urban areas. The total population of State of Haryana was 164.64 lakhs as per 1991 census. The State Government has recognised 37 castes as Scheduled Castes in the State and the population as per 1991 census was 32.51 lakhs (Rural: 26.75 lakhs, urban 5.76 lakhs) comprising 5.42* lakh families (Rural: 4.46 lakhs, urban: 0.96 lakh). No survey was conducted to formulate long term plans and programmes to identify the eligible families for financial assistance by the Company. The Company has been selecting the beneficiaries by organising the camps, by direct receipt of applications, publicity etc.

Prescribed loan applications are being processed by District Manager in each district office in co-ordination with District Rural Development Agencies (DRDA). In direct loaning cases, all formalities for disbursement of loans are completed by the Company and loan applications under Bank tie-up scheme, are forwarded to the financing banks after verification and recommendations for finalisation. The responsibility for completing all formalities for disbursement of loans rest with the participating Banks. The recoveries of loan are being watched by District Managers.

No survey conducted to formulate long term plans to identify the eligible SC families for financial assistance

* This has been worked out taking family as of six members.

(b) Targets and achievements

The Company fixed annual targets for advancing loan/subsidy/margin money. Following table shows the achievements vis-a-vis targets fixed for five years up to 1993-94:

Serial number	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
(A)	**Number of applications received**	31985	19161	28820	27842	24426
(B)	**Targets**					
(i)	Number of beneficiaries	16400	16525	15000	16000	12000
				(Rupees in lakhs)		
(ii)	Margin money	143.97	157.45	207.87	218.75	231.27
(iii)	Subsidy	337.30	339.10	626.46	705.84	758.60
(iv)	Direct loans	Nil	12.50	161.88	439.44	556.47
(C)	**Achievements**					
(I)	Number of beneficiaries	14846	8311	11518	12875	11296
				(Rupees in lakhs)		
(ii)	Margin money	119.50	79.83	126.58	134.20	124.15
(iii)	Subsidy	279.54	256.84	407.13	462.98	496.91
(iv)	Direct loans	Nil	Nil	Nil	183.89	166.92
(D)	**Percentage of achievements to targets**					
(i)	Beneficiaries	90.52	50.29	76.79	80.47	94.13
(ii)	Margin money	83.00	50.70	60.89	61.35	53.68
(iii)	Subsidy	82.88	75.74	64.99	65.59	65.50
(iv)	Direct loans	-	0	0	41.85	30.00

It may be seen that in none of the years the Company could achieve physical as well as financial targets despite the availability of funds and applicants. It was also noticed in audit that out of 106648 applications sponsored to banks during the five years up to 1993-94, 53083 applications were rejected by the banks. The percentage of rejection by banks ranged between 46 and 55. The reasons for fixing the targets on lower side and higher rejection by banks were called for from the Company (February 1995) but no reply was received (September 1995).

The following points were also noticed:

(i) The extent of Company's participation in disbursement of loans under various schemes since inception i.e. January 1971 to March 1994 was Rs.5718.50 lakhs benefitting 2.05 lakh families (12.30 lakh members of the community). No procedure was prescribed to make an assessment regarding the extent to which the objective of socio-economic upliftment was achieved. The Management stated (February 1995) that the post disbursement inspections were being made but all the cases could not be covered due to paucity of staff. The reply is not convincing as records of such inspections were not maintained. Moreover the Company has not devised any procedure to ensure that the assets created out of the loan were being utilised by the loanee till repayment of loan.

(ii) Loans of Rs.426.83 lakhs were disbursed to 475 beneficiaries by the Company in excess of the prescribed limit of Rs.10000 per beneficiary for purchase of trucks/taxis, agricultural land and auto rickshaws, which was ultra vires the object clauses of the Memorandum of Association. Had the Company disbursed the loans as per objective clause they would have covered 4200 beneficiaries.

(c) Cost of disbursement

Cost of disbursement per beneficiary during the five years ended 1993-94 ranged between Rs.451.50 and Rs.992.56 as against Rs.222.88 and Rs.532.93 incurred by the Directorate of Rural Development, Government of Haryana (DRD) which is also engaged in similar activity. The reasons for high cost per beneficiary were not analysed by the Company. It was, however, noticed in audit that the high cost of disbursement per beneficiary was due to low coverage and heavy establishment cost as would be evident from the table given below:

Year	Number of beneficiaries		Administrative overheads		Cost of disbursement per beneficiary	
	HHKNL	DRD	HHKNL	DRD	HHKNL	DRD
			(Rupees in lakhs)		(Amount in rupees)	
1989-90	14846	55657	67.03	124.05	451.50	222.88
1990-91	8311	34179	74.31	142.55	894.12	417.07
1991-92	11518	24756	81.56	123.19	708.11	497.62
1992-93	12875	23349	93.40	124.34	725.44	532.53
1993-94	11296	34026	112.12	160.37	992.56	471.32

It follows from the table that while the number of beneficiaries has decreased, the administrative overheads are on the increase on the other hand.

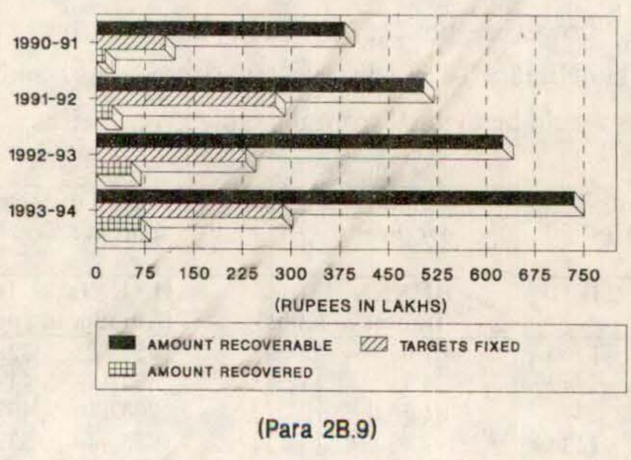
2B.9 Recovery of loans

Even though the amount recoverable from loanees was very heavy the targets of recovery were fixed on the lower side without proper justification.

The table below shows the total amount due, targets fixed for recovery and achievements thereagainst during the period from 1990-91 to 1993-94:

Year	Amount recoverable at the beginning of the year	Amount due during the year	Total amount recoverable	Targets fixed for recovery	Percentage of targets fixed to total recoverable amount	Recovery made during the year (Rupees in lakhs)	Percentage of recovery to targets fixed	Overdue amount outstanding at the close of the year (Rupees in lakhs)
		(Rupees in lakhs)						
1990-91	255.93	125.57	381.50	105.46	27.64	13.29	12.60	368.21
1991-92	368.21	136.18	504.39	275.28	54.57	24.29	8.82	480.10
1992-93	480.10	146.28	626.38	230.32	36.77	53.21	23.10	573.17
1993-94	573.17	161.87	735.04	287.00	39.04	68.32	23.80	666.72

RECOVERY OF LOANS
DURING 1990-91 TO 1993-94



(Para 2B.9)

It follows from the above table that percentage of recovery to targets ranged between 8.82 and 23.80 within the four years up to 1993-94. Due to low recovery against targets fixed, the recoverable amount accumulated to Rs.666.72 lakhs at the close of the year 1993-94. Reasons for heavy amounts remaining in default were not analysed by the Company so as to take remedial action.

A test check of the records of four district offices (Ambala, Hissar, Sirsa and Kaithal) of the Company revealed as follows:

(i) In 23 cases of loans for purchases of auto-rickshaws (Rs.2.15 lakhs) and 8 cases of purchase of trucks (Rs.4.80 lakhs), financed by the Company under Bank tie-up scheme during the period from 1984-85 to 1993-94, the vehicles were not hypothecated in favour of the Company. In the absence of hypothecation, the disposal of the vehicles could not be made to recover the amount of loans. Sixteen cases for purchase of auto-rickshaws involving Rs.0.75 lakh and eight cases for purchase of trucks involving Rs.4.08 lakhs were in default as on 31 December 1994.

Out of the above, the repayment of instalments in three cases of truck loan (Rs.1.78 lakhs) was not forthcoming since June 1990, May 1991 and June 1991, respectively. But no notice for recovery was issued. In the remaining five cases involving loan of Rs.3.02 lakhs, though notices were issued in March 1991 (one case), March 1992 (three cases) and September 1992 (one case) yet no further pursuance was made with the concerned Collectors for effecting recoveries.

(ii) The amount of loan alongwith interest is fully recoverable in five and a half years from the date of disbursement. Thus, loans disbursed in the years 1987-88 and 1988-89 had become due. However, in 1198 cases (Rs.22.09 lakhs) out of 2616 cases (Rs.36.66 lakhs) for 1987-88 and 1118 cases (Rs.20.81 lakhs) out of 2126 cases (Rs.35 lakhs) for 1988-89 not even a single instalment of principal or interest was deposited by the loanees till March 1995. No action to recover the amount as arrear of land revenue in terms of provisions in the agreement was taken by the Company (March 1995).

2B.10 Performance of production units

With a view to provide wage employment as well as preliminary training to Scheduled Caste persons the Company set up four small industries training-cum-production centres at Murthal, Karnal, Panchkula and Ambala. The units at Murthal and Karnal were closed during the years 1991-92 and 1992-93, respectively and production at Ambala unit was stopped during the year 1994-95. Working results of all the units for the five years are detailed below:

(i) Shoe Production Centre, Karnal

(a) Production performance

Shoe Production Centre with a capacity of 300 pairs per day (for 300 days in a year) with piece rate workers, started manufacturing shoes/chappals in February 1973 at Karnal.

Production performance of the unit during the five years up to December 1992 is tabulated below:

Year	Capacity	Target	Actual production	Average production per day	Percentage of actual production to	
					Capacity	Targets
	(Figures in pairs of shoes)					
1988-89	90000	37500	18020	60	20	48
1989-90	90000	38000	13847	46	15	36
1990-91	90000	33000	14946	50	17	45
1991-92	90000	30000	18724	62	21	62
1992-93 (Up to December 1992)	67500	33750	8663	29	13	26

It would be seen that capacity utilisation during the five years up to 1992-93 ranged between 13 *per cent* and 21 *per cent*. Even the targets fixed much below the capacity were not achieved in any year.

* Includes the purchase of shoes from private parties, figures for which were not made available.

The Management stated (February 1995) that lower targets were fixed keeping in view the probable receipt of orders from the indenting Government departments. The reply of the Management is not convincing as the Company was declared an approved source of supply to State Government departments and purchased shoes valuing Rs.14.80 lakhs from the private manufacturers during the years 1988-89 to 1992-93 for eventual supply to various Government departments.

(b) Operational results

The unit suffered losses amounting to Rs.20.17 lakhs during the years 1988-89, 1989-90,1990-91 and 1992-93 and earned a profit of Rs.9.97 lakhs during the year 1991-92 due to relatively lesser consumption of raw material. Due to persistent losses the unit was closed and shifted to Footwear Centre Ambala in February 1993.

The Management had not analysed the reasons for losses. However, it was observed in audit that procurement of poor quality of leather attributed for higher consumption of raw material.

(c) Loss in disposal of stock

Condemned stock valuing Rs.2.08 lakhs sold in auction for Rs.0.11 lakh

In January 1993, the Company constituted a committee to identify unusable old stock and to suggest ways and means for its disposal. The committee (February 1993) identified unsaleable and condemned stock having value of Rs.2.08 lakhs (footwears Rs.1.92 lakhs and raw materials Rs.0.16 lakh) which was sold in auction in April 1993 for Rs.0.11 lakh only resulting in a loss of Rs.1.97 lakhs to the Company.

(ii) Harkalyan Packages, Murthal

(a) Production performance

The unit was set up in June 1976 to manufacture various types of corrugated paper boxes. The actual production during the five years from 1987-88 to 1991-92 was 3.79 lakh, 1.67 lakh, 1.54 lakh, 0.68 lakh and 0.40 lakh boxes, respectively, against the installed capacity of 27 lakhs boxes per annum. The production thus, ranged from 14.04 *per cent* to 1.62 *per cent* of the installed capacity during the five years up to 1991-92. The value of production could not cover even variable expenses i.e. raw material cost and wages and salaries during these five years with the result the unit could not obtain sufficient orders and compete in the market. The unit suffered loss amounting to Rs.17.42 lakhs during the five years up to 1991-92. Owing to continuous losses, the unit was closed down on 1 March 1992 under the orders of State Government.

(b) Disposal of machinery and stock

Tenders for disposal of machinery (book value Rs.2.62 lakhs) were called for in March 1993 after one year from closure of unit. During negotiations one tenderer pointed out that 40 KVA generator set was lying in the premises in place of 10 KVA generator set as advertised. Due to this the negotiations had to be cancelled and fresh tenders were invited in June 1993. The machinery was sold in August 1993 for Rs.4.25 lakhs. Due to wrong specification of machinery in the tender in the first instance, the Company had to incur infructuous expenditure of Rs.0.41 lakh on retendering. The machinery was lifted by the tenderer on 4 January 1994 and premises surrendered to the land lord next day. The premises had to be retained unnecessarily involving avoidable payment of rental (Rs.0.35 lakh) and salary of chowkidar (Rs.0.15 lakh).

Due to heavy cost of production and competition, the unit had to close down

At the time of closure of the unit, raw material/work-in-progress costing Rs.0.51 lakh was lying un-noticed and timely action to dispose it of was not taken. It was only in July 1993 that the District Manager, Sonepat brought to the notice of the Company the deteriorating condition of the material due to rains. It was ultimately sold (October 1993) for Rs.0.27 lakh at a loss of Rs.0.24 lakh.

Thus owing to wrong specification of machinery in the tender notice and delay in disposal of raw material the Company had to incur avoidable expenditure and loss of Rs.1.15 lakhs.

(iii) Binders and Printer unit, Panchkula

The unit was set up in January 1976 for the manufacture and supply of various types of exercise and answer books besides printing and binding work. It had been declared as an approved source for printing work for the Government agencies/corporations.

The unit earned profit amounting to Rs.22.36 lakhs during the years 1989-90 to 1991-92 and 1993-94 and incurred loss amounting to Rs.6.14 lakhs during the year 1992-93.

It was noticed in audit that profit during the years 1990-91 and 1991-92 was mainly due to the fact that work was got executed from outside private parties to the extent of Rs.19.16 lakhs and Rs.43.83 lakhs which earned profits of Rs.7.08 lakhs and Rs.6.14 lakhs, respectively. Loss during the year 1992-93 was mainly due to less sales compared to other years.

(iv) Haryana Footwear cum Common Facility Centre, Ambala

(a) Training to artisans

The unit was set-up in March 1987 with a view to provide training to the traditional artisans in leather footwears through the latest technological development in the footwear industry to raise their standard of living by providing them work with better wages. However, it was noticed that the training was started during 1993-94 (15 April 1993) after six years from the date of formation of unit and only seven persons were imparted training against a target of 35 persons during the year.

(b) Production performance

The unit is also manufacturing shoes. The annual targets are fixed keeping in view the probable receipt of orders from the Government departments/undertakings. The annual targets of production of footwears fixed vis-a-vis actual production during the five years ended 1993-94 are tabulated below:

Year	Capacity	Target	Actual produ-ction*	Percentage of actual production to	
				Capacity	Targets
	(Figures in pairs of shoes)				
1989-90	45000	42000	17490	38.9	41.6
1990-91	45000	37000	22582	50.2	61.0
1991-92	45000	53000	24604	54.7	46.4
1992-93	45000	60000	10203	22.7	17.0
1993-94	45000	25000	7534	16.7	30.1

It would be seen from the above table that production during the five years up to 1993-94 ranged between 16.7 ***per cent*** (1993-94) and 54.7 ***per cent*** (1991-92) of the capacity of the unit. Though the Management fixed the targets on lower side during the years 1989-90, 1990-91 and 1993-94 yet the same could not be achieved. Reasons for lesser production were not analysed by the Company.

(c) Operational results

The unit incurred losses amounting to Rs.20.27 lakhs during three years 1991-92 to 1993-94 and earned profit amounting to Rs.5.75 lakhs during 1990-91. The Company has not analysed the reasons of recurring losses. However, it was observed in audit that higher consumption of raw materials, higher wages and lower production contributed for the losses.

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* Includes the purchase of shoes from private parties, figures for which were not made available.

(d) Loss in disposal of stock

In November 1993, the Company constituted a committee to identify and assess the value of old and obsolete stock lying since 1979-80 at the unit. The Committee found stock valued at Rs.8.27 lakhs lying in the centre which was not saleable being very old. The committee also observed that no information was sent by the unit to head office though the stock was lying since 1979-80.

