REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1989

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 under Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The result 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 in spite 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 31st March 1989 is given in Annexure-1.

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 Corportaion 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.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1988-89 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 1988-89 have also been included, wherever considered necessary.

OVERVIEW

1. The State had 20 Government companies (including 6 subsidiaries), one company under the purview of Section 619 (B) of the Companies Act, 1956 and three Statutory corporations as on 31st March 1989. Besides, there were ten companies in which Government had invested Rs. 10 lakhs or more which were not subject to audit by the Comptroller and Auditor General of India.

(Paragraphs 1.2.1, 1.2.4.3, 1.2.6 and 1.3.1)

The aggregate paid-up capital of the Government companies was Rs. 79.98 crores of which Rs. 69.21 crores was invested by the State Government, Rs. 2.16 crores by the Central Government and Rs. 8.61 crores by others. The State Government loans to the exent of Rs. 1,01.58 crores were outstanding as on 31st March 1989 against 6 companies. The State Government had also guaranteed repayment of loans raised by 7 companies and payment of interest thereon ; the amount guaranteed and outstanding thereagainst as on 31st March 1989 were Rs. 1,99.95 crores and Rs. 82.05 crores, respectively.

(Paragraph 1.2.2)

Four companies had finalised the accounts for the year 1988-89 ; the accounts of 16 companies were in arrears for periods ranging from one year to eight years.

(Paragraph 1.2.3)

Out of four companies which finalised accounts of 1988-89, 2 companies earned profit of Rs. 0.51 crore. According to the latest available accounts, the cumulative losses of Rs. 25.58 crores incurred by 6 companies had exceeded the paid-up capital of Rs. 14.89 crores.

(Paragraphs 1.2.4.1-1.2.4.2)

As against the investment of Rs. 1.35 crores in Haryana Tanneries Limited falling under Section 619 (B) of the Companies Act, 1956, by the State Government (Rs. 0.64 crore) and Government company and corporation (Rs. 0.71 crore), accumulated loss of Rs. 4.42 crores had exceeded the investment by Government and Government company and corporation. The State Government had guaranteed the repayment of loans raised by the company and interest thereon; the amount guaranteed and outstanding thereagainst as on 31st March, 1989 was Rs. 0.30 crore and Rs. 1.57 crores, respectively.

(Paragraph 1.2.4.3.)

As a result of supplementary audit under Section 619(4) of the Companies Act, 1956, of the accounts of 2 companies, there was overstatement of profit by Rs. 16.41 lakhs.

(Paragraph 1.2.5)

Out of 10 companies in which the State Government had invested Rs. 10 lakhs or more (total investment: Rs.1,67.95 lakhs), only 4 companies had paid dividend of Rs. 4.57 lakhs which worked out to 2.7 per cent of the total investment of Government.

(Paragraph 1.2.6)

Haryana State Electricity Board had declared a net deficit of Rs. 52.16 crores during the year 1988-89, which was found understated by Rs. 1,10.89 crores.

(Paragraphs 1.4.4. and 1.4.5)

Haryana Financial Corporation and Haryana Warehousing Corporation finalised their accounts for the year 1988-89 and earned profit (before tax) of Rs. 1,44.43 lakhs and Rs. 1,72.11 lakhs, respectively.

(Paragraphs 1.5.4. and 1.6.3)

2. The activities of 2 Government Companies viz. Haryana Television Limited, Haryana State Small Industries and Export Corporation Limited and Panipat Thermal Power Project of Haryana State Electricity Board were reviewed in Audit.

2.1 Haryana Television Limited, which was incorporated in joint sector, became a subsidiary of Haryana State Industrial Development Corporation Limited in March 1977 after the collaborator surrendered his shareholding in view of the heavy losses of Rs. 46.46 lakhs.

(Paragraph 2 A.1)

The accumulated loss of the company up to 1987-88, as per provisional account, was Rs. 2,54.78 lakhs and represented 1,313 per cent of the paid-up capital of Rs. 19.40 lakhs.

(Paragraph 2 A. 7)

In spite of availability of adequate funds, the Company could not be rehabilitated as the funds were utilised in meeting yearly losses. Consequently, the Company had to stop production of TV sets from December 1987.

(Paragraphs 2 A.9 and 2 A.11)

The capacity utilisation of the Company ranged between 1 per cent (1979-80) and 71 per cent (1981-82). The increase in the installed capacity in November, 1983 did not result in any significant improvement in the capacity utilisation which ranged from 26 per cent (1984-85) to 1 per cent (1987-88). The company incurred an unfruitful expenditure of Rs. 20.50 lakhs on employment of workers in excess of requirements.

(Paragraph 2 A.12)

No costing system existed in the company and sale price of TV set was fixed by the Managing Director from time to time. Except in the year 1984-85, the sale price fixed was even below the average direct cost.

(Paragraph 2 A.15)

Purchases made in piecemeal at higher rates in disregard of the guidelines laid down by the Managing Director resulted in an extra expenditure of Rs. 2.64 lakhs.

(Paragraph 2 A.16.1)

As on 31st March 1989, a sum of Rs. 21.44 lakhs was recoverable from 210 parties, of which Rs. 15.93 lakhs pertaining to the period 1974-75 to 1984-85 had become time barred.

(Paragraph 2 A.17)

2.2 Haryana State Small Industries and Export Corporation Limited was incorporated in July 1967 to assist the small and medium scale industries in the State.

(Paragraph 2 B.1)

The procurement and distribution of iron and steel amongst the small scale and rural industrial units was the main activity of the Company. During the five years ended June 1988, the Company lifted only 46 to 66 per cent of the quantity allocated by Iron and Steel Controller. The stock of iron and steel as on 30th June 1988 included stock valuing Rs. 58.50 lakhs lying in Faridabad and Sonipat depots for periods ranging from 2 to 23 months resulting in loss of interest of Rs. 3.42 lakhs on blocked funds.

(Paragraphs 2 B.7.1. and 2 B.7.3)

Rs. 20.66 lakhs were recoverable from various parties as on 30th June 1988 on account of difference between provisional rates charged and actually chargeable based on the final rates intimated by Steel Authority of India. Of this, Rs. 3.74 lakhs had become time barred.

(Paragraph 2B.7.4)

The Company purchased, in 1973-74, land for Rs. 5.92 lakhs for setting up of its own sale depot at Ballabgarh. The work of construction was awarded to Haryana State Industrial Development Corporation Limited and Rs. 4.74 lakhs were paid as advance. However, the work could not be taken up in the absence of approval of the building plan by the Haryana Urban Development Authority resulting in loss of interest of Rs. 15.71 lakhs on idle investment of Rs. 10.66 lakhs.

(Paragraph 2.B.7.5)

The direct exports through own efforts were negligible and the company was mainly dependent on export orders secured by other parties. Out of the total export of Rs. 13,75.33 lakhs during five years ended June 1988, goods valuing Rs. 13,68.77 lakhs were exported against orders booked by other parties. The company earned profit of Rs.4.57 lakhs in exports during the year 1985-86 but incurred loss of Rs. 3 lakhs, Rs. 5.34 lakhs, Rs. 1.35 lakhs and Rs. 7.02 lakhs in the years 1983-84, 1984-85, 1986-87 and 1987-88, respectively.

(Paragraph 2 B.9.1.)

Under the scheme for providing marketing assistance to small scale industrial units, the Company assisted only one to three per cent of the units registered, during the five years ended 1987-88.

(Paragraph 2 B.10)

Of the projects undertaken, Nutan Brand Kerosene Wick Stove unit set up in 1979-80 at Panchkula proved unviable and the cumulative loss amounted to Rs. 33.48 lakhs up to 1987-88.

(Paragraph 2 B.12)

2.3 To meet the growing demand of power in the State, stage-II (unit III and IV each of 110 MW) and stage-III (one unit 210 MW) of Panipat Thermal Power Project were sanctioned by the Planning Commission in March 1978 and September 1981. The two units of stage-II were commissioned in November 1985 and January 1987 at a total cost of Rs. 1,92.82 crores against the estimated cost of Rs. 72.93 crores and stipulated dates of commissioning of September 1982 and March 1983. Against the target date of commissioning as December 1984 and estimated cost of Rs. 1,11.10 crores, stage-III was synchronised in March 1989 at a cost of Rs. 2,39.40 crores.

(Paragraphs 3.1.1, 3.1.3 and 3.1.4.)

In the execution of stage-II, the Board incurred an infructuous expenditure of Rs. 30.82 lakhs on construction of diaphragm wall which was found tilted on excavation done for manual unloading hopper. The work was abandoned at the instance of the Committee which had recommended inter-linking of coal handling system of stage-II with stage-III. The allotment of work for cooling towers to Central Concrete Allied Products Limited-which was incapable of executing such works-despite the recommendation of the consultants, Store Purchase Committee and sub committe to the contrary, resulted in an extra expenditure of Rs. 1,15.29 lakhs.

(Paragraphs 3.1.5.1. and 3.1.5.4)

There was an excess consumption of fuel valuing Rs. 33,50.10 lakhs in the plant during the three years ended 1988-89 due to high number of trippings, leakage of steam and partial load on units.

(Paragraph 3.1.9)

The consumption of turbine oil and demineralised water in exess of norms cost the plant Rs. 25.28 lakhs during the three years ended 1988-89.

(Paragraph 3.1.10)

3. Besides reviews mentioned earlier, a test check of the records of the Government companies and Statutory corporations in general, disclosed the following points of intrest:

3.1 Haryana Breweries Limited incurred an extra expenditure of Rs. 10.39 lakhs on purchase of hops (Rs. 5.76 lakhs) new bottles (Rs. 2.24 lakhs) and crown corks (Rs. 2.39 lakhs) at higher rates.

(Paragraphs 4.1.1. to 4.1.3)

3.2 Haryana State Electricity Board allowed escalation of Rs. 45.23 lakhs on the purchase of conductors though the orders were placed at firm rates.

(Paragraphs 4.4.1.1. to 4.4.1.3)

3.3 The non-placement of order for full quantity offered by E.C.E. Industries, New Delhi and placement of an order on East India Transformers and Switchgear, Ghaziabad for the pur. chase of transformers, whose past performance was unsatisfactory, resulted in an extra expenditure of Rs. 31.26 lakhs as the Board had to purchase transformers from other firms at higher rates.