Out of this, stock valued at Rs.4.50 lakhs was disposed of through public auction for Rs.1.10 lakhs in February, September and November 1994 incurring a loss of Rs.3.40 lakhs. Stock valued at Rs.3.77 lakhs was still lying in the centre (July 1995). The loss would further increase as and when the remaining stock is disposed of. It was further observed in audit that inspite of the recommendations of the Board of Directors in its meeting (18 January 1994) to fix responsibility for the loss, no action for the same was taken by the Management (February 1995).

2B.11 Accounting manual and internal audit

The Company has not prepared any manual to streamline its accounting system and internal audit. The Company has an internal audit cell. The quantum and periodicity of audit had not been prescribed. During the five years ending 1993-94, internal audit of 11 district offices out of 16 and one industrial unit out of four was conducted once/twice only. The internal audit of head office was never conducted. The internal audit reports issued to the District Offices were of routine nature and neither pursued nor submitted to the Board.

2B.12 Other topics of interest

a) Non-availing of matching assistance due to delay in filing claims

Matching Assistance of Rs 159.68 lakhs was not availed of due to delay in prefering claims

The Government of India agreed (August 1981) to pay grants-in-aid at one ***per cent*** per annum for promotional activities like feasibility studies, survey etc. and three ***per cent*** per annum towards cost of staff employed for monitoring, evaluation etc. of its cumulative share capital participation to the concerned State Government. This grant was to be shared equally by the Central and the State Governments.

The Company filed claim of Rs.8.04 lakhs in August 1982 for the year 1981-82 with the Government. The amount was received by the Company in the same year.

The Company did not prefer claim for the years 1982-83 and onwards under the impression that the scheme was one time scheme only for 1981-82. The Company, however, noticed (January 1987) from the Himachal Pradesh Scheduled Castes Development Corporation Limited, that the scheme was of continuing nature. Accordingly, the Company preferred a claim (June 1987) of Rs.44.83 lakhs (Government of India share: Rs.22.41 lakhs and State Government share: Rs.22.42 lakhs) for matching assistance for the years up to 1986-87 with the State Government for release of its share and also for onward transmission to Government of India. The State Government asked (July 1988) for the justification for delay in preferring the claim. The delay in submitting the claim was attributed (December 1988) by the Company to non awareness of the continuity of the scheme. The State Government asked (January 1989) the Company to prefer claim up to the year 1988-89 directly with the Government of India for decision. Accordingly, the Company submitted its claim in February 1989 to the Government of India for Rs.128 lakhs (Government of India share: Rs.64 lakhs and State Government share: Rs.64 lakhs) for the period up to 1988-89 and again requested (May 1990) the Government of India for release of Rs.64 lakhs pertaining to the years up to 1988-89 and Rs.15.84 lakhs pertaining to Government of India share for the year 1989-90. No response from the Government of India was received (July 1995).

The Company, however, received matching assistance under the scheme from Central Government and State Government amounting to Rs.33.10 lakhs, Rs.29.88 lakhs and Rs.46.24 lakhs for the years 1990-91 to

1992-93, respectively. The scheme was discontinued from the year 1993-94.

Thus due to delay in preferring the claims for matching assistance, from 1982-83 to 1989-90, the Company could not avail assistance to the tune of Rs.159.68 lakhs.

b) Computer training scheme

The State Government directed (March 1988) the Company to prepare detailed project reports by April, 1988 for improving the living conditions of weaker sections to utilise the funds received under Bilateral Aid Assistance Scheme from countries like West Germany. The project report for imparting computer training to 144 Scheduled Castes youth in two years was got prepared (December 1988) from Haryana State Electronics Development Corporation Limited at a cost of Rs.4.08 lakhs and sent to State Government (April 1989) for onward submission to Government of India for approval. There was delay of one year in submission of report to Government.

Pending approval, the Company spent Rs.4.09 lakhs on the training (including Rs.2.50 lakhs on equipments) during 1989-90 and 1990-91 and imparted training to only 47 persons during the period from 15 November 1989 to 19 November 1990. Thereafter, no training was arranged. The approval of the project was not received from Government of India (April 1995). Thus, due to delay in submission of report neither the amount incurred on the project could be recovered nor training to targeted number of persons imparted.

c) Short levy of interest due to defective calculation system

The loan advanced by the Company, with interest is recoverable in 11 half yearly instalments. At the end of first half year, only interest amount is recoverable and thereafter, at the end of each half year onwards, loan instalment alongwith interest is recoverable. In case of default, penal interest at the rate of four ***per cent*** per annum is also chargeable.

Interest to the tune of Rs.10.69 lakhs was undercharged

During test check of loanee ledgers, it was observed that system of working out interest on loans was defective which resulted in less calculation of interest. The Company had been charging interest on the reducing balances even in defaulting cases deeming as if the recoveries were being received regularly. Accordingly, penal interest was also being undercharged. As worked out by audit, in 2875 loan cases (1486 of 1987-88 and 1389 of 1988-89) in four District Offices (Ambala, Hisar, Sirsa and Kaithal) where the loanees were fully in default (i.e. they had not paid even a single instalment including interest) the recoverable amount of interest worked out to Rs.21.20 lakhs against Rs.10.51 lakhs calculated by the Company resulting in under charging of interest to an extent of Rs.10.69 lakhs.

d) Irregular grant of subsidy

The Company had been granting subsidy out of Special Central Assistance received from the Government of India under Integrated Rural Development Programme (IRDP) at the rate of 33.33 ***per cent*** of the loan amount subject to a maximum of Rs.3000 per individual. The subsidy was to be granted only once to a family. Government of India enhanced (April 1990) the limit of subsidy to 50 ***per cent*** subject to a maximum of Rs.5000 per individual with the instructions not to disturb the previous financial pattern being adopted by the Company.

During test check of records in two district offices (Kaithal and Sirsa) of the Company it was observed that the Company irregularly disbursed additional subsidy of Rs.1.64 lakhs to loanees during the years from 1991-92 to 1993-94 who had already availed of the benefit under previous limit of Rs.3000.

2B.13 Conclusion

Financial position of the Company require special attention. Losses continued despite increase in capital employed. The accumulated loss as on 31 March 1994 stood at Rs.259.39 lakhs.

The Company had no proper system of survey for the identification of the eligible beneficiaries in the State. Cost of establishment and cost per beneficiary require pruning and brought to minimum. The Company had huge unutilised funds in Banks amounting to Rs. 503.32 lakhs as on 31 March 1994. Despite this, coverage of targetted beneficiaries since inception was only 37.83 ***per cent*** of the total Scheduled Castes population.

Inefficient management of industrial units, set up with a view to provide employment, led to closure of three out of four units. Lack of follow up visits after grant of loan to ensure its proper utilisation and proper pursuance resulted in heavy accumulation of overdue loan amounting to Rs.662.72 lakhs (31 March 1994), which was about 91 ***per cent*** of the amount recoverable.

The matter was reported to the Company and Government in May 1995; their replies had not been received (September 1995).

Chapter - III

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Reviews relating to Statutory corporations

Section - 3

3. Review relating to a Statutory Corporation

This chapter contains a review on performance of Panipat Thermal Power Project of Haryana State Electricity Board

PERFORMANCE OF PANIPAT THERMAL POWER PROJECT

Highlights

Panipat Thermal Power Project (Project) has five generating units (Stage I - 2 units, Stage II - 2 units and Stage III - 1 unit) with a total designed capacity of 650 MW. With a view to bridging the gap between the availability and demand of power in the State, the Board decided to instal Stage IV (Sixth unit) with a designed capacity of 210 MW which is under construction. Execution and commissioning of Stage III (Unit V),construction of Stage IV (Unit VI) and performance of Stages I, II and III (Units I to V) were reviewed in Audit.

(Paragraphs 3.1 & 3.3)

The stage III (Unit V - 210 MW) scheduled for commissioning in December 1984 at an estimated cost of Rs.111.10 crores was actually commissioned in March 1989 at a cost of Rs.272.22 crores with a cost over run of Rs.161.12 crores (145 per cent) and a time over run of 51 months (94 per cent). The time and cost over run were due to delay in finalisation of contracts, delay in taking possession of land, failure of equipments and shortage of funds.

(Paragraphs 3.4.1 & 3.4.2)

During the execution of Stage III (unit V) the Board paid to the contractors price escalation, over run/idle time charges of Rs.181.72 lakhs due to defective planning and improper coordination of activities in placement of supply and work orders (Rs.162.46 lakhs), and inadequate provision of quantities of work (Rs.19.26 lakhs).

(Paragraphs 3.4.2.1, 3.4.2.2 & 3.4.2.3)

Though, the project had adequate wagon tipplers for unloading coal on common hopper from conventional railway wagons, it constructed a 300 metre long track hopper in May 1992 suitable for unloading the coal through central discharge hopper wagons at a cost of Rs 389.70 lakhs without ensuring from Railways the availability of the central discharge hopper wagons which were yet to be manufactured. The track hopper was lying idle (August 1995)

(Paragraph 3.4.3)

The Stage IV (unit-VI - 210 MW) approved by planning commission at an estimated cost of Rs.238.27 crores in July 1989 was expected to be commissioned in December 1993. Though the Board has revised its estimate (January 1995) to Rs.338.15 crores with rescheduled date of completion as March 1996, only an expenditure of Rs.132.62 crores was incurred up to March 1994.

(Paragraph 3.5.1)

The plant load factor of units I to IV ranged between 14.6 per cent and 53.3 per cent during the four years up to 1993-94 against the norm of 58 per cent recommended by the Rajadhyaksha Committee. Actual generation per KW of installed capacity ranged between 1275 Kwh and 4665 Kwh for units I to IV which were lower as compared to the norms of 5350 Kwh.

(Paragraph 3.6)

Percentage of forced outages due to trouble in boiler, fault in turbogenerator/coal mills, shortage of coal etc., was 30.7 per cent of the total available hours. This resulted in generation loss of 6236.51 Mkwh valued at Rs.708.87 crores.

(Paragraph 3.7.1)

Time taken in overhauling of units I to V in excess of norms ranged between 23 to 359 days during the three years up to 1993-94 which resulted in generation loss of 1853.07 Mkwh valued at Rs.223.67 crores.

(Paragraph 3.7.2)

Due to poor quality of coal and non overhauling of the units in time, consumption of coal was in excess of norms to the extent of 19.33 lakh tonnes valued at Rs.162.50 crores during the four years up to 1993-94.

(Paragraph 3.8.1)

Though only two in-motion weigh bridges installed on reception lines were sufficient for weighment of full rakes of coal wagons as and when these were placed on reception line by the Railways, the Board had incurred an avoidable expenditure of Rs.72.34 lakhs on the procurement and installation of four additional in-motion weigh bridges at wagon tippler lines.

(Paragraph 3.8.4)

Consumption of secondary fuel oil in units I to IV ranged between 20.47 and 52.89 ml/Kwh as against All India maximum average of 10 ml/Kwh during the four years up to 1993-94. This had resulted in excess consumption of 82791 Kilo litre oil valued at Rs.34.70 crores.

(Paragraph 3.9)

The consumption of demineralised water in excess of the estimates during the four years up to 1993-94 was to the extent of 7.48 lakh tonnes valued at Rs.43.30 lakhs.

(Paragraph 3.10)

Employment of manpower in excess of norms resulted in extra expenditure of Rs.589.69 lakhs during the four years up to 1993-94.

(Paragraph 3.12)

Even after incurring an expenditure of Rs.875.33 lakhs up to March 1992 on renovation and modernisation (R&M) of Units I and II, actual generation during 1992-93 and 1993-94 was 647.64 Mkwh (as against expected generation of 1850.12 Mkwh) which was also less than the generation of 1322.95 Mkwh achieved prior to R&M work.

(Paragraph 3.13.2)

3.1 Introduction

Panipat Thermal Power Project (Project) has five generating units with a total designed capacity of 650 MW. Four units of 110 MW each under Stage I (Units I and II), Stage II (Units III and IV) and one unit of 210 MW under Stage III (Unit V) were commissioned in November 1979, March 1980, November 1985, January 1987 and March 1989, respectively. The total cost of these units was Rs.547.47 crores.

With a view to bridging the gap between the availability and demand of power in the State, the Haryana State Electricity Board (Board) decided (September 1983) to instal one unit (Unit VI) with a designed capacity of 210 MW under Stage IV.

3.2 Organisational set up

The overall control of power generation is vested in Member Technical (Generation and Projects). Three Chief Engineers look after the work of tendering/execution, construction, operation and maintenance and the day to day administration of the Project.

3.3 Scope of audit

The working of Stage I (Units I and II) and Stage II (Units III and IV) and certain aspects of construction of Stage III (Unit V) were reviewed in the Reports of the Comptroller and Auditor General of India for the years 1982-83 (Civil) and 1988-89 (Commercial) - Government of Haryana, respectively. Recommendations of the Committee on Public Undertakings on these Reports are contained in their 31st Report (1990-91) and 37th Report (1993-94) presented to Haryana Vidhan Sabha in March 1991 and March 1994, respectively.

The present review covers the execution and commissioning of Stage-III (Unit-V), construction of Stage-IV (Unit-VI) and performance of Stages I, II and III (Units I to V).

Stage III Stage II Stage I

A general view of Panipat Thermal Power Project stage I, II and III.

(Paragraph 3.1)

3.4 Execution and Commissioning of stage-III (unit V)

3.4.1 Time over-run

3.4.1.1 In the Techno Economic Appraisal report submitted by the Board (August 1980) to the Central Electricity Authority (CEA), it was envisaged that Unit-V under Stage-III would be commissioned in December 1984 after taking into consideration delivery schedule of 48/54 months quoted by Bharat Heavy Electrical Limited (BHEL) for supply, erection and commissioning of the main equipments viz. boiler and turbo-generator. While approving the report in September 1981, the Planning Commission fixed the scheduled date of commissioning of the unit by 1985-86. The Board was, however, able to commission the unit in March 1989. After a time over run of 51 months (94 *per cent*). The delay in commissioning of the unit was attributed (February 1995) by the Board to delay in finalisation of contracts, delay in taking possession of land for coal handling plant and shortage of funds.

3.4.1.2 Delay due to installation of faulty generator rotor

The Unit-V which was coal fired unit was synchronised on oil on 28 March 1989 and was closed down after seven minutes operation. It could not be put into operation for about seven months as coal handling system to feed the coal to boiler was not ready. The unit was put on coal firing on 31 October 1989. The unit had run on full loads and varied loads intermittently for only about 277 hours up to 12 January 1990 when earth fault appeared in the generator rotor. It was observed by the BHEL and Board's representatives, that whenever the unit was operated near full load and at rotor temperature beyond 85 *degree Celsius,* rotor earth fault alarm appeared. The defective rotor was replaced by BHEL in April 1990. The unit after putting on trial operation on 31 May 1990 was declared on commercial operation from 16 October 1990. Thus, due to installation of a faulty generator rotor supplied by BHEL, the commissioning of the unit was

Faulty generator rotor supplied by BHEL had delayed the Commissioning of Unit V resulting in generation loss of 700.560 Mkwh valued at Rs51.41 crores.

delayed by 139 days resulting in generation loss of 700.560 Mkwh valued at Rs.51.41 crores.

There was no provision in the contracts with BHEL for obtaining compensation of generation loss due to supply of faulty equipment.

3.4.1.3 Incentive to construction staff

The Board allowed (December 1991) an incentive of Rs.14.43 lakhs to its officers and staff of unit V for their involvement in achieving the synchronising of the unit (on 28 March 1989) in less than five months after boiler light up (8 November 1988) as against normal period of six months.

However, as stated in para above the operation of the coal fired unit on oil on 28 March 1989 remained for seven minutes only and unit was shut down thereafter as various construction works were pending and coal handling system to feed the coal to boiler was not ready. The unit was actually synchronised on coal firing on 31 October 1989 in more than eleven months after boiler light up. The ground on which the incentive was paid to the staff was not justified.

3.4.1.4 Payment of additional consultancy charges

The Board had appointed (March 1981) Desein Private Limited, New Delhi as consultant, at a lump sum fee of Rs.24 lakhs for 75 months. The scope of consultancy included all aspects connected with the design, engineering, erection, testing, commissioning and stabilised operation of Unit-V under Stage-III and the consultant was to ensure that the unit was commissioned by Ist quarter of 1984. In case, services of the consultants had to be continued and were retained by the Board beyond 75 months i.e 14 July 1987 for completion of trouble shooting advisory service, they would be paid additional fee of Rs.15000 per month for consultancy services,

Delayed Commissioning of unit V resulted into payment of additional Consultancy charges of Rs 10.13 lakhs.

Rs.9000 per month for resident engineer and Rs.8000 per month for commissioning and operating engineers.

It was observed in audit that due to delay in commissioning of the unit, the project authorities had to continue the consultancy services beyond 75 months and paid Rs.10.13 lakhs as consultancy charges for the period from 15 July 1987 to 30 June 1990. Further, the consultants have claimed Rs.4.50 lakhs for the services rendered by them between July 1990 and May 1992 the payment for which was yet to be made (January 1995). Thus, due to delay in commissioning of Unit-V and retaining consultancy services thereafter, the Board had paid additional consultancy charges of Rs.10.13 lakhs and incurred a liability of Rs.4.50 lakhs.

3.4.1.5 Additional expenditure on insurance premium

The Board took one Marine-cum-Erection (MCE) insurance policy for stage-III equipments (for 210 MW unit V) including accessories aggregating Rs.81.50 crores for the period from September 1982 to September 1986 at an insurance premium of Rs.54.33 lakhs. The work was actually completed in February 1990 and the unit put on commercial run in October 1990. The policy which was due to expire in September 1986 was extended up to February 1990 due to delay in commissioning of the unit, for which the Board incurred an additional expenditure of Rs.36.48 lakhs on account of payment of insurance premium for the extended period.

Delayed Commissioning of the Unit resulted into payment of additional insurance premium of Rs 36.48 lakhs.

3.4.2 Cost over-run

On the advice of CEA, the Planning Commission accepted (September 1981) the feasibility of installing a unit (unit-V) of 210 MW at an estimated cost of Rs.111.10 crores.

The cost estimates were revised to Rs.291.88 crores in October 1992 by the Board. The table below indicates work-wise breakup of original cost estimate, revised cost estimate and actual cost incurred up to March 1994:

	Original cost estimate	Revised cost estimate	Actual cost incurred (up to March 1994)
		(Rupees in crores)	
Preliminary investigation and survey	0.05	0.05	0.05
Land	1.00	1.20	1.50
Civil works	14.58	82.23	57.36
Plant and equipments	78.72	185.96	190.78
Miscellaneous charges	16.75	22.44	22.53
Total	**111.10**	**291.88**	**272.22**

A few illustrative cases of cost over-run noticed in Audit are as below:

3.4.2.1 Avoidable payment of price escalation and over run charges in erection of boiler

A letter of intent was placed on BHEL in May 1980 for supply of boiler equipments. The supply started in August 1982 was scheduled to be completed by June 1985. On the Board's request the supply of boiler equipments was suspended between May 1983 and December 1984 as connected activities (prerequisite to erection of boiler) of piling, foundation etc., which were to be executed by other agencies, were delayed due to shortage of cement. Though, erection of boiler equipment was dependent on its supply and BHEL had been advised to suspend its supplies, yet the Board placed a work order valuing Rs.302.40 lakhs in November 1984 on Punjab Chemi Plant Limited (PCPL) for erection, testing and commissioning of the boiler equipments by 18 January 1987. Prices of PCPL were firm and overrun/escalation charges were payable by Board if the work was delayed beyond January 1987. The action to award the work of erection was thus premature.The Board requested BHEL

Placement of order for erection of the boiler equipments without finalizing the delivery schedule for its supply from BHEL, resulted in an avoidable expenditure of Rs 98.46 lakhs on account of over-run and price escalation

(January 1985) to resume supply of boiler equipments so that the process of steam blowing was achieved in February 1987. The value of erection work completed by PCPL up to January 1987 (the scheduled date of completion) was only Rs.4.24 lakhs (1.4 ***per cent***) and the total work was completed only in July 1990 after the supply of boiler equipment by BHEL was completed in June 1990.

The Board paid Rs.98.46 lakhs to PCPL on account of over-run charges (Rs.65.75 lakhs); price escalation (Rs.27.71 lakhs) and payment for accelerated efforts put in by them to complete the work (Rs.5 lakhs).

Thus, due to defective planning and coordination in placement of order on PCPL without finalising the delivery schedule for supply of boiler and its auxiliary from BHEL, the Board had to incur avoidable extra expenditure amounting to Rs.98.46 lakhs.

3.4.2.2 Avoidable payment of price escalation and idle labour charges in construction of coal handling plant

The Board awarded (August 1985) work of design, manufacture, delivery, construction and commissioning of Section-I of Coal Handling Plant (CHP) to Engineering Projects (India) Limited, New Delhi (EPI) for Rs.428.05 lakhs to be completed by September 1986. According to the terms of the agreement, the prices were firm during the period of agreement. The Board asked the contractor in December 1985 to undertake the work. Accordingly, the work was started by the contractor in January 1986 and after excavation to the extent of 6000 cubic metres, the contractor stopped the work on 27 February 1986 on the plea that Davy Ashmore India Limited, Calcutta to whom the contract for section-II of the CHP had been awarded in April 1985 (to be completed in September 1986) was yet to carry out the deeper foundation work in the adjoining area. This work was to be completed first by Davy Ashmore India Limited, Calcutta for the safety of Wagon Tippler Raft which might be endangered on account of deeper foundation and also because of dewatering involved.

As the work of Section I and II of the CHP was awarded to different contractor almost simultaneously, the Board should have planned and coordinated the work of two contractors. The work of Section I of CHP was resumed by EPI from 1 March 1987 after the Board prepared an integrated scheme for carrying out the work in common area by the common agency of the two contractors. The work in Section-I of CHP was completed partly in October 1989 and balance in October 1990. Since the work remained suspended between March 1986 and February 1987, the EPI submitted escalation claim (Rs.121.05 lakhs), idle time claim of their civil associate (Rs.73.20 lakhs) and idle time claim of EPI head/site office establishment (Rs.27.84 lakhs) for the period from 27 February 1986 to 26 February 1987. The Board paid an amount of Rs.64 lakhs (escalation: Rs.50 lakhs, idle time charges: Rs.14 lakhs) towards settlement of this claim.

Defective planning and coordination of work of two contractors had resulted in payment of Rs 64 lakhs towards escalation and idle time charges

Thus, due to improper planning and coordination of work of two different contractors in Sections I and II of the CHP, the Board had to incur an avoidable expenditure of Rs.64 lakhs.

3.4.2.3 Undue benefit of price escalation and extra expenditure on miscellaneous civil works

Based on the technical specifications approved by the consultants, work of miscellaneous civil works etc. was awarded (March 1985) to Raj Kishan and Company, New Delhi at Rs.246.80 lakhs subject to plus/minus 50 ***per cent*** variation in quantities and value. Variation in price of labour and material was payable on monthly basis according to specified formula subject to a ceiling of 10 ***per cent*** of work done during a month. The work was to be completed by August 1987. Without negotiating the rate of price escalation payable, the Board increased the scope of work from Rs.369 lakhs (Rs.246 lakhs plus 50 ***per cent***) to Rs.469 lakhs in December 1986 and to Rs.620 lakhs (subject to further plus/minus 10 ***per cent*** variations in quantities and value) in August 1988 due to inadequate provision of quantities of work initially by the consultants. Since the scope of work had increased considerably, the Board did not have the benefit of competitive rates.

After executing the work valued at Rs.621.72 lakhs up to December 1990, the contractor demanded (December 1990) price escalation without any ceiling, on the work done beyond Rs.369 lakhs and extension in time limit for completion of the work. The Board had to allow (February 1992) enhancement in ceiling of price escalation from 10 ***per cent*** to 36.4 ***per cent*** on the balance work executed after December 1990 (Rs.49.30 lakhs) which was completed by the contractor within extended stipulated period up to February 1992 at a total cost of Rs.671.02 lakhs. The Board had paid escalation charges of Rs.72.80 lakhs up to July 1992 on the work for Rs.662.42 lakhs. Escalation on balance work done for Rs.8.60 lakhs was yet to be paid (May 1995).

For the work of Rs.621.72 lakhs executed up to 31 December 1990, the contractor had been paid Rs.62.17 lakhs towards price escalation at 10 ***per cent*** of the contract value. A scrutiny of price escalation bills revealed that for the work of Rs.292.08 lakhs executed up to July 1987, actual price escalation was less than 10 ***per cent*** of contract value which worked out to Rs.16.51 lakhs and for the balance work of Rs.329.64 lakhs executed during August 1989 to December 1990, price variation limited to 10 ***per cent*** of the value of work done during the same period worked out to Rs.32.96 lakhs. As such the contractor was to be paid in all Rs.49.47 lakhs towards price escalation. Thus, the contractor had been allowed undue benefit of Rs.12.70 lakhs.

Further, due to inadequate provision of quantities of work in the contract by the consultants and the Board, actual price escalation subject to enhanced limit of 36.4 ***per cent*** on the balance work (Rs.40.70 lakhs executed after December 1990), paid by the Board was Rs.10.63 lakhs as against Rs.4.07 lakhs payable at the rates provided in the contract agreement. This resulted in extra expenditure of Rs.6.56 lakhs.

3.4.3 Unjustified investment on track hopper in Coal Handling Plant

The Project had two wagon tipplers for unloading coal (for units I to IV under stages I and II) on common hopper from conventional railway wagons. It was decided to instal two more wagon tipplers for unit V (Stage-III) with similar arrangements. However, Kumarmanglam Committee set-up by the Planning Commission to study coal handling arrangements, observed that multiplication of tipplers would not improve unloading of coal and recommended that the project should go in for track hopper with adequate conveyor and crushing capacity so as to avoid modification for handling coal for the existing as well as subsequent units.

Track hopper constructed (May 1992) at a cost of Rs 389.70 lakhs without ensuring availability of hopper wagons which are yet to be manufactured by the Railways resulted in blockade of scarce funds.

Further, the Department of Railways was to decide the design of wagons (Central discharge hopper wagons) suitable for open line traffic and mass production thereof and intimate the power houses for providing of the track hoppers. Considering the volume of investment anticipated by the Railways, the Government of India (Ministry of Energy) asked (October 1983) the State Electricity Board for equity participation for procuring prototype hopper wagons. The Board informed (December 1983) the Government that it was not in a position to share the expenditure involved due to financial constraints. However, the Board, without ensuring the implementation of the recommendations of the Committee regarding availability of hopper wagons, placed (April 1985) a work order on Davy Ashmore India Limited, Calcutta for installation and commissioning of a 300 metre long track hopper suitable for unloading the coal through hopper wagons. The installation was to be completed by September 1986. The contractor completed after about six years (May 1992) the work of track hopper at a cost of Rs.361.70 lakhs. Besides, the Board had paid Rs.28 lakhs to the Railways for construction of the railway track. Thus, the track hopper was completed at a total cost of Rs.389.70 lakhs.

A view of 300 metre long track hopper constructed in May 1992 lying idle (March 1995).

(Paragraph 3.4.3)

A view of wagon tipplers for unloading coal on common hopper from conventional railway wagons.

(Paragraph 3.4.3)

The Board in addition to the above, placed (August 1985) another work order for design, manufacture, delivery, construction and commissioning of two wagon tipplers and their auxiliaries on Engineering Projects India Limited, New Delhi at a lump sum price of Rs.428.05 lakhs with a completion schedule of September 1986. The two wagon tipplers were constructed and commissioned in October 1989 and October 1990 at a total cost of Rs.492.05 lakhs. Both the arrangements (track hopper and two wagon tipplers) for handling of coal on the Project were independently sufficient for unit V under stage III as well as for future requirements of units VI and VII. With the commissioning of unit-V under stage III in October 1990, unloading of coal was being done by the above two wagon tipplers. In the absence of availability of specially designed hopper wagons from Railways, the track hopper constructed (May 1992) at a cost of Rs.389.70 lakhs was lying idle (March 1995).

Since two wagon tipplers installed and commissioned in October 1989/1990 could meet with the requirement for handling of coal for unit-V under Stage-III as well as for future requirement of units VI and VII, the huge capital investment of Rs.389.70 lakhs made by the Project in installation of track hopper, without ensuring availability of requisite hopper wagons was not justified.

3.4.4 Avoidable expenditure on repairs of fuel oil unloading system

Under 'fuel oil unloading/storage system' four Fuel Oil Pumps and Motor Control Contact (MCC) panels were installed during April 1988 and March 1990, respectively, in a pump house building, floor level of which was two metre below the ground level. The civil works wing did not make arrangement for clearance of rain water. The fuel oil pump sets were flooded with rain water during July 1988. Even at this stage no arrangement was made for clearance of rain water. These Pumps and MCC panels were again flooded in July 1990. Consequently, the pump sets and MCC panels were damaged. The Project authorities had incurred an expenditure of Rs.12.17 lakhs on repairs of pumps (Rs.6.64 lakhs), electric motors (Rs.0.83 lakh), and MCC panels (Rs.4.70 lakhs) against work orders placed between January 1993 and May 1994.

Superintending Engineer (Mechanical) in his investigation report (July 1993) pointed out that though the floor level of fuel oil pump house was two metre below the ground level, neither provision for sump and dewatering pump was made by the consultants nor entry points of rain water plugged properly by the civil wing.

3.4.5 Inventory management

Construction wing of the Project held inventory of Rs.11.08 crores as of January 1995 which included cement and steel items (Rs.1.07 crores) and general store (Rs.10.01 crores). A test check of records of general store revealed followings:

(a) Eight sets of mechanical seals and two sets each of suction and discharge side bushing of boiler feeding pump received in July 1984 against a purchase order (November 1981) for stage-II at cost of Rs.4.63 lakhs from BHEL were not found suitable for the plant. Though, the matter for replacement of these unsuitable parts was agreed to by the BHEL in March 1993 and matter for replacement was taken up in July 1993, this has not been pursued thereafter (July 1995).

(b) Against a purchase order (May 1988) for stage-III to BHEL for supply of Electronic Paralleling device and current convertor, the material received (Rs.5.72 lakhs) was found different than the ordered design. These items were not got replaced and lying in store (March 1995).

(c) In November 1990, out of store items costing Rs.46.08 lakhs, the Chief Engineer (Construction) declared store items of Rs.38.78 lakhs as slow-moving and Rs.7.30 lakhs as non-moving. Action to identify the obsolete inventory had not been taken (May 1995).

Besides, cable accessories worth Rs.20.39 lakhs were identified surplus and awaited disposal (May 1995).

3.5 Construction of Stage-IV (Unit-VI)

3.5.1 On the advice of CEA, the Planning Commission accepted (July 1989) the feasibility of the scheme to instal one unit (Unit VI) of 210 MW at an estimated cost of Rs.238.27 crores. As per projections, the unit was to be commissioned in December 1993.

Scheduled date of commissioning and estimated cost were revised in annual plans as under:

Year	Revised estimated cost as per annual plan (Rupees in crores)	Revised scheduled date of commissioning
1992-93 (November 1991)	319.76	March 1995
1994-95	319.76	March 1996
1995-96 (January 1995)	338.15	March 1996

Details of revised cost estimates of Rs.319.76 crores and Rs.338.15 crores, showing reasons for time and cost over-runs, have not been sent to the CEA for their approval. Main reason for upward revision in the cost estimate was attributed (November 1991) by the Board to escalation in prices. The actual expenditure incurred on stage-IV up to March 1994 amounted to Rs.132.62 (1991-92: Rs.50.51 crores; 1992-93: Rs.51.65 crores; 1993-94: Rs.30.46 crores) and was met out from annual budgets of the Board.

Delay in execution of various works of Stage-IV was attributed (January 1995) by the project authorities to non-availability of adequate funds.

It is evident from the above that the Board took up (1989-90) the Stage-IV without ensuring availability of funds which would result in substantial time over-run and cost over-run..

3.5.2 Expenditure on insurance premium

The Board took Marine-cum-Erection insurance cover for stage-IV equipments (for 210 MW unit VI) including accessories aggregating Rs.327.94 crores for the period from February 1991 to June 1996 at an insurance premium of Rs.2.23 crores to be paid in instalments. The project authorities incurred expenditure of Rs.132.62 crores up to March 1994.

Project authorities after making payment of insurance premium amounting to Rs.1.74 crores up to November 1994, requested (December 1994) the Insurance Company to defer/terminate the MCE insurance policy on the grounds that erection activity, which is the major constituent of the activities, had not started and was likely to be further delayed. The Board sought for refund of insurance premium admissible on account of non-starting of erection work at site and requested for issue of "Storage Insurance Cover" for the material received at site so that no further insurance premium is payable except for the storage insurance. The Insurance Company had not responded to the request of project authorities as of March 1995.