(Paragraph 4.4.2)

3.4 Funds amounting Rs. 1.71 crores of the Board were blocked in the stock of fabricated tower material which could not be put to use owing to mix up of consignments of various stores, wrong use of material by stores and improper utilisation by construction organisation resulting in a loss of interest of Rs. 48.74 lakhs.

(Paragraph 4.4.3)

3.5 Due to short billing and failure to detect unauthorised extension of load, the Board suffered a loss of revenue of Rs. 58.15 lakhs.

(Paragraph 4.4.4)

3.6 Disbursement of loan to an entrepreneur by Haryana Financial Corporation for purchase of machinery without verifying actual despatch of machinery by the suppliers resulted in an unfruitful investment of Rs 2.56 lakhs.

(Paragraph 4.6.1)

CHAPTER I

1. GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introductory

This Chapter contains particulars about the investments, state of accounts, etc., of the State Government companies and Statutory corporations. Paragraph 1.2 gives a general view of Government companies paragraph 1.3 deals with general aspects relating to the Statutory corporations and paragraph 1.4 to 1.6 give more details about each Statutory corporation including its financial and operational performance.

1.2 GOVERNMENT COMPANIES-general view

1.2.1. There were 20 Government companies (including 6 subsidiaries) as on 31st March 1988 as well as on 31st March 1989.

1.2.2. The particulars of up to date paid-up captial, outstanding loans, amounts of guarantees given and outstanding thereagainst, working results, etc. in respect of all the Government companies are given in *Annexure*-2. The position is summarised as under :

(a) Against the aggregate paid-up capital of Rs. 71.23 crores in 20 companies (including 6 subsidiaries) as on 31st March 1988, the aggregate paid-up capital as on 31st March 1989 stood at Rs. 79.98

crores as per the particulars given below:

Particulars	Number of companies	Investment by State Government	Investment by Central Government	Investment by Others	Total Investment
			(Rupees in crores)		
1. Companies wholly owned by the State Government	10	62.97	—	—	62.97
2. Companies jointly owned with the Central Government/Others	4	5.63	2.16	0.52	8.31
3. Subsidiary Companies	6	0.61	—	8.09	8.70
Total	20	69.21 *	2.16	8.61	79.98

(b) The balance of long-term loans outstanding against 17 companies (including 6 subsidiaries) as on 31st March 1989 was Rs. 2,05.19 crores (State Government : Rs. 1,01.58 crores; others : Rs. 1,00.61 crores and deferred Credit : Rs. 3 crores) as against Rs. 1,98.48 crores in respect of 16 companies (including 5 subsidiaries) on 31st March 1988

* The figure as per Finance Account is Rs. 68.16 crores; the difference is under reconciliation.

(c) The State Government had guaranteed the repayment of loans raised by 7 companies and payment of interest thereon.

The amounts guaranteed and outstanding thereagainst as on 31st March 1989 were Rs. 1,99.95 crores and Rs. 82.05 crores, respectively, as shown in *Annexure-2.*

1.2.3. A synoptic statement showing the financial results of all the 20 companies based on their latest available accounts is given in ***Annexure-3***.

Four companies (including one subsidiary) had finalised their accounts for the year 1988-89 (serial numbers 5, 8, 9, 20 of *Annexure-3*). Thirteen companies (including four subsidiaries) have finalised their accounts for earlier years since previous Report (serial numbers 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 17, 18 and 19 of *Annexure-3*)

It would be observed from *Annexure*-2 and 3 that the accounts of 16 companies (including 5 subsidiaries) were in arrears. The position is summarised as under :

Extent of Arrears	Number of years involved	Number of companies involved	
		Companies	Subsidiaries
1	2	3	4
1981-82 to 1988-89	8	1	—
1983-84 to 1988-89	6	—	2
1984-85 to 1988-89	5	1	—
1986-87 to 1988-89	3	1	—
1987-88 to 1988-89	2	3	—
1988-89	1	5	3
Total		11	5

Investment by				Reference to serial number of Annexure-3
Government		Holding Companies		
Capital	Loans	Capital	Loans	
5	6	7	8	9
(Rupees in crores)				
10.80	1.22	—	—	1
—	0.20	3.61	0.62	15,16
10.89	95.01	—	—	2
4.00	—	—	—	4
9.33	0.75	—	—	3,6,14
29.32	4.40	3.01	0.25	7,10,11,12 13,17,18,19
64.34	101.58	6.62	0.87	

In the absence of finalisation of accounts, the productivity of investment of Rs. 1,65.92 crores (capital : Rs. 64.34 crores; loans : Rs. 1,01.58 crores) by the State Government in these companies could not be conclusively determined.

The position of arrears in finalisation of accounts was last brought to the notice of Government in September 1989 at the level of Chief Secretary.

1.2.4. In regard to working results of the companies the following further points are made :

1.2.4.1. In respect of 4 companies (including one subsidiary) which had finalised the accounts for the year 1988-89, the following position is reflected :

(a) Two companies which had finalised the accounts for 1988-89 earned profit of Rs. 51.41 lakhs during 1988-89; compared to Rs. 0.84 lakh during the previous year as given below :

	Name of company	Paid-up capital		Profit(+)/Loss(—)		Percentage of profit to paid-up capital	
		1987-88	1988-89	1987-88	1988-89	1987-88	1988-89
1	2	3	4	5	6	7	8
					(Rupees in lakhs)		
1.	Haryana Land Reclamation and Development Corporation Limited	1,56.30	1,56.30	(+)94.89	(+)51.01	60.7	32.6
2.	Haryana Agro Industries Corporation Limited	2,39.66	2,64.66	(—)94.05	(+)0.40	—	0.2
	Total	3,95.96	4,20.96	(+)0.84	(+)51.41		

(b) Two companies incurred losses aggregating Rs. 71.31 lakhs during the year 1988-89. Particulars in respect of these companies giving the comparative position of previous year are given below :

	Name of company	Paid-up-capital		Profit(+)/Loss(—)	
		1987–88	1988–89	1987–88	1988–89
		(Rupees in lakhs)			
1.	Haryana Seeds Development Corporation Limited	2,98.31	3,24.06	(-)92.62	(–)61.68
2.	Haryana Minerals Limited	24.04	24.04	(+)42.36	(-) 9.63
	Total	3,22.35	3,48.10	(–)50.26	(–)71.31

1.2.4.2. Accumulated loss in respect of following 6 companies (including 3 subsidiaries) as reflected in the accounts received up to the period noted against each had exceeded their paid-up capital as at the close of that year :

	Name of company	Year up to which accounts prepared	Paid-up capital at the close of the year	Accumu-lated loss up to the year	Serial number of Annexure-2
1	2	3	4	5	6
			(Rupees in lakhs)		
1.	Haryana Agro Industries Corporation Limited	1988–89	2,64.66	10,50.54	5

1	2	3	4	5	6
2.	Haryana Seeds Development Corporation Limited	1988–89	3,24.06	3,80.73	9
3.	Haryana Dairy Development Corporation Limited	1987–88	5,57.48	6,27.20	12
4.	Haryana Television Limited	1982–83	19.40	93.02	15
5.	Haryana Matches Limited	1987–88	12.50	21.01	17
6.	Haryana Concast Limited	1987–88	3,11.15	3,85.87	18
			14,89.25	25,58.37	

1.2.4.3. In addition there is one company *viz.* Haryana Tanneries Limited coming under the purview of Section 619(B) of the Companies Act, 1956. The paid-up capital of the company was Rs. 1,35.15 lakhs (State Government: Rs. 63.75 lakhs and Others : Rs. 71.40 lakhs) as on 31st March 1989. The Company had finalised its accounts up to 1985-86 only. The Company had been incurring losses which accumulated to Rs. 4,41.78 lakhs as on 31st March 1986. The State Government had guaranteed the repayment of loans raised by the Company and payment of interest thereon. The amount guaranteed and outstanding thereagainst as on 31st March 1989 was Rs. 30 lakhs and Rs. 1,57.12 lakhs, respectively.

1.2.5. Some of the important points made by the Statutory Auditors and as a result of audit by the Comptroller and Auditor General of India in respect of the companies audited during the year are mentioned below :

(i) The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directives 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 three companies for the years 1986-87 and 1987-88 were received during the year. The important points noticed in these reports are summarised below :

Serial number	Nature of defects	Number of companies in which defects were noticed	Reference to serial number of companies as per Annexure–3
1	2	3	4
1.	Absence of accounting manual	1	10
2.	Absence of internal audit manual	2	10,12
3.	Non-preparation of annual budgets	3	8,10,12
4.	Absence of Internal Audit System	1	12

1	2	3	4
5.	Non-fixation of norms for manpower	1	10
6.	Non-fixation of minimum/ maximum limits of stores and spares	2	8,10
7.	Non-invitation of open tenders	2	10,12
8.	Non-determination of surplus/ unserviceable stores	1	10
9.	Absence of system for ascertaining idle labour and machinery	2	8,10
10.	Non-maintenance/defective maintenance of property/ land/assets register	2	12

(ii) Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has 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 15 Companies were selected for such review during the period from October 1988 to September 1989. The effect of the important comments as a result of the audit was as follows :

Serial number	Detail	Number of accounts	Monetary effect (Rupees in lakhs)	Serial number of Annexure-3
1.	Increase in profit	2	16·41	11,19
2.	Non-disclosure of material facts	2	2.66	4,11

Some of the major errors/ommissions 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 Industrial Development Corporation Limited (1987-88)

Rs. 0.68 lakh being the amount of interest earned on the funds of Industrial Area Development Activities instead of being credited to Current Assets, Loans and Advances-Industrial Area Development Expenditure Account was erroneously treated as revenue receipt in the accounts.

(b) Haryana Breweries Limited (1987-88)

The net profit of Rs. 30.40 lakhs was overstated to the extent of Rs. 15.73 lakhs due to non-provision of depreciation for extra shift working (Rs. 8.85 lakhs) and over-valuation of closing stock of finished goods (Rs. 6.88 lakhs).

1.2.6. There are 10 other companies where Government has invested funds (in equity shares) but the accounts of which 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* shares. The details of Government investment, working results *etc.*, as per latest available accounts were as under :

Serial number	Name of company	Year of account ending
1	2	3
1.	Indo Swiss Times Limited, Gurgaon	30th June 1988
2.	East India Syntex Limited, Dharuhera	31st March 1988
3.	Pashupati Spinning and Weaving Mills Limited, Dharuhera	31st December 1987
4.	Sehgal Papers Limited, Dharuhera	31st March 1981
5.	Rama Fibers Limited, Hisar	30th June 1988
6.	Victor Cables Limited, Dharuhera	30th June 1987
7.	Uni Products(India) Limited, Ladowas(Mohindergarh)	30th September 1987
8.	Omex Autos Limited, Dharuhera	30th April 1987
9.	Heynen India Limited, Rewari	—
10.	Life Line Injects Limited, Pachor(Mohindergarh)	—

N.A. : Not available.