3.6 Operational performance

The project has four units (I to IV) of 110 MW and one unit (V) of 210 MW. Table below indicates the operational performance of all the five units for the four years up to 1993-94:

Serial number	Particulars	Unit	1990-91	1991-92	1992-93	1993-94
1.	Generating capacity (Mkwh)	I	963.6	966.2	963.6	963.6
		II	963.6	966.2	963.6	963.6
		III	963.6	966.2	963.6	963.6
		IV	963.6	966.2	963.6	963.6
		V	841.7*	1844.6	1839.6	1839.6
2.	Total hours available in a year (per unit)		8760	8784	8760	8760
3.	Actual running hours	I	4050	2741	2408	2406
		II	2890	3051	2634	3089
		III	4893	3921	5617	3150
		IV	2111	5920	7016	6551
		V	3665	7066	7848	6060
4.	Percentage of plant availability (Item 3-:-item 2 x 100)	I	46.2	31.2	27.5	27.5
		II	33.0	34.7	30.1	35.3
		III	55.9	44.6	64.1	36.0
		IV	24.1	67.4	80.1	74.8
		V	91.4*	80.4	89.6	69.2
5.	Possible generation with reference to hours actually operated (Mkwh) (Item 3 x unit capacity-:-1000)	I	445.50	301.51	264.88	264.66
		II	317.90	335.61	289.74	339.79
		III	538.23	431.31	617.87	346.50
		IV	232.21	651.20	771.76	720.61
		V	769.65	1483.86	1648.08	1272.60
6.	Actual generation (Mkwh)	I	266.60	199.28	140.22	141.76
		II	185.56	167.06	177.39	188.28
		III	374.84	284.92	394.43	206.66
		IV	144.37	465.60	513.14	461.44
		V	658.36	1342.45	1449.14	1148.57

* Available hours for unit V from 16 October 1990 to March 1991 were 4008 on the basis of which generating capacity and percentage of plant availability has been worked out.

Serial number	Particulars	Unit	1990-91	1991-92	1992-93	1993-94
7.	Shortfall/Percentage of actual generation to possible generation (in brackets) (Item 5 - Item 6) (Item 6-:-item 5x100)	I	178.90 (59.8)	102.23 (66.1)	124.66 (52.9)	122.90 (53.6)
		II	132.34 (58.4)	168.55 (49.8)	112.35 (61.2)	151.51 (55.4)
		III	163.39 (69.6)	146.39 (66.1)	223.44 (63.8)	139.84 (59.6)
		IV	87.84 (62.2)	185.60 (71.5)	258.62 (66.5)	259.17 (64.0)
		V	111.29 (85.5)	141.41 (90.5)	198.94 (87.9)	124.03 (90.3)
8.	Actual generation per KW of installed capacity (Kwh) (Item 6-:- unit capacity x 1000)	I	2424	1812	1275	1289
		II	1687	1519	1613	1712
		III	3408	2590	3586	1879
		IV	1312	4233	4665	4195
		V	3135	6393	6901	5469
9.	Plant load factor (Percentage) (Item 6-:-item 1 x 100)	I	27.7	20.6	14.6	14.7
		II	19.3	17.3	18.4	19.5
		III	38.9	29.5	40.9	21.4
		IV	15.0	48.2	53.3	47.9
		V	78.2	72.8	78.8	62.4
10.	Auxiliary consumption (Mkwh)	I&II	66.10	49.44	41.40	50.84
		III&IV	72.15	83.03	100.98	77.03
		V	74.46	121.68	133.13	107.43
11.	Percentage of auxiliary consumption (Item 10-:-item 6x100)	I&II	14.62	13.50	13.03	15.40
		III&IV	13.90	11.06	11.13	11.53
		V	11.31	9.06	9.19	9.35

Reasons for lower generation are discussed in the following paragraphs.

(i) Plant availability

Plant load factor of units I to IV was below the norms

Percentage of plant availability of first four units during the four years up to 1993-94 was much below the norms of 80 ***per cent*** (except unit IV for the year 1992-93) recommended by the Rajadhyaksha Committee (1980) appointed by the Government of India. Percentage of plant availability in unit V decreased from 91.4 in 1990-91 to 69.2 in 1993-94. The plant load factor of units I to IV ranged between 14.6 ***per cent*** and 53.3 ***per cent*** during all the four years up to 1993-94 against the norm of 58 ***per cent*** recommended by the Rajadhyaksha Committee. Actual generation per KW of installed capacity ranged between 1275 Kwh and 4665 Kwh for units I to IV which were lower as compared to the norms of 5350 Kwh because of low plant availability. Percentage of actual generation as compared to the possible generation of units I to V for hours actually operated during the four years up to 1993-94 ranged between 49.8 and 90.5 and the shortfall in generation worked out to 3133.40 Mkwh valued at Rs.356.25 crores.

(ii) Auxiliary consumption

Part of the energy generated is consumed for auxiliaries and is, thus, not available for sale. Percentage of auxiliary consumption to actual generation under stages I (Units I and II), II (Units III and IV) and III (Unit V) ranged from 13.03 to 15.40, 11.06 to 13.90 and 9.06 to 11.31 during the four years up to 1993-94 as against the norms of 6.5, 8 and 9 as envisaged in the Project Reports of stages I, II and III, respectively. The Board had not analysed the reasons of excess auxiliary consumption in order to control the same. The excess auxiliary consumption during the four years up to 1993-94 worked out to 240.867 Mkwh valued at Rs.27.09 crores.

3.7 Plant outages

3.7.1 Forced outages

One of the reasons for low generation was extensive shutdown of the generating units caused by forced outages.

There were 52388, forced outage hours (30.7 ***per cent*** of the total available hours of 170568) due to trouble in boiler and related equipments (7301 hours); fault in turbo generator (8556 hours); fault in coal mill (4330 hours); fault in electrical equipments (3583 hours); shortage of coal (14643 hours) and other miscellaneous reasons

(13975 hours) during the four years up to 1993-94 resulting in generation loss to the extent of 6236.51 Mkwh valued at Rs.708.87 crores.

A few illustrative cases of forced outages noticed are as below:

3.7.1.1 Loss due to non-replacement of station batteries

During grid failure, station batteries maintain direct current (DC) supply to auxiliaries of the turbo-generator including supply of current to DC emergency oil pump for oiling the bearings of the turbo-generator.

It was noticed that the station batteries of units I and II installed in 1978-79 were due for replacement in 1989. Though, the electrical maintenance wing submitted (October 1989) their requirement of two sets of the batteries to material management wing, an order for supply of the batteries was placed as late as in July 1992 on Standard Batteries Limited, New Delhi at a cost of Rs.10.91 lakhs. The Batteries were received in November 1993.

Delayed replacement of old station batteries resulted in damage of bearings and turbo generator which was repaired at a cost of Rs.51.07 lakhs besides generation loss of 192.720 Mkwh valued at Rs.26.34 crores

During grid failure (26 October 1993), DC emergency oil pump of unit II did not work for want of adequate DC voltage of existing batteries which resulted into starvation of bearings and serious damage to the turbo-generator. After replacing the batteries (December 1993), the unit II was synchronised on completion of repair of bearings (8 January 1994) at a cost of Rs.51.07 lakhs. Thus, delay in procurement of batteries resulted in damage to the turbo-generator and consequential loss of generation of 192.720 Mkwh valued at Rs.26.34 crores during the period from 26 October 1993 to 8 January 1994.

3.7.1.2 Non-conversion of ultraviolet flame scanners to visible flame scanners

Units I to V of the project had been provided with ultraviolet (UV) flame scanners. The system is used to indicate `flame or no flame' in the boiler furnace so as either to monitor the flame in former case or to trip the boiler in latter case to avoid any explosion in the furnace. The UV scanners were deficient as in case of low load operation, poor quality of coal etc., coal is not completely burnt resulting in formation of cloud of carbon-monoxide around the scanner, thereby, causing spurious tripping of the unit on flame failure. To overcome the spurious tripping and reduce the consumption of unnecessary oil support to maintain the flame, the BHEL introduced in 1987 an improved system of visible flame scanners.

The project authorities were apprised by the BHEL about the improved system in August 1989 and a proposal was also approved (September 1989) by the project authorities for conversion of ultraviolet scanners to visible scanners but the equipment was not procured for conversion of the scanners. However, proposal for conversion of scanners at two elevations of furnace of unit V was approved (July 1993) by the project authorities and a purchase order was placed (May 1994) on BHEL for supply of two conversion kits at a cost of Rs.10.81 lakhs. The equipment for conversion was received in May 1995, and was installed in June 1995.

It was observed that non-conversion of ultraviolet scanners to visible scanners resulted into tripping of the units on failure of flames for an aggregate period of 357 hours (April 1990 to March 1994) and consequent generation loss of 56.90 Mkwh valued at Rs.6.36 crores.

3.7.2 Planned outages

Planned outage represents overhauling of boilers and turbo-generators. Project authorities had not prepared so far (March 1995) any schedule of the periodicity of maintenance of boilers and turbo-generators and the planned time therefor. As per the Indian Boilers Act 1923, a boiler is required to be overhauled once a year. As per the Report (April 1975) of Kulkarni Committee, overhauling of a boiler every year should take 30 days while that of a turbo-generator 45 days in every three to five years. Time taken for overhauling of the five units during the four years up to 1993-94 is tabulated below:

Abnormal time taken in overhauling of the units resulted in generation loss of Rs 223.67 crores

Unit	Period of overhauling	Number of days	Excess time taken over 45 days
I	13.05.1991 to 11.09.1991 and 15.11.1992 to 23.08.1993	122 282	359
II	23.04.1992 to 20.10.1992	181	136
III	03.01.1994 to 09.06.1994	158	113
IV	21.01.1991 to 25.04.1991	95	50
V	15.04.1993 to 21.06.1993	68	23

Excess time taken in overhauling of the units is discussed below:

The work of overhauling of boiler and turbo-generator of unit-I was taken up by BHEL on 13 May 1991 and completed on 11 September 1991 (122 days) as against the stipulated period of 90 days allowed in the work order (45 days recommended by the Kulkarni Committee). Excess time of 77 days taken in overhauling of the unit had resulted in loss of generation of 203.28 Mkwh valued at Rs.20.45 crores.

However, after overhauling, the unit never worked even at a load of 100 MW as against the capacity of 110 MW due to high vibration on bearings 1 and 2 and high eccentricity in HP rotor of its turbine. Subsequently, the unit was closed on 15 November 1992 due to defect in HP rotor.

The unit remained closed for replacement of HP rotor of turbine for 282 days from 15 November 1992 to 23 August 1993 resulting in loss of generation of 744.48 Mkwh valued at Rs.92.89 crores. Reasons due to which defect in HP rotor occurred immediately after overhauling of the unit were not investigated.

Further, the excess time taken in overhaul of turbo-generators of units II to V was 322 days which resulted into generation loss of 905.31 Mkwh valued at Rs.110.33 crores.

3.8 Excess consumption of coal

3.8.1 Project reports for stages I and II (for units I to IV) envisaged the following heat rate at varying loads on the turbines:

Load (MW)	110	95	65
Heat rate (K.cal/Kwh)	2169	2153	2232

The project report for stage III (for unit V) provided heat rate of 1988.02 K.cal/Kwh at full load of 210 MW.

The efficiency of boiler for units I to IV and unit V had been taken as 87 ***per cent*** and 86 ***per cent***, respectively.

The table below indicates average calorific value of coal, stipulated heat rate as per standard adopted, generation of power, standard consumption of coal for actual generation, actual consumption of coal and excess consumption of coal during the four years up to 1993-94:

19.33 lakh tonne coal valued at Rs 162.50 crores was consumed in excess of norms.

Serial number	Particulars	Unit	1990-91	1991-92	1992-93	1993-94
1.	Average calorific value of coal (K.cal/Kg.)		4270	4201	4109	3904
2.	Stipulated heat rate as per standard adopted (K.cal/Kwh)	I to IV V	2232 1988.02	2232 1988.02	2232 1988.02	2232 1988.02
3.	Stipulated heat rate at 87 *per cent* boiler efficiency and 86 per cent boiler efficiency (K.cal/Kwh)	I to IV V	2566 2312	2566 2312	2566 2312	2566 2312
4.	Standard consumption of coal for generation per Kwh (gms) (Item 3-:-item 1X1000)	ItoIV V	601 541	611 550	624 563	657 592
5.	Actual generation (Mkwh)	I to IV V	971.370 658.360	1116.860 1342.450	1225.180 1449.140	998.140 1148.570
6.	Standard consumption of coal for actual generation (tonnes) (Item 4 x item 5)	I to IV V	583793 356173	682401 738348	764512 815866	655777 679953
7.	Actual consumption of coal (tonnes)	I to IV V	887480 492239	997312 968258	1107423 1029998	917260 809869
8.	Excess consumption of coal (tonnes) (Item 7 - item 6)	I to IV V	303687 136066	314911 229910	342911 214132	261483 129916
	Total		**439753**	**544821**	**557043**	**391399**
9.	Average procurement cost of coal (Rupees per tonne)		768.53	749.83	863.70	1015.22
10.	Cost of excess coal consumed (Rupees in lakhs)		3379.63	4085.23	4811.18	3973.56

It is evident that during the four years up to 1993-94, there was excess consumption of 19.33 lakh tonne coal valued at Rs.162.50 crores.

The project authorities had attributed (February 1995) excess coal consumption to poor quality of coal received with less calorific value as compared to designed figures, high ash contents in the coal and non-overhauling of units in time.

The reply of the project authorities is not tenable as the quality of coal and its calorific value have been given due weightage while calculating the excess consumption.

3.8.2 Non-installation of thermogravimetric analyser

With a view to analyse the coal for adjusting the furnace and to increase efficiency and combustion of coal, the Board placed (May 1989) an order on Leco Corporation, USA for supply of thermogravimetric analyser (TGA) at a cost of Rs.7.23 lakhs as the existing conventional method of coal analysis was time consuming and, thus, not effective. As per terms of supply order, the equipment had a guarantee/warranty period of 12 months from the date of commissioning or 18 months from the date of supply, whichever was earlier. The equipment received in February 1990 was to be installed free of cost by I.R. Technology Services, New Delhi - an Indian agent of the supplier. The agent intimated (November 1989) that the equipment was to be installed in an air conditioned dust free room of size 12' x 12'.

The project authorities purchased (March/April 1991) an air conditioner and its accessories at a cost of Rs.0.83 lakh and acquired (September 1990) an abandoned shed at Rs.0.43 lakh from a contractor. The equipment had not been erected and commissioned till March 1995 as civil/electrical works in the acquired shed were not taken up for providing the dust free air conditioned room of required size for housing the equipment. The warranty/guarantee period of the equipment had expired in July 1991.

Thus, due to defective planning, funds amounting to Rs.8.49 lakhs were locked up for varying periods involving loss of interest of Rs.7.50 lakhs up to March 1995 and the very purpose of purchasing the equipment had been defeated.

3.8.3 Avoidable payment of demurrage

Coal is received in open wagons and unloading in plant is done by four wagon tipplers installed in two coal handling plants. Four wagon tipplers have an installed capacity to unload sixteen wagons per hour. The Railways allows free time of 10 hours (12 hours up to June 1992) to unload and release a rake.

During the four years up to March 1994, 2422 rakes containing 133031 wagons were received in the Plant for unloading of which the Railways allowed free time of 26738 hours. In terms of capacity of four tipplers, all the 133031 wagons could be unloaded in 8315 hours. However, during free time, the Board could unload only 822 rakes of coal in 44630 wagons.

The delay in unloading of 1600 rakes containing 88401 wagons led to payment of avoidable demurrage of Rs.121.58 lakhs during four years up to March 1994.

3.8.4 Weighment of coal - Unjustified installation of electronic in-motion weigh bridges

As per agreement (February 1985) between Coal India Limited (CIL) and the Board, wagons loaded with coal were to be weighed at the weigh bridges of the Railways/colliery and the purchaser had the right to witness the weight at these weigh bridges. In case wagons are not weighed for any reason, the coal shall be loaded up to the loading line determined jointly by the supplier and the purchaser and charged according to carrying capacity of the wagon.

The weighment of coal undertaken at the project site was not binding on the CIL and the Railways. Before procurement of electronic in-motion weigh bridges which were able to weigh coal wagons

A view of two Electronic in-motion weigh bridges installed on reception lines for weighment of full rake of coal wagons.

(Paragraph 3.8.1)

in a rake while in motion, the project authorities did not consider the feasibility of providing these weigh bridges at such a place which facilitated weighment of the coal rake as it enters the plant boundary (reception lines) meant for stage I, II and III so as to avoid installation of additional weigh bridges on different tracks in the plant area.

The Board procured in July/August 1988, four electronic in-motion weigh bridges from Engineering Projects (India) Limited, New Delhi which were installed one each on both sides of the two wagon tippler tracks of the coal handling plant for stage III at an aggregate cost of Rs.72.34 lakhs. These were commissioned in November 1989 (two number) and December 1991 (two number). Further, two more electronic in-motion weigh bridges were procured (July 1989) from Tata Devy Limited, Calcutta at a cost of Rs.21.47 lakhs for installation one each on both sides of manual track hopper of coal handling plant for stage III. Subsequently when proposal for procurement of additional weigh bridges for installation at wagon tippler track under stage I was being considered, it was decided on 30 June 1989 to examine the feasibility of installation of 2 weigh bridges at reception lines in the marshalling yard for weighment of full rake of coal as and when it is placed on the reception lines by the Railways. Accordingly, after inspection of the site of marshalling yard, it was decided on 19 July 1989 to instal 2 weigh bridges at reception lines by diverting supply of these 2 weigh bridges meant for installation at manual track hopper. The work of installation of these weigh bridges at reception lines was completed in July 1995.

Thus, only two in-motion weigh bridges installed on reception lines were sufficient for weighment of full rake of coal wagons. Had the Board planned for installation of weigh bridges at reception lines in the first instance, the Board could have avoided an extra expenditure of Rs.72.34 lakhs on the procurement and installation of four additional weigh bridges at wagon tippler lines.

In addition, the claim of Rs.421.96 lakhs for short receipt of 1.34 lakh tonne coal during the period from October 1991 to March 1994 lodged by the Board was not accepted by the CIL as the weighment done at the Project site was not binding on them. The Management had not analysed the reasons for shortages.

3.9 Excess consumption of secondary fuel oil

Secondary fuel oil is required for stabilisation of flames to attain particular pressure in coal fired boiler when there are interruptions in coal flow. The All India average consumption of oil was 10 and 5.61 ml/Kwh in 1989-90 and 1993-94, respectively. Table below indicates generation of power, actual consumption of oil per Kwh of energy generated as compared to all India average consumption of oil for the year 1989-90, during the four years up to 1993-94 in respect of Unit I to IV.

Serial number	Particulars	Unit	1990-91	1991-92	1992-93	1993-94
1.	Generation (Mkwh)	I	266.60	199.28	140.22	141.76
		II	185.56	167.06	177.39	188.28
		III	374.84	284.92	394.43	206.66
		IV	144.37	465.60	513.14	461.44
2.	Oil consumption (ml/Kwh)	I	35.83	32.62	37.36	40.85
		II	38.34	52.89	23.08	24.75
		III	21.96	35.41	27.00	31.42
		IV	42.65	20.47	23.52	23.62
3.	All India maximum average consumption of oil (ml/Kwh)		10	10	10	10
4.	Excess consumption of oil as compared to all India average (ml/Kwh)	I	25.83	22.62	27.36	30.85
		II	28.34	42.89	13.08	14.75
		III	11.96	25.41	17.00	21.42
		IV	32.65	10.47	13.52	13.62
5.	Excess consumption of oil on generation (Kilo litres)	I	6886	4508	3836	4373
		II	5259	7165	2320	2777
		III	4483	7240	6705	4427
		IV	4714	4875	6938	6285
6.	Average rate of oil (Rupee per Kilo litre)		3151.57	4050.74	4719.94	5033.03
7.	Cost of excess oil consumed (Rupees in crores)		6.73	9.64	9.34	8.99

The consumption of oil in units I to IV ranged between 20.47 and 52.89 ml/Kwh during the four years up to 1993-94 resulting into excess consumption of the oil to the extent of 82791 Kilo litres valued at

Rs.34.70 crores. As regards consumption of oil in Unit V, the same was within the norms. Reasons for higher consumption of oil in Units I to IV were attributed by the Board (July 1995) to poor quality of coal, operation of the units at partial load and problem in coal milling system.

The Board had not taken any steps to reduce the higher consumption of oil.

3.10 Excess consumption of demineralised water

Norms for consumption of demineralised (D.M.) water in boilers had not been fixed by the Board. In its annual estimates from 1990-91 onwards, the Board had provided at the rate of 8 ***per cent*** of maximum continuous rating (M.C.R.) of 375 tonnes per hour of boilers for units I to IV and 680 tonnes per hour of boiler for unit V to make up water required for losses (evaporation and steam leakages).

The requirement of D.M. water as per estimate, excess consumption thereof in all the five units during the four years up to 1993-94 is given below:

Serial number	Particulars	1990-91			1991-92			1992-93			1993-94		
		Units I&II	Units III&IV	Unit V	Units I&II	Units III&IV	Unit V	Units I&II	Units III&IV	Unit V	Units I&II	Units III&IV	Unit V
(i)	Estimated consumption of D.M. water per hour per unit (in tonnes)	30	30	55	30	30	55	30	30	55	30	30	55
(ii)	Working hours of boiler	6940	7004	3665	5792	9841	7066	5042	12633	7848	5495	9701	6060
(iii)	Requirement of D.M. water as per estimates (in tonnes)	208200	210120	201575	173760	295230	388630	151260	378990	431640	164850	291030	333300
(iv)	Actual consumption of D.M. water (in tonnes)	261660	347770	246555	238660	422650	403370	218910	492140	405260	221030	358900	256685
(v)	Excess consumption of D.M. water over estimates (in tonnes)	53460	137650	44980	64900	127420	14740	67650	113150		56180	67870	-
(vi)	Estimated cost of D.M. water per tonne (in rupees)	7.34	5.09	2.46	6.78	4.81	2.46	8.05	5.75	3.57	8.05	5.73	3.59
(vii)	Loss due to excess consumption (Rupees in lakhs)	3.92	7.01	1.11	4.40	6.13	0.36	5.45	6.51	-	4.52	3.89	-

It is evident that 7.48 lakh tonnes of D.M. water valued at Rs.43.30 lakhs was consumed in excess of estimates.

Reasons for excess consumption of DM water were attributed (February 1995) by the Board to excessive trippings and steam leakages from various joints persisted for longer duration and the same were not checked to avoid shutdown of the units.

3.11 Cost appraisal

Table below indicates the total cost of generation and cost per Kwh of power sent out for distribution during the four years up to 1993-94 in respect of Units I to V.

Serial number		Particulars (Mkwh)	1990-91	1991-92	1992-93	1993-94
1		Units generated	1629.73	2459.31	2674.32	2146.71
2		Auxiliary consumption	212.71	254.15	275.51	235.30
3.		Units sent out	1417.02	2205.16	2398.81	1911.41
4.		Total generation cost				
				(Rupees in lakhs)		
	(i)	Coal	10603.57	14738.52	18460.89	17534.22
	(ii)	Oil	1349.69	1907.05	1914.10	1862.42
	(iii)	Operation and maintenance	792.31	1137.56	1750.01	1506.62
	(iv)	Salaries and wages	889.19	978.90	1357.96	1629.40
	(v)	Depreciation	763.92	1438.36	1607.04	1929.84
	(vi)	Interest	2392.38	4542.44	4900.56	4883.76
		Total	**16791.06**	**24742.83**	**29990.56**	**29346.26**
5.		Cost per Kwh		(Paise)		
	(i)	Generated	103.03	100.61	112.14	136.70
	(ii)	Sent out	118.50	112.20	125.02	153.53
6.		Break up (Generation cost per Kwh)				
	(i)	Coal	65.06	59.93	69.03	81.68
	(ii)	Oil	8.28	7.75	7.16	8.68
	(iii)	Operation and maintenance	4.86	4.63	6.54	7.01
	(iv)	Salaries and wages	5.46	3.98	5.08	7.59
	(v)	Depreciation	4.69	5.85	6.01	8.99
	(vi)	Interest	14.68	18.47	18.32	22.75
		Total	**103.03**	**100.61**	**112.14**	**136.70**

Important factors for gradual increase in cost of generation as noticed in audit were as under:

(i) Gross under-utilisation of capacity including generation at much below the rated capacity even when the units were in operation (see paragraph 3.6);

(ii) Excess consumption of coal and oil (see paragraphs 3.8.1 and 3.9); and

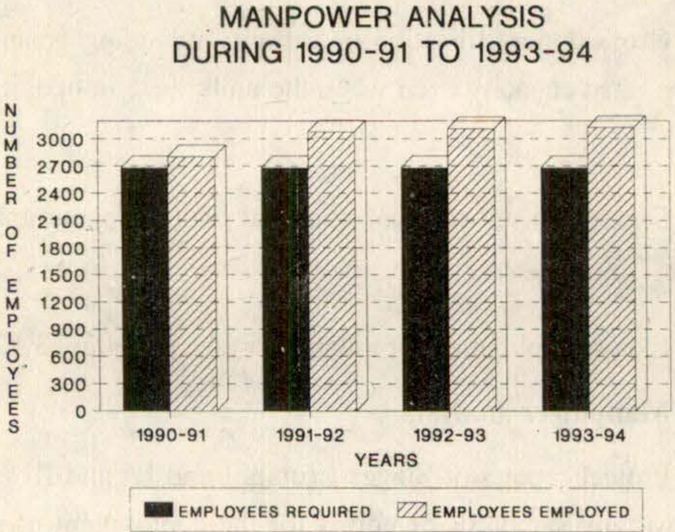
(iii) Excess deployment of manpower (see paragraph3.12).

3.12 Manpower analysis

Project reports of Stages I (units I and II) and III (Unit V) did not lay down any standards or norms for the deployment of staff for operation and maintenance of the Plant. However, project report of Stage-II (units III and IV) envisaged deployment of 4.12 employees per MW of installed capacity for operation and maintenance. Compared to these projections, the actual number of persons employed per MW of the installed capacity of all the units was higher during the four years up to 1993-94 as indicated below:

Staffing pattern has not been examined though a Committee to review the staffing pattern was constituted by the Board in October 1993

Serial number	Particulars	Year ended March			
		1991	1992	1993	1994
1.	Installed capacity at the end of the year (MW)	650	650	650	650
2.	Number of employees required as per project report	2678	2678	2678	2678
3.	Actual number of employees	2803	3078	3113	3125
4.	Employees per MW of installed capacity	4.31	4.74	4.79	4.81
5.	Excess number of employees	125	400	435	447
6.	Total expenditure on salaries (Rupees in lakhs)	889.19	978.90	1357.96	1629.40
7.	Proportionate extra expenditure on excess staff (Rupees in lakhs)	39.65	127.21	189.76	233.07



(Para 3.12)

The proportionate extra expenditure on excess staff during the period from 1990-91 to 1993-94 worked out to Rs.589.69 lakhs.

Employees per MW of installed capacity employed at the Project ranged between 4.31 and 4.81 which was higher than the All India average of 3.22 employees per MW. The Board had constituted on 15 October 1993 a Committee to review the staffing pattern on the Project. Though, the Committee was required to submit their report and to give their recommendations within three months i.e. by January 1994, the report had not been submitted (March 1995).

3.13 Renovation and modernisation

3.13.1 In order to overcome problems/constraints adversely affecting the generation of the two units of 110 MW each commissioned in November 1979 and March 1980 under stage-I, a scheme (estimated cost Rs.1654.40 lakhs) under Phase-I was got approved (February 1985) from Planning Commission. The Board identified certain additional activities with the result that the estimated cost was revised to Rs.2055 lakhs to which the approval of the Planning Commission was received in March 1987.

Subsequently, during execution of Renovation and Modernisation (R&M) of the units under Phase-I, some deficiencies were noticed and another R&M scheme under Phase-II at an estimated cost of Rs.1658 lakhs was framed and got approved from the Planning Commission in November 1990.

3.13.2 Execution of R & M scheme under phase-I

The Scheme under phase-I covering 53 activities (envisaging replacement of Air Pre-Heater (APH) block; hard facing of pulverised coal bends at erosion prone zones; replacement of duct between APH and mechanical precipitators; provision of ash slurry line; replacement of 18th stage turbine blades; replacement of butter fly valves in cooling water system; repair of generator rotor; replacement of instrumentation system of turbo generator, etc.) at a cost of Rs.872 lakhs under Central Plan and 16 activities (providing of modified electrostatic precipitators; mill reject coal handling system; etc.) at a cost of Rs.1183 lakhs under State Plan were to be completed up to March 1988. It was expected that annual generation would be 925.06 Mkwh with plant load factor of 48 ***per cent*** after completion of R&M work.

The R&M work was taken up during the year 1984-85. Of the 69 activities planned, 60 activities could be completed up to March 1992 at a cost of Rs.875.33 lakhs (estimated cost: Rs.1009.94 lakhs); six activities were under execution (actual expenditure up to March 1994: Rs.232.01 lakhs as against estimated cost: Rs.1005.72 lakhs) and remaining three activities (estimated cost: Rs.39.34 lakhs) were dropped.

It was observed that out of the total expenditure of Rs.1107.34 lakhs incurred up to March 1994, Rs.875.33 lakhs (79 ***per cent***) were spent on 60 activities completed up to March 1992, but the actual generation during 1992-93 and 1993-94 was 647.65 Mkwh as against expected generation of 1850.12 Mkwh which was also less than the generation of 1322.95 Mkwh achieved prior to R&M work i.e. during the years 1982-83 and 1983-84.

3.13.3 Execution of R & M scheme under phase-II

The scheme under phase II covering 18 activities (envisaging replacement of economiser blocks; upgradation of milling system; augmentation of fire protection system, etc.) at a cost of Rs.1658 lakhs under State Plan were to be completed up to March 1994.

Of the 18 activities planned, 3 activities were completed up to March 1993 at a cost of Rs.289.62 lakhs (estimated cost: Rs.339.90 lakhs), while 15 activities were under execution (actual expenditure incurred: Rs.10 lakhs against estimated cost: Rs.1318.10 lakhs).

3.14 Other points of interest

3.14.1 Avoidable payment to a contractor

Work of construction of sewerage disposal sump was awarded (October 1979) to Radha Construction Company, New Delhi at Rs.11.82 lakhs. The work was to be completed by 30 April 1980. As per terms of work order, it was obligatory for the project authorities to give clear site and ensure that there was no flooding or seepage of water from the already laid storm water lines and sewerage lines into excavation area.

After completing the work of Rs.11.31 lakhs (95.7 ***per cent***), the contractor abandoned (March 1981) the work as the working area was flooded due to seepage of water from the storm water line and sewerage line and requested (March 1981) the project authorities for giving clear site to resume the work. The project authorities instead of taking remedial measure or allowing the contractor to rectify the seepage at an additional cost, issued (April 1981) a notice to the firm to resume the work within seven days of issue of the notice, otherwise the work would be got done at their risk and cost.

Failure to povide clear site for work resulted in avoidable payment of Rs.8.77 lakhs

The firm obtained (May 1981) stay order from court of Sub-Judge Ist Class, Panipat for restraining the project authorities from doing the work at their risks and cost. On the request (May 1981) of the firm, the court appointed (14 January 1982) an arbitrator for adjudication of the dispute. The contractor lodged (December 1982) claims for Rs.38.37 lakhs for idle labour and machinery, loss of profit, delay in handing over site, etc. and the Board lodged (February 1983) a counter claim of Rs.3.91 lakhs on account of completion of left over work before the arbitrator. The arbitrator announced (January 1991) his award and allowed relief of Rs.3.50 lakhs to Radha Construction Company, New Delhi with simple interest at the rate of 12 ***per cent*** per annum from 14 January 1982 till the date of award and at 9 ***per cent*** interest per annum from two months after the date of award till the date of payment. The award was made rule of the court on 15 May 1992. The project authorities deposited Rs.3.50 lakhs in the court and went in appeal, in Punjab and Haryana High Court, which was dismissed on 15 July 1993. The court released (July 1993) amount of Rs.3.50 lakhs to the contractor and interest amounting to Rs.5.27 lakhs was paid (July 1993) by the project authorities.

Thus, failure of the project authorities to provide clear site for work resulted in avoidable payment of Rs.8.77 lakhs.

3.14.2 Avoidable payment of exgratia in lieu of monthly production incentive

Under monthly generation scheme, the Board is paying to operative technical, non-operative technical and other staff, production incentive at specified rates taking into consideration the Plant Load Factor (PLF) achieved in excess of the base PLF fixed by the Board annually for its plant as a whole.

It was noticed that before the unit V was commissioned, the base PLF for units I to IV fixed by the Board in May 1990 was at 52 ***per cent*** (57 ***per cent*** when one unit was under annual maintenance). Unit V was synchronised in October 1989 and was declared on commercial operation in October 1990. The Board did not fix the base PLF for plant as a whole and decided (December 1991) to pay exgratia in lieu of monthly production incentive for the period from October 1990 to October 1991 equivalent to 22.68 days, 17.01 days and 11.34 days of pay to operative technical, non-operative technical and other staff, respectively, on the plea that monthly PLF of unit V during the months from January to March, July, September and October 1991 was achieved in excess of 65 ***per cent***. Similarly, Board decided (August 1992) to pay 22.84 days, 17.12 days and 11.43 days of pay to operative technical, non-operative technical and other staff, respectively, for the period from November 1991 to March 1992 without fixing the base PLF for the plant as a whole. Amount paid on this account worked out to Rs.30.95 lakhs.