Govern-ment investment	Profit (+) Loss(—)	Accumulated loss	Dividend paid		
			Year	Percentage	Amount
4	5	6	7	8	9
(Rupees in lakhs)					
15.00	(+)15.00	—	1981–82	6	0.90
15.40	(+)38.36	—	1985	10	1.54
20.00	(+)46.96	—	1985–86	10	2.00
25.00	(—)2,06.81	1,15.64	1977–78	0.5	0.13
19.50	(—)1,07.37	2,79.84	N.A.	N.A.	N.A.
12.75	(+)22.02	—	Do	Do	Do
19.00	(—)84.49	84.49	N.A.	N.A.	N.A.
17.00	(—)4.68	5.71	N.A.	N.A.	N.A.
11.85	—	—	—	—	—
12.45	—	—	—	—	—

1.3. STATUTORY CORPORATIONS—general aspects

1.3.1. There were three Statutory corporations in the State as on 31st March 1989, *viz.*.

—Haryana State Electricity Baard;

—Haryana Financial Corporation; and

—Haryana Warehousing Corporation.

1.3.2. The Haryana State Electricity Board was constituted on 3rd May 1967 under Section 5(i) of the Electricity (Supply) Act, 1948.

Under the Act, the audit of the accounts of the Board vested solely with the Comptroller and Auditor General of India. Sparate Audit Report, mainly incorporating the comments on its annual accouts of each year is sent separately to the Board and to Government.

Separate Audit Reports on the accounts of the Board relating to the years 1986-87 and 1987-88 were issued to Government and Board in April 1988 and March 1989, respectively. The Reports on accounts for the years 1986-87 and 1987-88 were laid before the State Legislature on 23rd February 1989 and 11th September 1989, respectively.

1.3.3. The Haryana Financial Corporation was constituted on 1st April 1967 under Section 3(i) of the State Financial Corporations Act, 1951 and the Haryana Warehousing Corporation was constituted on 1st November 1967 under Section 18(i) of the Warehousing Corporations Act, 1962. Under the respective Acts, the accounts of the Corporations are audited by the Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India; and the latter may also undertake audit of the Corporations separately Separate Audit Reports in respect of these Corporations are also issued by the Comptroller and Auditor General of India. The annual accounts of both these corporations had been certified by the Chartered Accountants up to 1987-88. The separate Audit Reports on the accounts of Haryana Financial Corporation for the years 1984-85, 1985-86 and 1986-87 issued to Government on 7th March 1986, 9th September 1987 and 27th May 1988, respectively, were laid before the State Legislature on 11th September 1989. The Report for the year 1987-88 issued to Government on 31st October 1988 was yet to be presented to the State Legislature The Audit Reports on the accounts of Haryana Warehousing Corporation for the years 1986-87 and 1987-88 issued to the Corporation on 5th February 1988 and 16th February 1989, respectively, were placed before the State Legislature on 22nd August 1988 and 11th September 1989, respectively.

1.3.4. The working results of these three Statutory corporations for the latest year for which accounts have been finalised are summarised in *Annexure-4.*

Salient points about the accounts and physical performance of these Statutory corporations are given in paragraphs 1.4. to 1.6.

1.4. HARYANA STATE ELECTRICITY BOARD

1.4.1. The State Government loans amounting Rs. 3,90 crores were converted into capital of the Board under Section 12(A) and Section 66(A) of the Electricity (Supply) Act, 1948, during the year 1988-89.

The additional capital requirements of the Board are met by way of loans from Government, the public, the 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 the two years upto 31st March 1989 are as follows:

Source	Amount outstanding as on 31st March		Percentage increase
	1988	1989	
	(Rupees in crores)		
State Government	10,41.73	7,97.84	(—)23.41
Other sources :			
Loans from Life Insurance Corporation of India	96.92	1,01.52	4.75
Loans from Rural Electrification Corporation Limited	92.22	1,05.04	13.90
Bonds and other loans	2,61.09	2,91.73	11.74
Total	14,91.96	12,96.13	(—)13.13

1.4.2. Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 6,79.08 crores and the payment of interest thereon. The amount of principal guranteed and outstanding as on 31st March 1989 was Rs. 3,43.73 crores.

1.4.3. The table below summarises the financial position of the Board for the three years up to 1988-89 :

	1986-87	1987-88	1988-89 (Provisional)
	(Rupees in crores)		
A. Liabilities			
1. Capital	—	—	3,90.00
2. Loans from Government	8,98.13	10,41.73	7,97.84
3. Other long-term loans (including bonds and consumers contributions)	4,29.13	7,06.93	7,94. 81
4. Deposits from public institutions	29.36	29.34	29.34
5. Reserves & reserve funds	45.32	55.38	64.77
6. Current liabilities	3,61.40	3,53.60	4,48.23
Total A	17,63.34	21,86.98	25,24.99
B. Assets			
1. Gross fixed assets	8,54.67	11,49.05	12,07.46
2. *Less :* depreciation	1,91.07	2,15.85	2,48.91
3. Net fixed assets	6,63.60	9,33.20	9,58.55
4. Capital work-in-progress	4,84.76	3,51.13	4,66.99
5. Current assets	6,14.98	9,02.65	10,99.45
Total B	17,63.34	21,86.98	25,24.99
C. Capital employed*	9,17. 18	14,82.25	16,09.77
D. Capital invested**	13,11.60	14,92.61	16,88 18

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

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

1.4.4. The working results of the Board for three years up to 1988-89 on comparative commercial basis are summarised below :

	1986-87	1987-88	1988-89 (Provisional)
		(Rupees in crores)	
1. (a) Revenue Receipts	2,35.97	2,70.85	3,91.41
(b) Subsidy from the State Government	—	65.07	32.93
Total :—	2,35.97	3,35.92	4,24.34
2. Revenue expenditure including write off of intangible assets	2,06.36	3,03.56	3,59.27
3. Gross surplus for the year (1-2)	29.61	32.36	65.07
4. Appropriations :			
(a) Interest on Goverment loans	48.80	1,22.06	54.87
(b) Interst on other loans	41.54	46.76	53.61
(c) Contribution to repayment of loans under Section 65 of the Act	—	—	—
5. Deficit for the year (3-4)	(—)60.73	(—)1,36.46	(—)43.41
6. Net prior period adjustments (Debit)	(—)0.50	(—)6.95	(—)8.75
7. Net deficit (5+6)	(—)61.23	(—)1,43.41	(—)52.16
8. Total return on :			
—Capital employed	29.11	25.41	56.32
—Capital invested	(—)20.33	23.70	54. 29
9. Percentage of return on:			
—Capital employed	3.17	1.71	3.50
—Capital invested	—	1.59	3.22

1.4.5. Under Section 69(2) of the Electricity (Supply) Act, 1948, the accounts of the Board are subject to audit by the Comptroller and Auditor General of India. The following major irregularities and omissions were pointed out in the draft Audit Report on the annual accounts of the Board for the year 1988-89 referred to in para 1.3.

(1) Deficit for the year (Rs. 52.16 crores) was understated to the extent of Rs. 1,04.93 crores on account of excess billing for sale of power to Delhi Electricity Supply Undertaking (Rs. 7.13 crores), net overstatement of other income (Rs. 0.70 crore), non provision of liabilities (Rs. 82.78 crores), net understatement of depreciation (Rs. 0.37 crore), repair and maintenance charges and employees cost wrongly capitalised (Rs. 3.19 crores), other expenses misclassified (Rs. 1.47 crores) and non adjustment of surcharge due from irrigation department since waived by the State Government (Rs. 9.29 crores).

(2) The register of fixed assets with details of the life, value, date of acquisition/commissioning etc. had not been maintained.

(3) Additions to fixed assets (Rs. 58.41 crores) during the year were not supported by completion reports.

(4) The closing stock (Rs. 1,01.83 crores) represents balances as per financial books without any reconciliation with the priced stores ledgers.

(5) Sundry debtors for supply of power (Rs. 1,90.54 crores) included Rs. 5.96 crores in respect of debtors who had either gone into liquidation or against whom claims were disallowed by the courts or whose cases were closed by the negotiations committee. No

provision had been made in the accounts towards these doubtful debts

1.46. The table below indicates the physical performance of the Board for the three years up to 1988-89 :

Serial number	Particulars	1986-87	1987-88	1988-89 (Provisional)
1	2	3	4	5
1.	Installed capacity (M W)			
	—Thermal	697.5	697.5	907.5
	—Hydel	847.0	863.0	871.0
	—Others	3.9	3.9	3.9
	Total	1548.4	1564.4	1782.4
2.	Power generated (M kwh)			
	—Thermal	1868	2554	2471
	—Hydel	3397	3305	3616
	—Others	—	—	—
	Total	5265	5859	6087
3.	Auxiliary Consumption (Mkwh)	258	309	311
4.	Net power generated (2—3)	5007	5550	5776
5.	Power purchased/ procured from other sources (Mkwh)	681	1199	1750
6.	Total power available for sale (4+5)	5688	6749	7526

1	2	3	4	5
7.	Normal maximum demand (M W)	1042	1331	1228
8.	(a) Power sold* (Mkwh)	4639	5157	5690
	(b) Free supply to own works (M kwh)	16.1	19.4	26.1
9.	Transmission and distribution losses (Mkwh)	1049	1592	1836
10.	Load factor (percent)	50. 6	44. 1	52.7
11.	Percentage of transmission and distribution losses to total power available for sale	18.4	23. 6	24.4
12.	Number of units generated per K W of installed capacity (Kwh)	3400	3745	3415
13.	Number of villages/ Towns electrified	7073	7073	7073
14.	Number of pump sets/wells :			
	—energised	2,92,697	3,17,650	3,22,903
	—awaiting energisation	40,670	52,886	59,009
15.	Number of sub-stations (33 KV and above)	293	310	312
16.	Transmission/distribution lines (Kms) :			

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

1	2	3	4	5
	(i) High/Medium voltage	49,786	52,164	53,263
	(ii) Low voltage	82,983	87,078	88,551
17.	(i) Connected Load (M W)	3,399	3,783	3,382
	(ii) Load awaiting energisation (M W)	46. 11	53.00	53.64
18.	Number of consumers	18,64,644	20,24,953	21,70,139
19.	Number of employees	37,021	37,883	39,709
20.	Total expenditure on staff (Rupees in lakhs)	76,28.35	1,00,87.34	1,15,71 .88
21	Percentage of expenditure on staff to total revenue expenditure	36.96	21. 35	24. 74
22.	Break up of sale of energy according to category of consumers	(Mkwh)		
	(a) Agriculture	1624.05	2176. 28	2157.849
	(b) Industrial	1368.40	1317.60	1535. 288
	(c) Commercial	123. 66	127.33	143.314
	(d) Domestic	581. 88	657. 27	832.828
	(e) Others*	940.59	878.34	1020.650
	Total	4638.58	5156. 82	5689.929
23.	(a) Revenue per Kwh**	50. 87	52.52	68.79
	(b) Expenditure per Kwh***	63.96	91 .60	82. 20
	(c) Profit (+)/ Loss (—) per Kwh	(—)13.09	(—)39.08	(—)13 41

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

**The revenue per Kwh sold for 1987-88 and 1988-89 has been arrived at after excluding subsidy from the State Government on account of rural electrification losses.

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

1.5. HARYANA FINANCIAL CORPORATION

1.5.1. The paid-up capital of the Corporation as on 31st March 1989 was Rs. 9.01 crores (State Government : Rs. 4.33 crores, Industrial Development Bank of India (IDBI) : Rs. 4.33 crores, others : Rs. 0.35 crore(as against Rs. 7.41 crores as on 31st March 1988 (State Government : Rs. 3.58 crores, IDBI : Rs. 3.48 crores, Others : Rs. 0.35 crore).

1.5.2. The State Government had guaranteed the repayment of Rs. 8.38 crores of share capital and payment of minimum dividend thereon at 3 to 5 *per cent*, under Section 6(i) of the Act, *ibid*.

Government had also guaranteed repayment of market loans (through bonds) of Rs. 37.95 crores, raised by the Corporation. Amount of principal outstanding thereagainst as on 31st March 1989 was Rs. 35.43 crores.

1.5.3. The table below summarises the financial position of the Corporation for three years up to 1988-89 :

	1986-87	1987-88	1988-89
		(Rupees in crores)	
A Liabilities			
1. Paid-up Capital	6,31.07	7,41.07	9,01.07
2. Reserve fund, other reserves and surplus	9,50.70	9.77.03	10,50.93
3. Borrowings			
(i) Bonds	24,25.00	28,65.00	34,42.50

	1986-87	1987-88	1988-89
	(Rupees in crores)		
(ii) Others	35,62.43	38,03.77	42,57.99
4. Other liabilities and provisions	10,32.06	10,65.02	11,94.11
Total-A	86,01.26	94,51.89	1,08,46.60
B. Assets			
1. Cash and bank balances	1,07.72	82.54	2,89.68
2. Loans and advances	79,49.07	88,35.21	99,62.10
3. Net fixed assets	20.73	18.42	20.51
4. Other assets	5,23.74	5,15.72	5,74.31
Total—B	86,01.26	94,51.89	1,08,46.60
C. Capital employed*	69,99.38	77,86.45	88,28.10
D. Capital invested**	73,77.62	81,95.29	94,60 91

1.5.4. The Corporation switched over to cash system of accounting from mercantile system of accounting with effect from 1st April 1983.

*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.

The following table gives details of the working results of the Corporation for three years up to 1988-89 :

Particulars	1986-87	1987-88	1988-89
		(Rupees in crores)	
1. Income			
(a) Interest on loans and advances	6,43.09	8,07.03	9,71.42
(b) Other income	17.54	22.53	26.28
Total—1	6,60.63	8,29.56	9,97.70
2. Expenditure			
(a) Interest on long-term loans	4,92.26	5,91.56	6,66.06
(b) Other expenses	1,33.79	1,68.47	1,87.21
Total—2	6,26.05	7,60.03	8,53.27
3. Profit before tax	34.58	69.53	1,44.43
4. Provision for tax	11.41	21.79	42.84
5. Other appropriations	13.83	27.66	73.89
6. Amount available for dividend	18.93	21.41	27.69
7. Dividend paid	18.93	21.41	27.69
8. Total return on :			
—Capital employed	5,26.84	6,61.09	8,10.49
—Capital invested	5,26.84	6,61.09	8,10.49
9. Percentage of return on :		[*per cent*]	
—Capital employed	7.5	8.5	9.2
—Capital invested	7.1	8.1	8.6

1.5.5. The performance of the Corporation in the disbursement/

Serial number	Particulars	1986–87		1987–88	
		Number	Amount	Number	Amount
1	2	3	4	5	6
					(Amount in
1.	Applications pending at the beginning of the year	178	20,86.81	161	26,72.10
2.	Applications received	524	58,46.11	776	53,25.99
3.	Total	702	79,32.92	937	79,98.09
4.	Applications sanctioned	357	28,19.57	466	30,78.12
5.	Applications with-drawn/rejected	184	21,08.18	339	30,93.47
6.	Applications pending at the close of year	161	26,72.10	132	15,29.19
7.	Loans disbursed	426	16,96.67	343	20,27.35
8.	Amount outstanding at the close of year	2,538	78,79.18	2,505	87,63.08
9.	Amount overdue for recovery at the close of year	1,035	25,18.38	1,046	26,40.82
10.	Percentage of default to total loans out-standing	—	32.00	—	30.1

** Includes 13 applications (amount : Rs. 77.02 lakhs) received from erstwhile

** Excludes part amount rejected (Rs. 4,29.73 lakhs)

** Includes Rs. 19,57.86 lakhs due from 495 industrial concerns against which recovery of loans during the three years up to 1988-89 is indicated below :

	1988–89		Cumulative	
	Number	Amount	Number	Amount
	7	8	9	10
lakhs of rupees)				
1.	132	15,29.19	—	—
2.	1,052	69,65.68	10,156*	5,37,91.24
3.	1,184	84,89.87	10,156	5,37,91.24
4.	709	39,15.46	6,910	2,94,56.22
5.	278	17,29.17**	3,049	1,90,57.62
6.	197	24,20.51	197	24,20.51
7	587	23,96.83	6,335	1,72,89.18
8.	2,661	98,86.35	2,661	98,86.35
9.	984	27,87.29***	984	27,87.29
10.	—	28.2	—	—

Punjab Financial Corporation at the time of reorganisation of the States.

suits are pending in courts.

It would be seen from the above table that out of outstanding loans of Rs. 98.86 crores from 2,661 loanees on 31st March 1989, an amount of Rs. 27.87 crores was overdue for recovery. The percentage of overdue amount to the total outstanding at the end of the year which was 32.0 *per cent* in 1986-87 decreased to 30.1 in 1987 and 28.2 *per cent* in 1988-89.

The following further points in regard to overdue loans were noticed :

(i) Age-wise analysis of the overdue loans other than suit-filed cases as on 31st March 1989 was as under :

Serial number	Age of overdue	Number of units	Amount		
			Principal	Interest	Total
			(Rupees in crores)		
1.	Upto 1 year	419	1.75	1.37	3.12
2.	1 to 2 years	33	0.58	0.53	1.11
3.	Over 2 years	37	1.37	2.69	4.06
		489	3.70	4.59	8.29*

The total amount outstanding in suits-filed by the Corporation for recovery of its dues was Rs. 19.58 crores. The age-wise break up of the outstanding amount in regard to suit-filed cases was not available with the Corporation.

(ii) The investment of the Corporation in 416 closed units except those of Rohtak and Panchkula up to 31st March 1989 amounted to Rs. 13.79 crores,

*Includes Rs. 0.17 crore outstanding on account of miscellaneous expenditure incurred on behalf of the loanees.

against which Rs. 19.69 crores (including interest : Rs. 12.51 crores) were overdue for recovery on that date.

1.6. HARYANA WAREHOUSING CORPORATION

1.6.1. The paid-up capital of the Corporation as on 31st March 1989 was Rs. 5.84 crores (State Government : Rs. 2.92 crores ; Central Warehousing Corporation : Rs. 2.92 crores) against Rs. 5.71 crores (State Government: Rs. 2.92 crores, Central Wareshousing Corporation: Rs. 2.79 crores) as on 31st March 1988.

1.6.2. The table below summarises the financial position of the Corporation for three years up to 1988-89:

Particulars	1986-87	1987-88	1988-89
	(Rupees in lakhs)		
A. Liabilities			
1. Paid-up capital	5,41.07	5,71.07	5,84.07
2. Reserves and surplus	11,91.98	15,53.82	17,03.04
3. Borrowings	4,40.00	4,48.54	3,65.29
4. Trade dues and other current liabilities	18,71.12	11,51.85	6,54.21
Total—A	40,44.17	37,25.28	33,06.61
B. Assets			
1. Gross block	17,77.30	21,78.80	23,76.44
2. *Less :* depreciation	2,10.25	2,65.32	3,27.45
3. Net fixed assets	15,67.05	19,13.48	20,48.99
4. Capital work-in-progress	1,27,2.03	1,11.64	1,00.66
5. Investment	1.00	1.00	1.00
6. Current assets, loans an advances	23,49.09	16,99.16	11,55.96
Total—B	40,44.17	37,25.28	33,06.61

C. Capital employed*	20,45.02	24,60.79	25,47.44

1.6.3. The following table gives details of the working results of the Corporation for three years up to 1988-89:

Particulars	**1986-87**	**1987-88**	**1988-89**
		(Rupees in lakhs)	
1 **Income**			
(i) Warehousing charges	6,69.72	6,75.89	4,72.81
(ii) Other receipts	3,25.15	1,77.55	1,67.42
Total—1	9,94.87	8,53.44	6,40.23
2. **Expenditure**			
(i) Establishment charges	1,40.89	1,66.95	1,94.93
(ii) Interest	22.94	52.58	50.06
(iii) Other expenses	2,79.81	3,06.19	2,23.13
Total—2	4,43.64	5,25.72	4,68.12
3. Profit before tax	5 51.23	3,27.72	1,72.11
4. Profit brought forward	0.23	0.17	0.50
5. Previous years adjustment (Net)	(+)8.13	(+)74.01	(+)17.14
6. Other appropriations (excluding profit transferred to Balance Sheet)	5,59.42	4,01.40	1,90.55

*Capital employed represents net fixed assets *plus* working capital.