Delay in fixing base Plant load factor for plant as a whole resulted in avoidable payment of exgratia of Rs.23.51 lakhs

The Board fixed the base PLF for plant as a whole at 47 ***per cent*** (52 ***per cent*** when one unit was under annual maintenance) only from April 1992, despite the fact that the unit V was declared on commercial operation in October 1990. Considering the PLF at 47 ***per cent*** for the plant as a whole as base, the monthly production incentive payable for the period from October 1990 to March 1992 worked out to Rs.7.44 lakhs.

Thus, due to delay in fixing base PLF for plant as a whole, the Board had to make avoidable payment of exgratia to the tune of Rs.23.51 lakhs.

3.14.3 Disposal of mill reject coal

Against press tender enquiry (February 1990) opened on 12 March 1990, for disposal of 25000 tonnes of mill reject coal, seven parties quoted their rates. Rate quoted by K.K. Jindal and Company, New Delhi for full tendered quantity of 25000 tonnes (Rs.514 per tonne) was the highest with the condition that during the period of contract, other party might not be allowed to lift the coal and schedule of lifting would be negotiable. Without taking into consideration this condition, the Board placed (May 1990) letter of intent on the firm for lifting of 15000 tonne coal at his quoted rate. Simultaneously, a counter offer was made without any negotiation about rates to Dee Emm Enterprises, New Delhi - the second highest firm for lifting of remaining 10000 tonne coal at Rs.514

per tonne against their tendered rate of Rs.472.40 per tonne. Both the firms did not accept the counter offers made by the Board.

The Board later on issued (January 1991) a sale order on Dee Emm Enterprises, New Delhi for 10000 tonne coal as against offer of 25000 tonnes at negotiated rate of Rs.482 per tonne. The coal was lifted by the contractor between January 1991 and March 1991. The Board sought to justify the bypassing of the conditional offer of K.K. Jindal and Company, New Delhi on the ground that another party (Hardeep Coal Sales) was already lifting the coal during the relevant period. It was, however, seen that the said party had already stopped lifting the coal with effect from 17 April 1990.

The Board had to sustain loss of Rs.3.20 lakhs in the disposal of 10000 tonne mill reject coal due to unjustified action of the Board.

3.15 Conclusion

Lack of efficient planning and execution of fifth unit entailed substantial time and cost overruns.. Huge financial losses on account of avoidable extra payments to contractors towards price escalation, idle time charges and substantial idle investments on equipments could have been avoided by better management and coordination.

There is a dire need for upgrading maintenance of units I to IV and minimise forced outages to plug the continued generation losses.The plant load factor and actual generation per KW of installed capacity were found below the norms given by an expert committee due to the above factors.Poor quality of coal with high ash content coupled with non overhauling of units in time led to excessive consumption of coal and secondary fuel oil resulting in huge losses.

Manpower deployed was found more than the norms required. Despite continued investment on modernisation and renovation of units I and II, the actual generation was far below than the expected.

The matter was reported to the Board and Government in June 1995; their replies had not been received (October 1995).

[illegible]

[illegible] and [illegible] account of [illegible]

[illegible]

[illegible] after [illegible] the other party [illegible]

[illegible] Board had to [illegible] loss of [illegible]

Conclusions

[illegible] of efficient planning and [illegible] have been guided by [illegible] management and [illegible]

[illegible] need for better [illegible] management of [illegible] in [illegible] to an extreme limit due to [illegible] quantity of coal with high ash [illegible] excessive consumption of [illegible]

[illegible]

The matter was reported to the Board and Government in [illegible] 1985; their replies had not been received (October 1985).

Chapter - IV

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Miscellaneous topics of interest

Section - 4

Miscellaneous topics of interest relating to Government companies and Statutory corporations

4.A GOVERNMENT COMPANIES

4.1 Haryana Agro Industries Corporation Limited (HAIC)

4.1.1 Loss due to non acceptance of order

In response to an enquiry (December 1991) by a private firm for bulk purchase of various beverages and canned products worth rupees one crore approx during the year 1992, the Foods and Fruit Processing Plant, Murthal, a unit of the Company intimated (January 1992) the rates which included the standard profit margin of ten ***per cent***. For the years 1990 and 1991, the firm had a rate contract with the plant having a profit margin of only five ***per cent***. The firm responded (January 1992) giving their tentative requirement for the year 1992 at marginally lower rates (with 9.9 *per cent* profit margin to the Company) with reference to the rates offered by the unit. The proposal was sent the same day to the Head Office for approval. However, the decision was not conveyed to the unit ; reasons for which though called for (May 1994) were not intimated (October 1995).

It was observed that capacity utilisation during 1992-93 for beverage and canned products was only 0.3 and 13.3 ***per cent*** respectively and the plant could have executed this order. The plant management has also confirmed (April 1995) that as per production capacity the plant could manufacture the material for supply to the firm over and above the production already made in the year 1992-93 with the same regular staff. Had the offer of the firm for bulk supply been accepted, the Company could have earned a profit of Rs.4.75 lakhs.

The matter was reported to the Company and Government in May 1995; their replies had not been received (October 1995).

4.1.2 Avoidable loss of interest

Section 35 of the Income Tax Act, prescribes deduction from taxable income in respect of payments made to any organisation/institution carrying out any work of scientific research provided such institution is approved for the purpose by the prescribed authority (Central Government) by notification in the official gazette.

The Company being the nodal agency for propagating interest of agriculture, farmers and agro based industries in the State, established an independent society viz. HAIC Agro Research and Development Centre (Research Centre) on 11 March 1993. The payments made to the Research Centre (an institution carrying out scientific research) were deductable from the taxable income only after the Research Centre was approved by the competent authority (i.e. Government of India).

In anticipation of approval by Government of India the Company contributed (26 March 1993) Rs.2.25 crores to the Research Centre and obtained (14 May 1993) a loan of Rs 2.20 crores from the Institute at the interest rate of 12 ***per cent*** per annum. The Research Centre was approved by the Central Government in December 1993 for the years 1993-94 and 1994-95 with the result the Company could not get benefit of income tax rebate in respect of payment made to Research Centre during the financial year 1992-93.

The Company cancelled (February 1994) the loan agreement and decided to treat the contribution of Rs 2.25 crores to the Research Centre and loan of Rs 2.20 crores taken from it as interest free loan. As the Company had been availing cash credit from Banks at 17.75 *per cent* interest, it lost interest of Rs 4.55 lakhs for the period the amount remained with the Research Centre

The decision to make huge contribution to the Research Centre which was not approved by the prescribed authority resulted in loss of interest of Rs.4.55 lakhs.

The matter was reported to the Company and Government in May 1995; their replies had not been received (October 1995).

4.2 Haryana Police Housing Corporation Limited

4.2.1 Wasteful expenditure on Officers' mess

The Company without prior approval of the Board and Government hired a building (comprising five bed rooms, drawing-dinning room, two lobbies, kitchen, bath room and one garage) at Panchkula with effect from December 1989 at monthly rent of Rs.5000 to be utilised as officers' mess cum Managing Director's (M.D.) residence. Before hiring the building the requirement for setting up of the mess was not assessed.

Three rooms of the building were utilised for the residence of the M.D. and his family with effect from 15 December 1989 and two rooms to be used for stay of other officers. At the instance of Board (December 1991), the Government regularised (August 1994) the expenditure on rent of the building. It was noticed in audit (May 1994) that no officer stayed in the mess/used the mess facility. The Company never reviewed the working of the mess to assess its usefulness either before or after its occupation. The mess was closed (21 February 1992) and the staff withdrawn in February 1992 when the premises were vacated by the family of the M.D.

Total expenditure on the residence and the mess up to February 1992 worked out to Rs.3.58 lakhs (rent: Rs.1.34 lakhs, electricity and water charges: Rs.0.09 lakh, staff salaries: Rs.1.64 lakhs and non-recurring mess expenses: Rs.0.51 lakh). After deducting the expenditure of rent of Rs.1.34 lakhs of the building which was regularised by the State Government, the Company incurred expenditure of Rs.2.24 lakhs for the running of the mess, which never functioned.

Running of the mess without assessing its viability resulted in a wasteful expenditure of Rs.2.24 lakhs.

The Government stated (April 1995) that the Company had worked out the feasibility and reasonability of continuing and maintaining the mess. The reply is not tenable as the mess did not function at all.

4.2.2 Extra expenditure

As per provisions (Para 6.16) contained in the manual of orders of Public Works Department (Building & Roads), a detailed survey of the area showing the topographical features and contours thereof should be conducted before undertaking the preparation of detailed drawings and estimates. The Company prepared Detailed Notice Inviting Tenders (DNIT) in September 1990 for construction of 160 houses at Faridabad without conducting survey of the site. The contract for construction was awarded in November 1990 to Ajay Construction Company at the rates prescribed in Haryana P.W.D. schedule of rates (HSR) 1974 plus sanctioned premium. Item of work for earth filling with lead was not included in the DNIT.

After the start of the work, the fact that the site of 96 houses was in low lying areas was brought to the notice of the Head Office by the Gurgaon Division of the Company in February 1991. In the meantime, HSR 1988 was made operative with effect from 15 December 1990. As the earth filling work was not included in the DNIT, fresh tenders for this work were invited and the work was awarded to Bahin Cooperative Labour & Construction Society in May 1992 which completed the work in August 1992 at a cost of Rs.1.94 lakhs at the rates specified in HSR 1988. Had the work of earth filling been awarded alongwith the original work in November 1990, the Company would have to spend Rs.0.72 lakh only (at HSR 1974 rates). Failure to conduct survey of site before inviting tenders had, thus, resulted in extra expenditure of Rs.1.22 lakhs.

The Company stated (April 1995) that the original DNIT was based on only rough cost estimate and therefore the item of earth work was not provided for and had the rates been invited in the beginning, the contractor might have quoted much higher rates. The contention is not acceptable as the survey of the site should have been conducted before approval and issue of DNIT.

The matter was reported to Government in March 1995; their reply had not been received (October 1995).

4.3 Haryana Tourism Corporation Limited

4.3.1 Avoidable loss on operation of ferris wheel

The Company placed an order (December 1990) on a firm of Delhi for supply of ferris wheel (Joy Ride) at a cost of Rs.6.35 lakhs including decorative lights, civil works and insurance etc. for installation at its Asakhera Tourist Complex without working out economic viability. After inspection (August 1991) the management decided to instal the wheel at oasis complex, Karnal. This time too no economic viability was examined. The wheel received in February 1992 was put to operation at Karnal Complex in May 1992 after incurring an additional expenditure of Rs.1.26 lakhs on platform and fencing. The wheel stopped working since July 1993 due to some major defects. The Company suffered a loss of Rs.2.27 lakhs on the operation of this wheel including depreciation during the years 1992-93 and 1993-94.

The Divisional Manager stated (May 1993) that oasis complex being a high way resort the activity could not be profit oriented due to insufficient inflow of stationed and destined tourists. On the proposal mooted for shifting of the ferris wheel to other picnic spot like Badkhal, Sohna, Surajkund etc., the management has estimated (May 1993) the cost of its shifting to another place at Rs.1 lakh. However, the management decided only in March 1995 for leasing the wheel to a private party for operation or to shift to their tourist complex at Hisar. The wheel was still lying idle, unrepaired at oasis complex, Karnal (July 1995).

Thus, purchase of the wheel without assessing its viability and its installation at unsuitable site has resulted in a loss of Rs.2.27 lakhs to the Company in addition to locking up of funds to the extent of Rs.7.61 lakhs.

The matter was reported to the Government in May 1995; their reply had not been received (October 1995).

4.B STATUTORY CORPORATIONS

4.4 Haryana State Electricity Board

4.4.1 Avoidable payment of excise duty on repair of damaged transformers

To clear the backlog in repair of damaged distribution transformers, the Board decided (9 May 1991) to get them repaired from private contractors on rates, terms and conditions of work contracts entered into by Punjab State Electricity Board (PSEB). The PSEB conditions envisaged that excise duty legally applicable on parts used in the repair of transformers would be paid extra on actuals. The work orders issued by Chief Engineer, Workshops, Dhulkote for repair of 1000 transformers during September and October 1991 provided that excise duty on parts used in repair of transformers shall be paid extra on actuals on production of documentary evidence.

The excise duty was not leviable on the coils used in the repair of damaged transformers as decided (26 November 1991) by Central Excise Tribunal in the case of Collector of Central Excise, Chandigarh versus Sub-divisional Officer, Coil Fabrication, PSEB, Amritsar. The workshop authorities did not modify the terms and conditions of payment of excise duty on coils in their subsequent contracts until June 1993; reasons for the same though called for (November 1994) were not intimated (October 1995).

A test check of 16 contracts entered into with private contractors between July 1992 and February 1993 for repair of 3920 transformers revealed that the workshop authorities made provisions in contracts for payment of excise duty on actual basis involving avoidable payment of Rs.10.66 lakhs on coils used in the repair of 3551 damaged transformers received up to 31 March 1995.

Thus, due to non-modification of terms in regard to excise duty on coils used in the repair of damaged transformers in the work contracts entered into between July 1992 and February 1993 in the light of decision of Excise Tribunal, resulted in avoidable payment of excise duty of Rs.10.66 lakhs.

The matter was reported to the Board and Government in June 1995; their replies had not been received (October 1995).

4.4.2 Extra expenditure on purchase of copper wire

The Chief Engineer, Workshops, Dhulkote of Haryana State Electricity Board (Board) placed (May 1986) a purchase order on Hargo Transformers, Panipat for the supply of 6000 kg. Double Paper Covered (DPC) copper wire as per I.S.S.-7404/Part-I/1974 having ordinary covering of size 21.5 SWG at an equivalent rate of Rs.66.66 per kg. As per terms of purchase order, supplies were to be completed by 7 March 1987. The firm offered for inspection 500 kg. DPC copper wire in December 1986, 1035 kg. wire in April 1987 and 450 kg. wire in July 1987 but each time the offered material was not found according to the specifications. The Workshop ultimately referred (April 1988) the case for advice to Legal Remembrancer of the Board who advised (May 1988) for initiating risk purchase clause against the firm. After serving the risk purchase notice (25 May 1989), tenders were invited (21 September 1989) by the Workshop. Tenders were opened on 18 October 1989 which were valid up to 16 January 1990. The rate of M/s Navin Dhatu Udyog Delhi at equated rate of Rs.103.58 per Kg. (excluding CST and ED) was the lowest. Due to financial implications, the matter was referred to store purchase committee which failed to finalise the tenders within the validity period and the tender enquiry was ultimately dropped on 27 December 1990.

Subsequently, the tenders were re-invited in February 1991 and placed (June 1991) supply order on P.J. Winding Wires, Sonepat for the supply of 6000 kg. DPC wire at Rs.120 per kg. (excluding excise duty and sales tax). As against the extended delivery period of February 1993 (original delivery period up to January 1992) the Sonepat firm supplied 5877.3 kg. DPC wire in June and August 1994 at an aggregate cost of Rs.8.38 lakhs whereas the material would have costed Rs.3.92 lakhs only had it been supplied by Hargo Transformers, Panipat. Pending supply of material from the Sonepat firm, the Board lodged (May 1993) claim of Rs.3.53 lakhs with Hargo Transformers, Panipat. The firm referred the matter to the Arbitrator in May 1993. The Arbitrator dismissed (February 1994) the risk purchase claim of the Board, being time barred due to expiry of limitation period of three years reckoned from the date of serving the risk purchase notice i.e. 25 May 1989.

Thus, due to non finalisation of tenders invited in 1989 within the validity period and subsequent delay in lodging the claim with the defaulting firm in time, the Board had incurred an extra expenditure of Rs.4.46 lakhs.

The matter was reported to the Board and Government in May 1995; their replies had not been received (October 1995).

4.4.3 Extra expenditure on shifting of a transmission line

Sales manual of the Board provides that the cost of additional material required for shifting/diversion of the route of the electrical lines to comply with the demand of the requisitionist should be recovered from him.