Particulars	1986-87	1987-88	1988-89
		(Rupees in lakhs)	
7. Dividend paid	35.77	39.90	40.05
8. Return on capital employed [2(ii)+3]	5,74.17	3,80.30	2,22.17
		(per cent)	
9. Percentage of return on capital employed	28.1	15.5	8.7

1.6.4. The following table gives details about the operational performance of the Corporation for three years up to 1988-89 :

1. Number of stations covered	96	100	100
2. Storage capacity created upto the end of year (lakh tonnes) :			
(a) Owned	4.52	5.15	5.43
(b) Hired	3.88	3.34	2.75
Total	8.40	8.49	8.18
3. Average storage capacity* utilised during the year (lakh tonnes)	8.70	7.59	4.68
4. Percentage of utilisation of average capacity	1,03.6	89.4	57.2
		(Rupees)	
5. Average expenses per tonne	50.99	69.26	100.03
6. Average income per tonne	1,14.35	1,12.44	1 36.80

*Includes that of godowns closed during respective year.

CHAPTER II

2. Reviews relating to Government Companies

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

2A. Haryana Television Limited.

2B. Haryana State Small Industries and Export Corporation Limited.

2A. HARYANA TELEVISION LIMITED

Highlights

The Company was incorporated (December 1973) in joint sector in collaboration with Haryana State Industrial Development Corporation (HSIDC) and a private party. It became a subsidiary of HSIDC in March 1977 after the private party surrendered his shareholding in view of the heavy losses.

The Company had not finalised its accounts since 1983-84. The accumulated loss as per provisional accounts up to 1987-88 was Rs. 2,54.78 lakhs and represented 1,313 per cent of the paid-up capital.

In spite of availability of adequate funds, the Company could not implement the rehabilitation plans put forth by the consultants from time to time as the funds were utilised in meeting the yearly losses. Consequently, the Company had to stop production of TV sets from December 1987.

The Company was set up with a capacity to manufacture 5,000 TV sets which was increased to 25,000 TV sets in November 1983. The precentage of capacity utilisation up to 1982-83 ranged between 1 per cent (1979-80) and 71 per cent (1982-83). The increase in installed capacity in November 1983 did not result in any significant improvement in capacity utilisation which varied between 26 percent (1984-85) and 1 per cent (1987-88). The Company incurred an unfruitful expenditure of Rs. 20.50 lakhs on employment of workers in excess of requirement.

Though the Company had seven branches for sale of TV sets neither branchwise targets were fixed nor working results of each branch were prepared to assess their performance. An analysis in Audit revealed that against the sale of 8 TV sets (value : Rs. 0.21 lakh) during April 1985 to February 1988, by Delhi branch, the expenditure incurred was Rs. 1.30 lakhs.

No costing system ascertaining the cost of each brand of TV set had been introduced and sale price was fixed by the Managing Director from time to time. Except during the year 1984-85, the sale price fixed was even below the average direct cost.

The Company did not have any approved purchase procedure. The purchases were made in piecemeal at higher rates in disregard to the guidelines laid down by the Managing Director which resulted in extra expenditurne of Rs. 2.64 lakhs.

As on 31st December 1988, a sum of Rs. 21.44 lakhs was recoverable from 210 parties, of which Rs. 15.93 lakhs pertaining to the period 1974-75 to 1984-85 had become time barred.

Sales were made to registered dealers without obtaining perscribed declarations under the Central Sales

Tax Act, 1956, resulting in payment of additional sales tax of Rs. 1.29 lakhs and interest of Rs. 0.83 lakhs, respectively.

2 A.1. Introductory

The Company was incorporated in December 1973 in joint sector, in collaboration with Haryana State Industrial Development Corporarion Limited (HSIDC) and a private party. As the Company was incurring heavy losses (Rs. 44.46 lakhs up to March 1977), the private party surrendered (March 1977) its shareholding of Rs. 7.20 lakhs to HSIDC at a nominal value of Rs. 100 and the Company became a subsidiary of HSIDC in March 1977.

2 A.2. Scope of Audit

The review covers the overall performance of the Company for five years ending 1987-88. The points noticed as a result of test check are given in the succeeding paragraphs.

2 A.3. Objects

The main objects of the Company are to :

—carry on business, manufacture, buy, sell, import, export, distribute, repair, radio and television sets as well as components thereof; and

—carry on research, design, development and consultation in electronics components and allied products.

The Company had so far confined its activety to the production of television sets.

2 A.4. Organisational set-up

The Management of the Company is vested in the Board of Directors headed by the Chairman. As on 31st March 1989, the Board consisted of four Directors nominated by the State

Government (Three) and HSIDC ('One). The Managing Director functions as the Chief Executive of the Company who is assisted by various functional heads such as Accounts Officer, Administrative Officer and Production Manager in the day-to-day working of the Company.

During the span of 12 years (from April 1977 to March 1989), 13 Managing Directors were appointed for a period ranging from nine days to 69 months. During the maximum stay of one Managing Director for five years and nine months (from January 1980 to September 1985), the Company produced 15,327 TV sets (on an average of 222 TV sets per month) against the total production of 18,278 TV sets since April 1977. However, during 30 months (from April 1977 to December 1979) when five Managing Directors were posted, only 951 TV sets (average 32 TV sets per month) were produced. Similarly, in 29 months (from October 1985 to March 1988) when seven Managing Directors were posted, only 2,000 TV sets (average 69 TV sets per month) were produced.

In January 1979, the State Government decided to appoint a technical expert with sufficient experience in the field as a whole time Managing Director of the Company. The decision of the State Government had not been implemented so far (October 1989).

2A.5. Capital structure

The authorised capital of the Company as on 31st March 1989 was Rs. 25 lakhs (2 lakh equity shares of Rs. 10 each and 0.05 lakh preference shares of Rs. 100 each). The paid-up capital was Rs. 19.40 lakhs which was subscribed by HSIDC (Rs. 14.40 lakhs) and others (Rs. 5 lakhs).

2A.6. Borrowings

In addition to the paid-up capital, the Company had obtained loans from banks, holding company financial institutions etc. as detailed below :

Serial number	Source	Year in which availed	Amount	Amount due as on 31st March, 1989	
				Principal	Interest
			(Rupees in lakhs)		
1.	Syndicate Bank	1974-75	15.14	15.14	78.94
2.	Haryana Financial Corporation (HFC)	1974-75	8.34	8.34	37.91
3.	HSIDC	1974-75 to 1982-83	64.45	61.45	20.21
4.	Haryana State Electronics Development Corporation Limited (HSEDC)	1984-85 to 1988-89	40.50	40.50	27.46
				125.43	164.52

It would be seen from the above table that the Company had not been able to pay even the interest on the loans.

2A.7. Financial position

The accounts of the Company were in arrears from the year 1983-84. The financial position of the Company, on the basis of provisional accounts, for five years up to 1987-88 was as under :

	1983-84	1984-85	1985-86	1986-87	1987-88
			(Rupees in lakhs)		
A. Liabilities					
(a) Paid-up capital	90.10*	19.40	19.40	19.40	19.40
(b) Reserves and surplus	Nil	Nil	Nil	5.61	5.61
(c) Secured loans	36.71	1,08.09	1,11.95	1,20.74	1,30.15
(d) Unsecured loans	19.10	1,11.50	1,15.91	1,19.30	1,33.70
(e) Current liabilities and provisions	17.36	23.82	37.55	34.39	29.95
Total-A	1,63.27	2,62.81	2,84.81	2,99.44	3,18.81
B. Assets					
(a) Fixed assets(Net)	11.49	12.54	17.54	16.73	16.05
(b) Current assets, loans and advances	43.02	70.27	65.13	54.30	46.89
(c) Miscellaneous expenses	2.47	1.84	1.21	1.21	1.09
(d) Cumulative loss	1,06.29	1,78.17	2,00.92	2,27.20	2,54.78
Total-B	1,63.27	2,62.81	2,84.81	2,99.44	3,18.81
** Capital employed	37.15	46.45	45.12	36.64	32.99
*** Net worth	(-)18.66	(-)1,60.61	(-)1,82.73	(-)2,03.40	(-)2,30.86

* Includes loans Rs. 70.70 lakhs incorrectly included in capital.

** Capital employed represents net fixed assets *plus* working capital.

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

The net worth of the Company was always negative due to heavy losses.

2A.8. Working results

The working results of the Company based on provisional accounts for the five years up to 1987-88 were as under :

	1983-84	1984-85	1985-86	1986-87	1987-88
			(Rupees in lakhs)		
(A) Income					
(a) Sales	46.49	1,06.62	64.38	23.77	4.37
(b) Other income	3.58	21.38	0.10	2.57	0.22
Total-A	50.07	1,28.00	64.48	26.34	4.59
(B) Expenditure					
(a) Raw material Consumed	24.85	98.94	43.89	12.44	2.93
(b) Expenses	22.45	48.47	31.68	21.15	11.75
(c) Interest on loans	2.28	65.00	9.22	14.77	17.55
(d) Accretion(—) Decretion(+) in stock	(+)14.42	(—)12.54	(+)2.44	(+)4.26	(—)0.06
Total-B	64.00	1,99.87	87.23	52.62	32.17
Net loss	13.93	71.87	22.75	26.28	27.58

The Company had been incurring heavy losses since inception. The cumulative loss up to 1987-88 was Rs. 2,54.78 lakhs which represented 1,313 *per cent* of the paid-up capital of Rs. 19.40 lakhs. The reasons for losses were not analysed by the management.