It was noticed in audit (October 1992) that construction of a 66 KV D/C Panchkula - Barwala power line was taken up by the Board in October 1990. While the work was in progress, M/s Haryana Nitrochem Limited a joint sector company of Haryana State Industrial Development Corporation requested (March 1991) the Board for diversion of the line near village Manka because the proposed line was passing through their upcoming project where a prilling tower of 250 ft. height will be constructed and the power lines should be at least 150 metres away from the project site. Though initially the Chief Engineer (Construction) was of the opinion (April 1991) that the diversion was not possible due to the existence of topographical/technical constraints and the foundation work at a cost of Rs.0.37 lakh had already been completed (March 1991) in the original route, the Board agreed (October 1991) to shift the line on the condition that the additional expenditure would be borne by the firm. The Board did not insist the company for depositing the shifting charges in advance at the start of the work. The diversion work was taken up on the direction (December 1991) of Member Technical 'Operation' of the Board and completed (April 1992) at an extra expenditure of Rs.2.43 lakhs despite the fact the firm did not agree to bear additional expenditure.

Had the Board insisted for advance deposit of shifting charges before starting the work the extra expenditure of Rs.2.80 lakhs could have been avoided.

The matter was reported to the Board and Government in March 1995; their replies had not been received (October 1995).

4.4.4 Avoidable expenditure on repair of distribution transformers

After considering the recommendations of Rural Electrification Corporation (Manual 9/1976), the Board decided (April 1989) to dispense with the provision of a breather in repair of the distribution transformers of capacity below 63 KVA. Accordingly breathers were not provided in the distribution transformers up to 63 KVA repaired in the Board's workshops from May 1989.

It was observed in audit that contrary to the Board's decision, provision of silicagel breathers in the transformers of capacity 63 KVA and below was continued to be made by the workshop authorities in 45 work orders placed on private firms during the period from July 1992 to November 1993 for repair of 5977 distribution transformers (25 KVA: 2100 and 63 KVA: 3877). Of these, 5947 distribution transformers (25 KVA: 2096 and 63 KVA: 3851) were received back duly repaired up to March 1995. The Board had incurred an avoidable extra expenditure of Rs.2.83 lakhs on the provision of breathers in 4001 distribution transformers (25 KVA: 150 and 63 KVA: 3851). However, in the work order with various firms issued in January 1994 for repair of transformers of capacity 63 KVA and below, provision of a breather for the lower capacity transformers has been withdrawn.

Thus, non compliance of the decision of the Board by the workshop authorities has resulted in an avoidable expenditure of Rs.2.83 lakhs.

The matter was reported to the Board and Government in March 1995; their replies had not been received (October 1995).

4.4.5 Avoidable payment of sales tax

The State Government had notified (January 1977) that the rate of tax on sale of goods, made to the Board would be one paisa in a rupee provided that certificate in form STD-2 is given by the Board against purchases to the seller.

A test check of records revealed that the Board placed orders for the supply of 94 vehicles (44 Jeeps and 50 pick ups) directly with the manufacturers (Mahindra and Mahindra) at Bombay and 9 jeeps with the local authorised dealer, between May 1991 and May 1992.

Out of the above orders, 80 vehicles (45 jeeps and 35 pick ups) were received at a cost of Rs.141 lakhs including sales tax of Rs.5.35 lakhs (4.08 ***per cent*** Central Sales Tax at Chandigarh in case of purchases from Mahindra and Mahindra and 2 ***per cent*** CST + 1.10 ***per cent*** HGST in case of purchase from local authorised dealer). Though, Mahindra and Mahindra, Bombay had its sales outlet in Gurgaon (HARYANA), the Board did not place orders with a request that vehicles be delivered and bills be raised from its Gurgaon sales outlet with concessional sales tax at the rate of 1.1 ***per cent*** (including ten ***per cent*** surcharge on sales tax) against STD-2 forms. The Board did not avail concessional sales tax from local authorised dealer.

The Board stated (August 1994) that it had placed purchase order in January 1994 on the manufacturers with billing from Gurgaon sales outlet when it came to know about the existence of Gurgaon sales outlet in December 1993 after 21 months of its operation. The records, however, indicate that no enquiry was made by the Board about the existence of sales outlet in Haryana before placing the orders between May 1991 and May 1992.

As the Board did not ask the manufacturer to deliver the vehicles from their sales outlet in Haryana against concessional sales tax, it had to pay extra sales tax amounting to Rs.3.86 lakhs which was avoidable.

The matter was reported to the Board and Government in May 1995; their replies had not been received (October 1995).

4.4.6 Extra expenditure due to delay in finalisation of tenders

The Civil Works Division, Gurgaon, in anticipation of administrative approval of the estimates, invited (January 1990) tenders for construction of a switch house building including services at 66 KV sub-station, Faridabad which was valid for acceptance up to 21 May 1990. Of the three tenders received, the offer of firm 'A' at Rs.4.27 lakhs was the lowest. The Executive Engineer submitted (26 April 1990) the proposal alongwith tenders to the Superintending Engineer for obtaining approval of the Chief Engineer (Construction), which could not be obtained within the validity period due to transfer of the Superintending Engineer on 19 May 1990. The firm was asked to extend the validity period to which the firm did not agree.

Tenders for the said work without administrative approval were reinvited (6 February 1991) valid up to 10 April 1991. The offer of firm 'B' at a cost of Rs.6 lakhs was the lowest. The Executive Engineer forwarded (22 March 1991) the proposal alongwith the tenders to the concerned Superintending Engineer for obtaining approval of the Chief Engineer. This time again the Superintending Engineer failed to submit the case to the Chief Engineer (Construction) for obtaining his approval and asked the Executive Engineer to get extended the validity period up to 25 April 1991 to which the lowest firm refused.

Ultimately the work had to be put to tender again in January 1992 and the work was awarded in April 1992 to the lowest tenderer at a negotiated rate of Rs.6.62 lakhs. The work was in progress (June 1995).

Thus, due to delay in processing the tenders for the work, the Board had to incur an extra expenditure of Rs.2.35 lakhs.

The matter was reported to the Board and Government in June 1995; their replies had not been received (October 1995).

4.4.7 Short recovery of security deposit

As per standing instructions (July 1987) of the Board, a consumer whose supply of power is permanently disconnected due to non-payment of energy charges can seek reconnection of supply provided he deposits all pending dues, three times security, erection and dismantlement charges and full cost of service line.

Power supply of M/s Electronic Limited, Faridabad, a large industrial supply consumer having a connected load of 1287 KW under Operation Sub-Division No.3, Faridabad was disconnected (February 1994) for non-payment of energy bills.

After payment of pending bills amounting to Rs.2.95 lakhs, including service charges etc. the consumer represented (March 1994) to the State Government that his being a sick unit might be allowed reconnection with a deposit of single time security at Rs.3.86 lakhs instead of at Rs.11.58 lakhs required under rules. The application was forwarded to Board for consideration. The Member Finance of the Board opined that in the absence of any defined policy regarding relaxation in respect of sick unit, if it was considered necessary to give relief to the consumer, the Board should accept single time security and get the balance security deposited in convenient monthly instalments over a period of one year. Despite the recommendation, on the basis of a precedent, the Chairman decided (April 1994) to relax the provisions and allow reconnection by accepting single time security without obtaining approval of the full Board. The supply was reconnected in June 1994. The precedent taken as basis by the Chairman was also not on the same footing because the decision to relax the condition of quantum of security deposit was taken by the Whole Time Members of the Board which is an empowered body.

The decision of the Chairman, without the approval of the Board, resulted in short recovery of security deposit amounting to Rs.7.72 lakhs.

The matter was reported to the Board and Government in June 1995; their replies had not been received (October 1995).

4.4.8 Non-recovery of large supply tariff

The Board decided (October 1987) that industrial connections having load between 71 KW and 100 KW were to be released on 11 KV line and the existing consumers were to be allowed to change over the supply from low tension (L.T.) line to high tension (H.T.) line within a period of one year. During this period of change over of supply from L.T. line to H.T. line, the existing consumers were to be charged tariff applicable to medium industrial power loads and were liable to pay surcharge at 25 ***per cent*** of energy charges after one year i.e. with effect from 1 October 1988. In February 1988, the industrial connections having load of 71 KW and above were classified as large supply (L.S.) consumers and relevant tariff was applicable to them.

A number of consumers having industrial load between 71 KW and 100 KW filed writ petitions in Punjab and Haryana High Court challenging the above orders levying surcharge of 25 ***per cent*** and the change in classification of consumers. These writ petitions were dismissed on 7 October 1988 and 3 April 1989 respectively by the High Court on the ground that matter was totally contractual and they may, if so advised, resort to other civil remedies.

Jai Parkash Rice Mills, a consumer with connected load of 97.22 KW, under Operation Sub Division, Karnal filed (15 March 1989) a civil suit in the court of Sub Judge IInd class, Karnal and obtained (17 March 1989) stay order against payment of 25 ***per cent*** surcharge and changing of category from medium supply to large supply consumer.

The Board did not file written statement/objections till the date of next hearing fixed by the court i.e. 29 April 1989 to get the stay order vacated though the Legal Remembrancer of the Board advised (17 April 1989) Chief Engineer (Commercial) and all Superintending Engineers that for contesting ad-interim injunction obtained by any consumers from any court and to plead Board's case, the judgement of the Supreme Court in the case of Hyderabad Engineering Industry Limited etc. *versus* Andhra Pradesh State Electricity Board etc. should be cited wherein the Supreme Court held that the Board could lay down the condition of supply of power and frame uniform tariff. The Board instead of acting upon the advice of its legal remembrancer immediately, filed the written statement only in May 1993 after a lapse of about four years and that too without citing the decision of the Supreme Court under reference as a result the Board failed to enforce the rates applicable to large supply consumers.The reasons for delay in getting the stay orders vacated though called for (October 1994) were not intimated (October 1995).

Thus, due to inordinate delay on the part of the Board to act upon the advice of its Legal Remembrancer in this case in getting the stay vacated, the Board could not recover Rs.9.22 lakhs being the difference of large and medium supply tariff for the period from March 1989 to March 1995.

The matter was reported to the Board and Government in May 1995; their replies had not been received (October 1995).

4.4.9 Injudicious purchase of weighbridge

In order to minimise time and expenditure in weighing the loaded trucks of material received in Central Store, Dhulkote, the Board placed (May 1979) a purchase order for a self indicating dia type weighbridge of 20 tonne capacity on Weigh Bird (India) Limited, Calcutta at Rs.0.70 lakh exclusive of excise duty and sales tax. As per terms of the purchase order commissioning of the weighbridge was to be done by the supplier free of cost. The civil works required for foundation of the weighbridge was to be carried out by the Board as per drawings to be supplied by the firm. The weighbridge was received in August 1979 at a landed cost of Rs.0.84 lakh and civil works (foundation) were completed in April 1981 at a cost of Rs.0.16 lakh (excluding labour cost) after 20 months of receipt of weighbridge despite the fact that the drawings were made available by the firm in June 1979. The weighbridge could be installed only on 7 October 1983 and went out of order on 8 October 1983 due to its improper storage after receipt and was got repaired (July 1990) at a cost of Rs.0.06 lakh. Even after repairs the weighbridge could not work (August 1995).

A survey report of the weighbridge submitted (January 1993) after 31 months from the month of repair for approval of the competent authority indicated that the machine was not working since the date of installation and recommended for its disposal being unviable, uneconomical and not required at the Central Store as material to be weighed in huge quantity was not being done. There were two private Dharam Kantas (weigh bridges) installed near the Central Store whose cost of weighing was nominal.

It was also observed that during the last 5 years up to February 1995, the Central Store had incurred only an expenditure of Rs.240 for weighment of all material received in trucks through private Dharam Kantas.

Thus, the decision to purchase the weighbridge without assessing the requirement and also inordinate delay in installation had resulted in unfruitful expenditure of Rs.1.06 lakhs.

The matter was reported to the Board and Government in June 1995; their replies had not been received (October 1995).

4.4.10 Extra Expenditure

The Executive Engineer, Civil Works (Transmission) Division, Hisar placed (May 1989) a work order for providing road and path leading to switch yard at 220 KV sub station, Hisar on Hisar Model Town Azad Co-operative Labour Contractor Society Limited, Hisar

(Society) at their lowest tendered rate of Rs.2.05 lakhs. The work was to be completed within three months after submission of lay-out plan. The layout plan was submitted (24 September 1989) to the Society which commenced the work on 29 September 1989.

After executing the work amounting to Rs.0.45 lakh, the Society left the work in December 1989 without assigning any reason. The payment was made to the society (Rs.0.13 lakh on 30 October 1990 and Rs.0.32 lakh on 10 November 1990). After giving a final notice (February 1991), the Executive Engineer conveyed (March 1991) to the Society, the decision to get the balance work done at its risk and cost.

The left over work (Rs.1.60 lakhs) was allotted (May 1991) after inviting tenders in March 1991 to another contractor who completed (July 1991) the work at a cost of Rs.2.84 lakhs. Though the work was completed in July 1991, action to recover the amount from the Society had not been initiated (April 1995).

Inaction on the part of the Board to pursue the recovery which became due in July 1991 had rendered the recovery of Rs.1.24 lakhs doubtful being time barred under law of limitation.

The Board stated (April 1995) that the matter had been referred (September 1994) to its Legal Remembrancer for procedure to be adopted for recovery; further developments were awaited (July 1995).

The matter was reported to the Board and Government in May 1995; their replies had not been received (October 1995).

4.5 Haryana Financial Corporation

4.5.1 Loss due to the negligence in safe custody of unused cheque book

The Corporation maintained a current account (collection) with a Nationalised Bank - A in Chandigarh. Under an arrangement with the Bank, cheques issued by the authorised signatories from the Head

Office as well as from branch offices of the Corporation were encashable at the branches of the Bank at all District Headquarters of Haryana where branches of the Corporation are located. The Corporation opened (August 1992) an account with another Nationalised Bank - B with the similar facilities on the plea that the services of the Bank - A were not up to the mark. Instructions were issued (October 1992) verbally to the branch offices where branches of Bank - B were located to issue cheques on Bank - B. However, no written instructions were issued by the Corporation's Headquarters to branch offices either to stop issuing cheques on Bank - A or to return the unused cheque leaves.

The Branch Office, Panipat issued its last cheque on Bank - A on 12 October 1992. M/s Amolak Singh Jacquard factory, Panipat brought to the notice of the Branch Office (January 1993) that a cheque dated 28 December 1992 for Rs.1,45,600 had been issued in his favour. As the cheque was found to be a forged one, the Bank - A was asked to stop the payment. Further verification of the cheque book revealed that three other cheques alongwith counterfoils were also missing. On enquiry from Bank - A (January 1993), the Branch Manager noticed that two forged cheques for Rs.1,62,800 and Rs.1,65,700 had been encashed on 29 December and 30 December 1992, respectively. An F.I.R. was lodged with the police (January 1993); the case was still pending (April 1995). The departmental enquiry was under progress (April 1995).

It was noticed that the procedure for keeping unused cheques in a steel almirah with duplicate keys of which one key should be kept by the officer-in-charge and other by the cashier was not adhered to. There was no proper arrangement for the safe custody of duplicate keys. Even the custodian of the duplicate keys was not specified.

Thus, negligence in following the normal procedure for safe custody of cheque book by the Branch Office and lack of proper financial control on the part of Headquarters office, resulted in the theft and encashment of forged cheques leading to a loss of Rs.3.29 lakhs to the Corporation.

The Management stated (April 1995) that there was no lapse in the procedure and an enquiry was being conducted as to how this lapse has occurred and suitable action would be taken accordingly. Further developments were awaited (July 1995).

The matter was reported to the Government in March 1995; their reply had not been received (October 1995).

4.5.2 Undue favour to a firm

The Corporation introduced a settlement scheme (January 1993) to waive/settle irrecoverable loans from defaulter loanees after exhausting various recovery efforts for improving its liquidity position and with that purpose issued guidelines to waive/settle loans, *inter alia*, in the following circumstances:

- ***the loanee has no property;***
- ***the district authorities have declared the amount as irrecoverable; and***
- ***the sole proprietor of the loanee unit has expired and his legal heirs do not have any means to repay the loan.***

The Corporation had advanced a loan of Rs.10.09 lakhs (Rs.9.09 lakhs in October 1982 and Rs.1 lakh in March 1985) to a partnership firm. A number of opportunities was given to the party for repayment of loan but due to persistent default in payment, the unit was taken over in May 1988. The Corporation auctioned (November 1989) the unit for Rs.7.16 lakhs. After adjustment of the proceeds, the loan due amounted to Rs.17.88 lakhs as on 31 August 1993. Under the settlement scheme the Corporation settled (January 1994) this amount for Rs.3 lakhs which was paid by the party between the period 10.12.1993 and 10.5.1994.

It was observed in audit that the value of immovable property of the partners, as assessed by the Corporation itself, at the time of settlement amounted to Rs.33 lakhs. Moreover, the district authorities to whom the case was sent for recovery had issued a recovery certificate under Section 3 of Haryana Public Moneys (Recovery of Dues) Act, 1979 in February 1993 against which the partners had obtained only a stay order for their arrest which could have been got vacated. As such this firm was not covered in the above criteria/guidelines. The settlement of the case in contravention to these guidelines, resulted in undue favour to the firm entailing a loss of Rs.14.88 lakhs (principal: Rs.5.57 lakhs and interest: Rs.9.31 lakhs) to the Corporation.

The Management stated (September 1994) that non-settlement would have resulted in the mounting outstandings against the firm. The reply is not tenable as the partners were having sufficient means to repay the loan.

The matter was reported to the Corporation and Government in May 1995; their replies had not been received (October 1995).

Chandigarh:
Dated: 27 NOV 1995

(M. DEENA DAYALAN)
Accountant General (Audit) Haryana

Countersigned

New Delhi:
Dated: 4 DEC 1995

(C. G. SOMIAH)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

List of companies in which Government's investment was more than Rs. 10 lakhs

(Referred to in paragraph 3 of the Preface and paragraph 1.2.9)

Sl. No.	Name of company	Total investment up to 1994-95 (Rupees in lakhs)
1.	Sehgal Paper Limited, Dharuhera	25.00
2.	Victor Cables Limited, Dharuhera	12.75
3.	Hind Protective Coating Limited, Dharuhera	20.00
4.	Rama Fibres Limited, Hisar	19.50
	Total	**77.25**

ANNEXURE-2

Statement showing particulars of up-to date capital, Budgetary outgo, loans given out from Budget and outstanding loans as on 31.3.95

(Referred to in paragraph 1.2.2)

S.No.	Name of the Department/ Company	Paid-up capital as at the end of 1994-95					Loans given out of Budget during the year	Loans out-standing
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total		
1	2	3(a)	3(b) (Rupees in lakhs)	3(c)	3(d)	3(e)	4	5
	Agriculture Department							
1.	Haryana Agro Industries Corporation Limited	253.83 (NIL)	160.21	-	-	414.04 (NIL)	-	666.71
2.	Haryana Land Reclama-tion and Development Corporation Limited	136.64 (NIL)	-	-	19.66	156.30 (NIL)	-	-
3.	Haryana Seeds Development Corporation Limited	275.87 (NIL)	111.50	-	43.13	430.50 (NIL)	-	215.99
	Animal Husbandry Department							
4.	Haryana Dairy Develop-ment Corporation Limited	557.48 (NIL)	-	-		557.48 (NIL)		-
	Forest Department							
5.	Haryana Forest Develop-ment Corporation Limited	40.21 (20.21)	-	-	-	40.21 (20.21)	-	-

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
	Home Department							
6.	Haryana Police Housing Corporation Limited	910.00 (450.00)	-	-		910.00 (450.00)	-	-
	Industries Department							
7.	Haryana State Industrial Development Corporation Limited	4071.49 (421.75)	-	-	-	4071.49 (421.75)	-	184.82
8.	Haryana State Electronics Development Corporation Limited	464.76 (74.35)	-	-	-	464.76 (74.35)	-	45.74
9.	Haryana State Small Industries and Export Corporation Limited	111.95 (4.00)	10.00	-	-	121.95 (4.00)	-	143.75
10.	Haryana State Handloom and Handicrafts Corpo-ration Limited	248.00 (83.00)	6.00	-	-	254.00 (83.00)	-	122.50
11.	Haryana Tanneries Limited	117.15 (NIL)	-	-	18.00	135.15 (NIL)	-	410.40
12.	Punjab State Irons Limited	16.52 (16.12)	-	-	-	16.52 (16.12	-	-
	Subsidiaries							
13.	Haryana Matches Limited	-	-	12.50	-	12.50	-	-
14.	Haryana Minerals Limited	-	-	24.04	-	24.04	-	-

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
15.	Haryana Concast Limited	290.00 (NIL)	-	340.51	54.99	685.50 (NIL)	-	207.25
	Irrigation Department							
16.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10 (NIL)	-	-	-	1089.10 (NIL)	-	1551.00
	Social Welfare Department							
17.	Haryana Harijan Kalyan Nigam Limited	1966.39 (266.55)	-	-	-	1966.39 (266.55)	5.00	99.11
18.	Haryana Backward Classes Kalyan Nigam Limited	569.99 (40.00)	-	-	-	569.99 (40.00)	-	317.21
19.	Haryana Women Development Corporation Limited	189.72 (NIL)	109.98	-	-	299.70 (NIL)	-	-
	Tourism Department							
20.	Haryana Tourism Corpo -ration Limited (HTC)	1007.02 (50.00)	-	-	-	1007.02 (50.00)	-	-
	Subsidiary							
21.	Hayana Hotels Limited	-	-	362.91	-	362.91	-	-
	Transport Department							
22.	Haryana Roadways Engineering Corporation Limited	200.00 (NIL)	-	-	-	200.00 (NIL)	-	5238.59
	Total	**12516.12** (1425.98)	**397.69**	739.96	135.78	13789.55 (1425.98)	5.00	9203.07

Note - Figures in brackets indicate Budgetary outgo during the year.

Annexure-3

Summarised financial results of Government Companies for the latest year for which accounts were finalised

(Referred to in paragraphs 1.2.2 & 1.2.4)

Sl. No.	Name of the Company	Date of incorporation	Period of accounts	Year in which finalised	(+)Profit (-)Loss	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital invested	Capital employed	Return on capital invested	Return on capital employed	Percentage of total return on Capital invested	Percentage of total return on Capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13(a)	13(b)
	(Figures in Columns 6 to 12 are in lakhs of Rupees)												
	Agricultural Department												
1.	Haryana Agro Industries Corporation Limited	30 March 1967	1993-94 1994-95	1994 1995	(+) 378.86 (+)1022.22	414.04 414.04	(+)366.45 (+)696.30	1230.43 1834.35	4956.71 6755.88	432.75 1078.48	1484.28 2517.81	35.17 58.79	29.94 37.27
2.	Haryana Land Reclamation and Devleopment Corporation Limited	27 March 1974	1993-94	1994	(+) 122.21	156.30	(+)349.13	540.65	592.91	129.61	137.23	24.00	23.20
3.	Haryana Seeds Development Corporation Limited	12 September 1974	1994-95	1995	(+)56.62	430.50	(-)79.09	563.21	1217.40	90.82	183.85	16.13	15.10
	Animal Husbandry Department												
4.	Haryana Dairy Development Corporation Limited	3 November 1969	1993-94	1995	(-)53.72	557.48	(-)900.07	173.91	346.56	0.75	0.75	0.40	0.20
	Forest Department												
5.	Haryana Forest Development Corporation Limited	7 December 1989	1990-91 (December 1990 to March 1991)	1993	(-)0.81	20.00	(-)0.81	19.19	19.28	(-)0.81	(-)0.81	-	-
	Home Department												
6.	Haryana Police Housing Corporation Limited	29 December 1989	1993-94 1994-95	1995 1995	- -	100.00 910.00	- -	100.00 910.00	104.04 1414.91	- -	- 23.66	- -	- 1.67

1	2	3	4	5	6	7	8	9	10	11	12	13(a)	13(b)
	Industries Department												
7.	Haryana State Industrial Development Corporation Limited	8 March 1967	1994-95	1995	(+)818.24	4071.49	(+)255.77	13149.58	13050.40	1865.70	1865.70	14.19	14.30
8.	Haryana State Electronics Development Corporation Limited	15 May 1982	1994-95	1995	(+)213.35	464.76	(+)150.72	661.22	601.77	241.70	241.70	36.55	40.16
9.	Haryana State Small Industries and Export Corporation Limited	19 July 1967	1994-95	1995	(+)20.74	121.95	(-)34.79	230.91	731.92	40.15	89.17	17.39	12.18
10.	Haryana State Handloom and Handicrafts Corporation Limited	20 February 1976	1992-93	1995	(-)37.08	252.00	(-)222.83	241.76	255.68	(-)26.90	(-)26.90	-	-
11.	Haryana Tanneries Limited	12 September 1972	1993-94	1995	(-)7.52	135.15	(-)709.27	3.85	17.30	(-)6.89	(-)6.89	-	-
12.	Punjab State Irons Limited	1 July 1965	-	-	-	-	-	-	-	-	-	-	-
	Subsidiaries												
13.	Haryana Matches Limited	17 November 1970	1992-93 1993-94	1995 1995	(-)0.01 (-)0.02	12.50 12.50	(-)15.82 (-)12.50	(-)1.02 -	(-)1.01 -	(-)0.01 (-)0.02	(-)0.01 (-)0.02	- -	- -
14.	Haryana Minerals Limited	2 December 1972	1993-94	1994	(+)194.27	24.04	(+)185.39	209.43	226.13	194.27	194.48	92.80	86.00
15.	Haryana Concast Limited	29 November 1973	1993-94	1995	(-)287.06	328.50	(-)662.62	422.88	2753.03	(-)96.41	(-)84.49	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13(a)	13(b)
	Irrigation Department												
16.	Haryana State Minor Irrigation and Tubewells Corporation Limited	9 January 1970	1990-91	1995	(-)616.04	1089.10	(-)3993.80	9310.47	15502.37	391.62	391.62	4.21	2.53
	Social Welfare Department												
17.	Haryana Harijan Kalyan Nigam Limited	2 January 1971	1986-87	1995	(-)24.92	972.50	(-)485.34	600.94	697.32	(-)22.89	(-)22.89	-	-
18.	Haryana Backward Classes Kalyan Nigam Limited	10 December 1980	1989-90 1990-91	1994 1995	(-)14.38 (-)10.66	439.99 474.99	(-)134.40 (-)145.06	305.59 329.93	305.59 329.94	(-)14.38 (-)10.66	(-)14.38 (-)10.66	- -	- -
19.	Haryana Women Development Corporation Limited	31 March 1982	1988-89	1992	(-)36.41	174.72	(-)120.66	54.16	55.40	-	-	-	-
	Tourism Department												
20.	Haryana Tourism Corporation Limited	1 May 1974	1993-94	1995	(+)76.20	947.02	(+)232.20	1179.22	938.43	76.20	76.20	6.46	8.12
	Subsidiary												
21.	Haryana Hotels Limited	11 April 1983	1993-94	1995	(+)88.07	362.91	(+)205.96	568.87	568.87	88.07	88.07	15.48	15.48
	Transport Department												
22.	Haryana Roadways Engineering Corporation Limited	27 November 1987	1988-89	1992	(+)12.47	200.00	(+)6.55	1835.03	1921.23	21.75	21.75	1.20	1.10

Annexure-4

Statement showing subsidy received, guarantees received, waivers of dues during the year and guarantees outstanding at the end of the year

(Referred to in paragraph 1.2.3)

Sr. No.	Name of the Company	Subsidy received during the year (Figures in brackets indicate subsidy unutilised)				Guarantees received during the year and outstanding at the end of the year (Figures in brackets indicate guarantees outstanding)					Waiver of dues during the year			
		Central	State	Others	Total	Cash credit from State Bank of India and other nationalised banks	Loans from other sources	Letters of credits opened by S.B.I.in respect of imports	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repayments written off	Interest waived	Penal interest waived	Repayment of loans on which Moratorium allowed
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)
	(Rupees in lakhs)													
1.	Haryana Agro Industries Corporation Limited	-	-	-	-	-	- (4399.28)	-	-	- (4399.28)	-	-	-	-
2.	Haryana Land Reclamation and Devleopment Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Haryana Seeds Development Corporation Limited	-	-	-	-	-	365.60 (178.19)	-	-	365.60 (178.19)	-	-	-	-
4.	Haryana Dairy Development Corporation Limited	-	-	-	-	-	466.00 (212.94)	-	-	466.00 (212.94)	-	-	-	-
5.	Haryana Forest Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-

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.	Haryana Police Housing Corporation Limited	-	-	-	-	-	100.00 (Nil)	-	-	100.00 (Nil)	-	-	-	-
7.	Haryana State Industrial Development Corporation Limited	-	81.58 (Nil)	-	81.58 (Nil)	-	-	-	-	-	-	-	-	20.00 (Nil)
8.	Haryana State Electronics Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Haryana State Small Industries and Export Corporation Limited		-	-	-	-	- (143.75)	-	-	- (143.75)	-	-	-	-
10.	Haryana State Handloom and Handicrafts Corporation Limited	-	21.34 (Nil)	-	21.34 (Nil)	-	-	-	-	-	-	-	-	-
11.	Haryana Tanneries Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	Punjab State Irons Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Haryana Matches Limited	-	-	-	-	-	-	-	-	-	-	-	-	-

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)
14.	Haryana Minerals Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	Haryana Concast Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
16.	Haryana State Minor - Irrigation and Tubewells Corporation Limited	-	3393.00 (Nil)	-	3393.00 (Nil)	-	-	-	-	-	-	-	-	-
17.	Haryana Harijan Kalyan Nigam Limited	-	-	-		-	800.00 (Nil)	-	-	800.00 (Nil)	-	-	-	-
18.	Haryana Backward Classes Kalyan Nigam Limited	-	21.20 (Nil)	-	21.20 (Nil)	-	500.00 (Nil)	-	-	500.00 (Nil)	-	-	-	-
19.	Haryana Women Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
20.	Haryana Tourism Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
21.	Haryana Hotels Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
22.	Haryana Roadways Engineering Corporation Limited	-	-	-	-	-	3266.00 (7155.00)	-	-	3266.00 (7155.00)	-	-	-	-
	Total	-	**3517.12 (Nil)**	-	**3517.12 (Nil)**	-	**5497.60 (12089.16)**	-	-	**5497.60 (12089.16)**	-	-	-	**20.00 (Nil)**

Annexure - 5

Statement showing the capacity utilisation of manufacturing companies during the year 1994-95

(Referred to in paragraph 1.2.8)

Name of Company	Installed/ rated	Actual utilisation	Percentage of utilisation
(A) Agriculture Department			
1. Haryana Agro Industries Corporation Limited			
(a) Shahbad plant			
(i) Fertiliser (in MT)	18000 (18000)	1325.150 (165.750)	7.36 (0.92)
(ii) Pesticides (in MT)		958.242 (61.000)	-
(in litres)		37846 (31682)	-
(b) Jind Cattlefeed plant (in MT)	12000 (12000)	7206.164 (8020.490)	60.05 (66.84)
(c) Murthal plant (in numbers)	12000 (12000)	23058 (251824)	192.15 (2098.53)
2. Haryana Seeds Development Corporation Limited (in MT)	27000 (28650)	22896 (26558)	84.48 (92.69)
(B) Industries			
1. Haryana Concast Limited			
(i) Ingots/billets (in MT)	50000 (50000)	13352 (18290)	26.70 (36.58)
(ii) Rolled products (in MT)	12000 (12000)	6795 (6887)	56.63 (57.39)
(C) Transport			
1. Haryana Roadways Engineering Corporation Limited	360 Ordinary buses or 288 Express buses or 240 Air-cooled buses	N.A	-

Note : Previous year figures are given in brackets.

ANNEXURE-6

Summarised financial results of Statutory corporations for the latest year for which annual accounts were finalised.
(Referred to in paragraph 1.3.4.)

Serial number	Name of the Corporation/Board	Name of department	Date of incorporation	Period of accounts	Total capital invested	Surplus/ Profit(+) Deficit/ loss(-)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7 + 9)	Capital employed	Total return on capital employed (7 + 8)	Percentage of total return on Capital invested	Percentage of total return on Capital employed
1	2	3	4	5	6[A]	7	8	9	10	11[B]	12	13	14
					(Figures in columns 6 to 12 are in Crores of rupees)								
1.	Haryana State Electricity Board	Irrigation and Power	3 May 1967	1993-94	2966.23	(-)410.90	172.99	151.78	(-)259.12	1525.18	(-)237.91	-	-
2.	Haryana Financial Corporation	Industries	1 April 1967	1993-94	314.30	(+)1.94	29.48	29.48	31.42	273.98[C]	31.42	10.00	11.5
3.	Haryana Warehousing Corporation	Agriculture	1 November 1967	1994-95	74.35	(+)20.96	0.44	0.44	21.40	96.53	21.40	28.78	22.17

A. Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

B. Capital employed (except in the case of Haryana Financial Corporation) represents net fixed assets (excluding capital works-in-progress) *plus* working capital.

C. In case of Haryana Financial Corporation, capital employed represents mean of aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds, (iii) reserves and (iv) borrowings.

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