The losses were mainly due to :

- heavy burden of interest ;
- heavy expenditure on overheads ;
- absence of costing system and high cost of production ;
- under-utilisation of capacity ; and
- late switching over to latest technology

2A.9. Sources and utilisation of funds

The table given below indicates the details of the funds generated and utilised thereagainst, since take over of the Company by the HSIDC till March 1988 :

	Sources of funds	1977-78	1978-79	1979-80	1980-81
1.	Depreciation	0.79	0.78	0.70	0.65
2.	Capital, loans and liabilities	20.01	10.97	9.04	12.93
3.	Miscellaneous expenses	0.74	0.68	0.63	0.63
	Total	21.54	12.47	10.37	14.21
	Utilisation of funds				
1.	Fixed assets	0.03	0.14	—	0.11
2.	Current assets, loans and advances	6.45	—	—	2.00
3.	Loss	15.06	12.29	10.37	12.10
	Total	21.54	12.43	10.37	14.21
	Percentage of loss to funds generated	69.9	98.9	1.00	89.9

1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
(Rupees in lakhs)						
0.61	0.63	0.72	0.95	0.93	0.81	0.71
8.65	23.04	13.45	99.54	27.12	25.47	26.78
0.63	0.63	0.63	0.63	0.63	—	0.12
9.89	24.30	14.80	1,01.12	28.68	26.28	27.61
0.15	0.99	0.87	2.01	5.93	—	0.03
6.04	21.25	—	27.24	—	—	—
3.70	2.06	13.93	71.87	22.75	26.28	27.58
9.89	24.30	14.80	1,01.12	28.68	26.28	27.61
37.1	8.5	94.1	71.1	79.3	100	99.9

It would be seen from the table that the Company, during the years 1977-78 to 1987-88, had been receiving sufficient funds from various sources. These funds instead of being used in acquisition of assets (except 1981-82, 1982-83 and 1984-85), were utilised mainly for meeting the yearly losses. It was seen in Audit that the non-implementation of expansion/diversification programmes was solely attributed by the company, from time to time, to non-availability of funds. One of the consultants who had conducted the diagnostic study in March 1986, however, observed that the funds were coming regularly from HSIDC and funds received by the Comapny were much more than what could have been utilised as working capital.

2A.10. Non-reconciliation of bank balances

The Company had no system to assess the inflow and outflow of funds. On 31st March 1988, the Company was having nine current accounts in banks with an aggregate balance of Rs. 2.19 lakhs. The accounts in three banks having a debit balance of Rs. 0.42 lakh were not in operation since June 1977, November 1979 and March 1981. Similarly, there was credit balance of Rs. 0.26 lakh in current accounts with three banks located at Calcutta, New Delhi and Faridabad which were not being operated from December 1978, March 1980 and December 1980, respectively. The bank balances were not reconciled with the banks.

2A.11 Rehabilitation efforts

The Company, in view of heavy losses since inception, submitted (October 1978) the following options before the Board of Directors :

— to close the company ;

— to provide money for revival and also to diversify the products ; or

— to shift the machinery and equipment to a shed in Gurgaon and to start production there. The existing land and building at Faridabad would be sold which would result in production of TV sets at much less cost.

The Company also estimated (October 1978) that Rs. 42 lakhs would be required for revival, diversification and research and development.

The Board of Directors, however, resolved (October 1978) to fully utilise the existing resources and to submit a detailed note to the State Government for putting the Company on a sound footing. A detailed note prepared by the Company contained a request for financial assistance of Rs. 8.53 lakhs and posting of a whole time technical Managing Director.

The State Government, however, decided (September 1979) before releasing the assistance that a revival scheme should be prepared by the Company within two weeks and Chairman would approach Bharat Electronics Limited (BEL)—a Government of India Undertaking—for appointment of a whole time technical Managing Director. However, no technical Managing Director was appointed with the help of BEL.

The revival scheme prepared by the Company (May 1980) and submitted to HSIDC was considered by the High Level Committee of Government in June 1980. The High Level Committee decided (June 1980) to release Rs. 3 lakhs immediately. While releasing (June 1980) the amount, HSIDC advised the Company to :

— settle the suit filed by Syndicate Bank for recovery of overdue loan ;

— finalise the pending accounts ;

— improve the organisational set-up ;

— update the valuation of stock inventory ; and

— realise the debts so that these did not become time barred.

No action was taken by the Company on the suggestions made by HSIDC. However, HSIDC further released Rs. 7.50 lakhs in November/December 1980. As the Company started showing some improvement due to change in the line of manufacture from hybrid to solid-state, it was proposed (February 1981) to obtain the status of a sick unit and avail benefit of reduction in rate of interest, funding of interest, conversion of loan into equity etc. A consultant was, therefore, appointed (September 1981) at a consolidated fee of Rs. 5,000 to prepare a rehabilitation report. The consultant in his report (March 1982) suggested as under :

— diversification of activity ;

— preparation of accounts ;

— reduction in the inventory holdings ;

— review of the position of debtors periodically ;

— obtain benefits from financial institutions etc.

Based on the suggestions contained in the report, HSIDC agreed (September 1982) to convert entire loan of Rs. 58.20 lakhs including interest into equity while HFC agreed (February 1983) to convert Rs. 12.40 lakhs representing interest portion of loan (Rs. 8.34 lakhs) into equity with the hope that Syndicate Bank would also give some concessions. Meanwhile, the State Government decided (January 1982) to transfer all the existing electronic projects under HSIDC to HSEDC which was formed in May 1982. The conversion of loan/interest into equity by HSIDC and HFC could not, however, materialise due to reluctance of HSEDC to accept the transfer of the Company from HSIDC

No further action was taken on the revival plan of the Company till December 1985. In a meeting of financial institutions in January 1986, Syndicate Bank insisted for fresh rehabilitation plan as the earlier plan did not hold good. Accordingly, a consultant was appointed to conduct the study for rehabilitation of the Company at a consolidated fee of Rs. 12,000. The report, submitted in March 1986, while pointing out various deficiencies such as faulty marketing, high debts, lack of supervision and control, unplanned advertisement, heavy cost of production and poor material management etc., mainly recommended manufacture of coloured televisions and diversification of activity. The matter was discussed with the consultant in September 1987, who in his revised report suggested closure of the unit. The State High Level Committee also decided (December 1987) to close down the unit. The Company was closed down in October 1988. Further developments were awaited (October 1989).

2A.12. Production performance

The Company was set up with a capacity to manufacture 5,000 TV sets which was increased to 25,000 TV sets (5,000 black and white and 20,000 colour) in November 1983.

The table below indicates the TV sets (black and white and colour) manufactured and percentage of capacity utilisation for the years 1977-78 to 1987-88 :

Year	Installed capacity	Actual Production			Percentage utilisation
		Colour	Black and White	Total	
1	2	3	4	5	6
		(In number)			
1977–78	5,000	—	623	623	12
1978–79	5,000	—	285	285	6

1	2	3	4	5	6
1979–80	5,000	—	43	43	1
1980–81	5,000	—	902	902	18
1981–82	5,000	—	2,766	2,766	55
1982–83	5,000	228	3,305	3,533	71
1983–84	10,000	49	1,433	1,492	15
1984–85	25,000	8	6,395	6,403	26
1985–86	25,000	28	1,379	1,407	6
1986–87	25,000	51	629	680	3
1987–88	25,000	39	105	144	1

The percentage utilisation of installed capacity ranged between 1 and 71. It would be seen from the above table that even after addition to the capacity, the Company could not make any significant improvement in its utilisation which came down from 26 *per cent* in 1984-85 to 1 *per cent* in 1987-88. It was observed in Audit that absence of any production programme, under-utilisation of resources, excess employment of manpower and obsolete technology were the main reasons for poor performance.

2A.13 Excess engagement of workers

Manufacture of TV sets mainly involves assembly of components and testing of the assembled TV sets. The assembly and testing work is divided into various sections *i.e.* printed circuit board, harnessing, fitting, cabinating, pre-testing, soaking final testing and packing. No efforts were made by the Company to assess the requirement of workers for various processes of manufacture. Haricon, in its diagnostic study, assessed (March 1986) the requirement of manpower between 33 to 77 workers for annual production level between 8,000 to 22,000 TV sets. The number of TV sets manufactured since 1977-78 and workers actually engaged in each year was as under :

Year	TV sets manufactured	Workers engaged	Workers in excess of 33	Production per worker per day
		(In number)		
1977–78	623	75	42	8
1978–79	285	75	42	4
1979-80	43	55	22	1
1980-81	902	77	44	12
1981-82	2,766	74	41	37
1982-83	3,533	74	41	48
1983-84	1,492	75	42	20
1984-85	6,403	140	107	46
1985-86	1,407	62	29	23
1986-87	680	45	12	15
1987-88	144	38	5	4
			427	

The production per worker per year ranged between one to 48 TV sets which was very low. Thus, 427 workers employed in excess of requirement (at the average rate of Rs. 400 per month) resulted in an unfruitful expenditure of Rs. 20.50 lakhs on pay and allowances.

The production of TV sets was stopped in December 1987 and the production staff was retrenched on 1st October 1988. The production labour was paid a sum of Rs. 1.04 lakhs during December 1987 to September 1988 without any work.

2.A.14. Sales performance

2.A.14.1 The table below indicates the sale of TV sets from 1977-78 onwards :

Year	TV sets sold (In number)	Amount (Rupees in lakhs)
1977-78	636	12.82
1978-79	365	9.31
1979-80	46	1.73
1980-81	839	18.24
1981-82	2,657	53.04
1982-83	3,014	66.23
1983-84	1,992	46.49
1984-85	5,480	1,06.62
1985-86	2,281	64.38
1986-87	734	23.77
1987-88	179	4.37

It would be seen from the above that with proper marketing arrangement the sales of the Company picked up during 1981-82 and 1982-83 but declined in 1983-84 after the agreement with the sole-selling agent was terminated. There was again a marked improvement in 1984-85 when renewed efforts were made by the Company to sell TV sets through distributors. But in the absence of effective control over execution of agreements with the distributors, sales started to decline from 1985-86 onwards.

The Company was having seven branches (Lucknow, Kanpur, Jaipur, Calcutta, Dehradun, Chandigarh and Delhi) at the time of its take over by HSIDC in March 1977 for marketing of TV sets. Neither branch-wise targets for sale were fixed nor working results of each branch were worked out by the Company. In the absence of these records the performance of each branch could not be assessed in Audit. Due to extremely poor sales performance, the Board decided in October 1978 to close branches at Lucknow, Kanpur, Jaipur and Calcutta.

Similarly, the Board reviewed (June 1980) the working of Chandigarh and Dehradun branches and decided to close these branches also. The branches were actually closed in February 1981. A test check of expenditure and sales made by Delhi branch from April 1985 to February 1988 when the branch was closed revealed that the branch sold eight television sets for Rs. 0.21 lakh against the expenditure of Rs. 1.30 lakhs.

After the failure of the system of sales through branches, the Company appointed Northern India Electronics, Amritsar as sole-selling agent in March 1981 for a period of five years. In this connection a reference in invited to Paragraph 5.9.3 of the Report of the Comptroller and Auditor General of India for the year 1986-87 (Commercial)-Government of Haryana wherein it was mentioned that the Company terminated the agreement with the sole-selling agent on account of poor sales performance and defaults in making payments of the amount due to the Company.

2A.14.2. After the termination of the contract with the sole-selling agent, the Board decided (December 1982) to appoint distributors at zonal/state level with the responsibility of publicity as well as after sale-service. A model agreement to be used for distributorship of the Company was also approved by the Board which *inter-alia* provided for setting up the Company's own publicity cell which would work as guide for the publicity by the distributors. The Company appointed 39 distributors throughout the country during 1983-84 for marketing of TV sets.

In this connection, following observations are made :

(i) The Company started supplying TV sets to the distributors/parties on credit instead of against cash payment as per the terms of the agreement, which resulted in accumulation of outstanding dues.

(ii) No separate publicity cell was set up by the Company, as envisaged. As per clause 9 of the model agreement, as approval by the Board (December 1982), the distributors were responsible for effectively carrying out the publicity at their own expenses. The Company while executing the agreements with the distributors deviated from the model agreement, reasons for which are not on record. According to the agreements, the Company was to bear the entire expenditure on publicity and would also share fifty *per cent* of the cost of local publicity *viz.* newspaper insertions, boardings, wall paintings, cinema slides etc. It was. however, seen in Audit that the entire expenditure of Rs. 2.08 lakhs on local publicity was reimbursed to 16 distributors against the terms of agreements. This included Rs. 1.03 lakhs for which no details regarding mode of publicity were available.

The Company got prepared 35 glow signs of different sizes valuing Rs. 0.23 lakh in 1984-85 for display/advertisement etc. These sign boards were not utilised by the Company resulting in infructuous expenditure.

2A.14.3. Reconditioning of TV sets

While preparing the inventory of the closed branches it was found (January 1979) that large number of TV sets were not in working condition and in some sets components were missing. The Board appointed a Committee to investigate and fix the responsibility for missing components and also to propose action to be taken against the persons at fault. The Committee in its report (April 1979) pointed out that 113 sets (value : Rs. 0.35 lakh) were repairable while 62 sets were non-repairable (value: Rs. 1.08 lakhs) and recommended that explanations of the Branch Manager should be called for but no further action was taken.

2.A.14.4. Job work

The Board decided in December 1982 that the Company should take up assembly of TV sets for other parties with a view to utilise the spare capacity. Bhartiya Electronics, Delhi requested the Company in January 1983 for assembly of TV sets. The Company offered the rate of Rs. 1,500 for economy model and Rs. 1,700 for deluxe model, 45 TV sets were assembled and supplied to the firm during 1982-83. The agreement entered into with the firm in August 1983 for a period of three years *inter-alia* provided :

— revision of rates after every six months as mutually agreed upon ;

— lifting of 100 TV sets per month against cash payment.

During 1982-83 and 1983-84, the party was supplied 771 deluxe TV sets at Rs. 1,700 per set. The Company demanded (August 1984) an increase of Rs. 100 per set for each model due to increase in the manufacturing cost. The Company supplied 218 deluxe TV sets during April to July 1984 and 513 TV sets during August 1984 to March 1985 at Rs. 1,600 per TV set instead of Rs. 1,700 and Rs. 1,800 per set, respectively.

Again during 1985-86, the Company supplied 32 deluxe TV sets at Rs. 1,700 per set instead of Rs. 1,800 per set which resulted in the short realisation of Rs. 1.28 lakhs during 1984-85 and 1985-86. No reasons for charging Rs. 1,600 per deluxe TV set in 1984-85 and Rs. 1,700 per deluxe set in 1985-86 were on record.

2A.15. Costing system

The Company was manufacturing black and white and colour TV sets of various sizes and brands but no costing system to ascertain cost of production of each type/brand of TV set had been introduced so far (October 1989). The selling price was fixed from time to time by the Managing Director, the basis of which was not on record.

Neither the expenditure was booked separately for each type of TV set nor any job card was prepared. The table below indicates average direct cost *vis-a-vis* average cost and average sale price per TV set :

Serial number	Particulars	1983-84	1984-85	1985-86	1986-87	1987-88
(1)	Number of TV sets manufactured	1,492	1,403	1,407	680	144
(2)	Direct cost (Rupees in lakhs)	36.03	1,24.15	60.75	23.58	7.02
(3)	Average direct cost per TV set (Rupees)	2,415	1,939	4,318	3,467	4,874
(4)	Total cost including administrative and selling expenses and interest less other income (Rupees in lakhs)	46.09	1,91.02	69.99	45.77	32.00

	1983-84	1984-85	1985-86	1986-87	1987-88
			(Rupees in lakhs)		
(5) Average cost per TV set (Rupees)	3,089	2,983	4,975	6,731	22,222
(6) Number of TV sets sold	1,992	5,480	2,281	734	179
(7) Total selling price (Rupees in lakhs)	46.49	1,06.62	64.38	23.77	4.37
(8) Average sale price per TV set(Rupees)	2,334	1,946	2,892	3,238	2,440

It would be seen from the table that the Company could not recover even the direct cost during 1983-84 to 1987-88 except in 1984-85. The average cost per TV set was higher than average selling price during all the years.

It was observed in Audit that the higher average cost was mainly due to under—utilisation of installed capacity, excess deployment of staff, higher overheads etc.

2A.16. Purchases

2A.16.1. Picture tubes, cabinets, tuners, speakers are the main items purchased by the Company. The Company did not have any approved purchase procedure. However, the Managing Director, in June 1982. issued the following guidelines in regard to purchases :

— purchases should be made from original manufacturers ;

— quotations should be called when source of supply is more than one ;

— advance schedule be worked out ;

— practice of making purchases from Delhi should be discouraged and parties supplying materials at factory should be given preference ; and

— requirement should be given in advance.

A test check in Audit revealed the following :

(i) During 1984-85, the Company purchased 2,823 picture tubes in piecemeal at rates ranging from Rs. 400.40 per tube to Rs. 650 per tube valuing Rs. 12.51 lakhs without inviting quotations/tenders. It was, however, observed that the lowest rates of picture tubes during the said period ranged between Rs. 400.40 to Rs. 417.72. Had the Company, after assessing the requirement of picture tubes, purchased the same at lowest rates of Rs. 400.40 and Rs. 417.72 per tube available during 1984-85, it would have saved an extra expenditure of Rs. 1.21 lakhs.

(ii) The firms supplying picture tubes are required to replace the tubes which were having any manufacturing defects. 126 defective picture tubes valuing Rs. 0.54 lakh purchased (October 1984 to April 1986) from Punjab Display Devices Limited—a Punjab Government undertaking-were sent for replacement (October 1984—April 1986) within the warranty period but these had not been replaced so far (October 1989).

(iii) Cabinets, TV tuners and packing material were purchased without inviting quotations as detailed below :

(a) Cabinets of various makes were being purchased in piecemeal. During 1984-85, 76 orders (2,799 cabinets) were placed without calling for the quotations and at different rates as detailed below :

Name of model	**Rates at which purchased** (Rupees)
(i) Mayur/Bestrow	304 to 385
(ii) Flamingo	490 to 540
(iii) Chakor	318.70 to 355
(iv) Garud	405.60 to 460

The Company, thus, incurred an extra expenditure of Rs. 1.43 lakhs by not purchasing cabinets from the parties supplying at lowest rates.

(b) During 1985-86, the Company purchased TV Tuners valuing Rs. 1.68 lakhs from 3 different parties without calling for any quotations/tenders.

(c) Packing material (carton boxes) was being procured without assessing the actual requirement. Material worth Rs. 0.97 lakh was purchased during 1985-86 without adopting any purchase procedure. No proper record of packing material was maintained in the Company. 1,348 boxes valuing Rs. 0.48 lakh were lying unused (October 1989).

2A.16.2. Nugatory expenditure

The Company had been purchasing cabinets from Rajdhani Wood-crafts, Delhi from 1975 to 1978 without placing regular purchase order. The firm intimated in March 1978 that 181 cabinets valuing Rs. 0.42 lakh were lying manufactured with them duly fitted with Company's monogram. The Company, on inspection (April 1978), found the cabinets defective and substandard and refused to take delivery. The firm filed (December 1980) a suit for recovery of Rs. 0.72 lakh (cost of 181 cabinets : Rs. 0.42 lakh, interest : Rs. 0.20 lakh and amount outstanding against earlier supplies : Rs. 0.10 lakh). In written reply filed in May 1981, the Company did not mention the fact that the cabinets were found defective and substandard at the time of inspection. As the Company did not defend the case, the court passed *ex-parte* decree in November 1984 and got the bank accounts of the Company attached in January 1987. The Company came to know about decree in February 1987 and filed an application in the Court for setting aside *ex-parte* decree.

The legal adviser of the Company opined in July 1988 that the case of the Company was very weak and the Company should compromise. The case was compromised in November 1988 by paying Rs. 0.67 lakh in full and final settlement without lifting the cabinets as these had been eaten by white ants. Thus the expenditure of Rs. 0.67 lakh proved nugatory.

2A.17 Sundry debtors

The Company was also selling television sets on credit though there was no approved policy to make credit sale. The table below indicates the position of sundry debtors and sales for the five years up to 1987-88 :

Year	Debtors	Sales	Percentage of debtors to sales
	(Rupees in lakhs)		
1983-84	17.83	46.49	38
1984-85	22.76	1,06.62	21
1985-86	36.02	64.38	56
1986-87	29.97	23.77	126
1987-88	20.06	4.37	459

It would be observed from the above table that the percentage of debtors to sales was increasing since 1985-86.

Apart from loss of interest, a substantial amount had remained blocked affecting the liquidity position of the Company adversely.

A test check of records of sundry debtors revealed that sundry debtors as on 31st December 1988 aggregated to Rs. 21.44 lakhs, recoverable from 210 parties. This amount includes :

(a) Rs. 15.93 lakhs pertaining to the period 1974-75 to 1984-85 and due from 162 firms which had become time barred due to non-initiating of legal action at appropriate time.

(b) Rs. 2.67 lakhs due from 11 firms for which cases had been filed in court.

(c) Rs. 1.03 lakhs due from two firms for which the matter was under arbitration.

(d) Rs. 1.81 lakhs from 35 firms which were less than three years old but no action to recover the amount had been taken so far (March 1989).

2A.18. Loans and Advances

2A.18.1. A review of loans and advances as on 31st March 1988 revealed that :

—advances of Rs. 0. 52 lakh against salary given during 1975-76 to 1982-83 were to employees who had already left the service of the Company ;

—there was a debit balance of Rs. 7. 84 lakhs as on 31st March 1988 under sundry creditors and out of which Rs. 2. 93 lakhs due from 31 firms had become time barred. The balance amount of Rs. 4. 91 lakhs was outstanding from 16 firms for which no action had been initiated by the Company.

2A.18.2. Imprest ledger

No rules were framed for granting/adjustment of imprest. Imprest was being given to the officials for day to day purchase but adjustment was not being made promptly. As on 31st March 1988, a sum of Rs 1. 47 lakhs was outstanding against 81 employees who had already left the services of the Company. No legal action had been initiated by the Company for the recovery of the amount from the ex-employees so far.

2A.19. Inventory

2A.19.1. The table below indicates the position of raw material, components and accessories consumed and balance during the last five years ended March 1988 :

	1983-84	1984-85	1985-86	1986-87	1987-88
			(Rupees in lakhs)		
Closing stock (31st March)	11.40	14.70	10.65	9.47	9.50
Consumption during the year	24.85	98.94	43.89	12.44	2.93
Closing stock in terms of months consumption	5.5	1.8	2.9	9.1	38.9

The Company had not fixed any minimum or maximum stock limit. The closing stock of material components and accessories of Rs. 9.50 lakhs as on 31st March 1988 included components valuing Rs. 2.10 lakhs of hybrid TV sets (Rs. 1.20 lakhs) and 12" TV sets (Rs. 0.90 lakh), the manufacture of which was stopped in 1980 and April 1985.

No efforts were made to dispose of the obsolete parts which resulted not only in the locking-up of funds but also in deterioration of the value of these parts.

The Board of Directors constituted (September 1986) a committee for inspection of stores. No physical inspection had so far been conducted as the various items of stores could not be ascertained due to improper maintenance of stores records.

The Company stopped the production of TV sets since December 1987 but no action had been taken to dispose of the components. However, in July 1988, the Company requested the Director Industrial Training and Vocational Education, Haryana, to direct various Industrial Training Institutes to lift materials as and when needed. Stores valuing Rs. 1.18 lakhs had been sold at cost price by the Company during 1988-89.

2A.19.2 The table given below indicates the position of inventory of semi-finished and finished goods for the five years ended March 1988 :

	1983-84	1984-85	1985-86	1986-87	1987-88
			(Rupees in lakhs)		
1. Semi-finished goods	Nil	Nil	3.05	0.86	1.13
2. Finished goods	6.76	19.21	4.03	3.12	2.88

Semi-finished goods include 45 TV sets (20") lying for want of picture tubes since 1986-87, 10 CTV and 5 Mayur black and white sets lying for want of minor components and 112 soild state TV sets (12") lying since 1985 being not in demand due to development of 14" TV sets. The finished stock included 70 TV sets taken over from erstwhile joint sector company which required reconditioning.

The Board in its meeting held on 24th August 1988 (on the recommendations of the High Level Committee, constituted in July 1988) decided to dispose of sub-assembled components, lying in stock, at reduced rates. No action to dispose of the stock at reduced rates had been taken so far (October 1989).

2A.19.3. Shortage of material

Physical verification reports for the years 1982-83, 1984-85, 1986-87 and 1987-88 pointed out shortage of material valuing Rs. 0.51 lakh, Rs. 0.13 lakh, Rs. 0.19 lakh and Rs. 0.03 lakh, respectively. Physical verification reports for the years 1983-84 and 1985-86 were not available with the Company.

No action was taken by the Company to investigate the shortages (Rs. 0.86 lakh) and fix responsibility (October 1989).

2A.20. Accounting system and internal audit

The Company had not prepared any accounting manual for streamlining the accounting system and financial control.

The Company appointed four Chartered Accountants for preparation of the annual accounts for the years 1979-80 to 1985-86 at remuneration ranging between Rs. 1,800 per annum in 1979-80 to Rs. 3,000 per annum in 1985-86. The total amount paid on this account aggregated to Rs. 16,200 from 1979-80 to 1985-86. The annual accounts for the year up to 1985-86 were prepared by the firms of Chartered Accountants which were also adopted by the Board of Directors. However, the Company appointed another firm of Chartered Accountants (October 1987) to prepare the annual accounts from 1981-82 to 1987-88 on a fee of Rs. 1,500 for each year without recording any reason. The accounts, as desired by Board in October 1987, had not so far been prepared (October 1989).

2A.21. Other topics of interest

2A.21.1. Avoidable payment of sales tax

Under the provisions of Haryana General Sales Tax Act, 1973, when sales are made by one registered dealer to another registered dealer and sales are supported by the prescribed declaration given by the purchasing dealer, the selling dealer is allowed to exclude such sales in arriving at his taxable turnover. Likewise, under Central Sales Tax Act, 1956, tax is leviable at concessional rates on inter-state sales made to registered dealers, provided such sales are supported by valid declarations from the purchasing dealers.

The Company is engaged in the manufacture and sale of television sets and is registered under the State as well as Central Sales Tax. In this connection following points were noticed :

(a) During 1983-84, Company made inter-state sales to the tune of Rs. 21.06 lakhs to the registered dealers against which the prescribed declarations were obtained for sales valuing Rs. 9.86 lakhs only. The assessing authority levied additional tax of Rs. 0. 85 lakh in March 1987. The Company filed (June 1988) an appeal against the levy of additional tax. The final outcome of the appeal was awaited (October 1989). The Company stated in February 1989 that Managing Director and Chief Accountant posted at that time were responsible for not collecting the requisite declaration forms.

(b) Similarly, during 1984-85 the Company made local sales valuing Rs. 3. 22 lakhs and inter-state sales of Rs. 79. 75 lakhs to the registered dealers against which prescribed declarations were obtained only for sales valuing Rs. 1. 68 lakhs and Rs. 76. 23 lakhs, respectively. The assessing authority levied (December 1988) additional tax of Rs. 0. 44 lakh (State Sales Tax : Rs. 0. 23 lakh and Central Sales Tax : Rs. 0. 21 lakh) as the sales were not supported by prescribed declarations. Besides, the assessing authority also imposed (December 1988) interest of Rs. 0. 83 lakh for non-deposit of tax in time. The Company has neither deposited the additional demand of sales tax nor was the sales tax collected from the customers (March 1989).

2A.21.2. Avoidable payment of damages

(a) Under Employees' Provident Fund and Miscellaneous Provisions Act, 1952, the Company was required to deposit employees' contribution of provident fund, family pension and deposit linked insurance alongwith employer's share and administrative charges, within 15 days of the close of every month with the Regional Provident Fund Commissioner. However, the Company neither paid its own share nor deposited employees' contribution during 1985-86 to 1988-89 within the stipulated period. The Regional Provident Fund Commissioner recovered damages for delayed payment to the extent of Rs. 0. 66 lakh relating to the period May 1985 to November 1988. No responsibility for the lapse had been fixed.

(b) Similarly, the Company had not been depositing the amount of Employees State Insurance (ESI) contribution in time since 1976-77 to the Employees' State

Insurance Corporation as required under the relevant Act of 1948. The ESI Corporation levied damages to the extent of Rs. 0.78 lakh under the Act *ibid*. The Company paid only Rs. 0.18 lakh in 1986-87, while the balance of Rs. 0.60 lakh was still payable. The contribution payable to ESI Corporation had also accumulated to Rs. 1.08 lakhs up to December 1987 No responsibility for late/non-deposit was fixed (March 1989).

2 B. HARYANA STATE SMALL INDUSTRIES AND EXPORT CORPORATION LIMITED

Highlights

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

The procurement and distribution of iron and steel amongst the small scale and rural industrial units is the main activity of the Company and contributed 62 to 78 per cent of the total turnover of the Company. The allocation of iron and steel by Iron and Steel Controller accounted for 10 to 15 per cent of the quantity indented by the Company during the five years ended June 1988. The quantity actually lifted was only 46 to 66 per cent of the allocations.

The closing stock of iron and steel, valuing Rs. 2,60.61 lakhs as at the end of June 1988, included stock valuing Rs. 58.50 lakhs lying in Faridabad and Sonipat Depots for periods ranging from 2 to 23 months. The loss of interest on blocked funds worked out to Rs. 3.42 lakhs. Sales were made on provisional rates and on receipt of invoice from Steel Authority of India, debit/credit notes were issued for the difference between the provisional and final rates. As on 30th June 1988, an amount of Rs. 20.66 lakhs was recoverable from various units on this account of which a sum of Rs. 3.74 lakhs had become time barred.

The Company purchased, in 1973-74, land for Rs. 5.92 lakhs for setting up its own sale depot at Ballabgarh. The work of construction was awarded to Haryana State Industrial Development Corporation in April 1985 and Rs. 4.74 lakhs were paid as advance. However, work could not be taken up in the absence of approval of the building plan by Haryana Urban Development Authority resulting in loss of interest of Rs. 15.71 lakhs on idle investment of Rs. 10.66 lakhs.

The direct exports through Company's own efforts were negligible. The company exported goods valuing Rs. 13,75.33 lakhs during five years upto 1987-88 which included goods valuing Rs. 13,68.77 lakhs exported against orders booked by other parties. During the five years ending 1987-88, the Company incurred losses aggregating Rs. 16.71 lakhs except during 1985-86 when it earned a profit of Rs. 4.57 lakhs on exports.

Under the scheme for providing marketing assistance to small scale industrial units, the company assisted only one to three per cent of the units registered during the five years ending 1987-88.

Nutan Brand Kerosene Wick Stove Unit, Panchkula set up in 1979-80 proved unviable and the cumulative loss amounted to Rs. 33.48 lakhs up to 1987-88.

Stepping up of the pay of clerks and steno-typists without the approval of the Board of Directors resulted in an irregular payment of Rs. 5.72 lakhs.

2B.1. Introductory

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

2B.2. Objects

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; and

—carry on the business of export and import of goods which may be required for the industrial development of the State.

The Company undertook the following activities in pursuance of its objectives :

—procurement and distribution of raw materials;
—setting up of sales emporia;
—export promotion;
—marketing assistance to SSI Units;
—rural industrial (RI) schemes; and
—manufacture of Kerosene Wick Stoves.

2B.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 1981-82 (Civil)—Government of Haryana. The recommendations of the Committee on Public Undertakings (COPU) thereon are contained in their seventeenth Report presented to the State

Legislature on 29th March 1985. The present review covers the performance of the Company during the five years up to 1988-89. Out of 43 units of the Company including head office, 23 units were test checked in Audit. The results of test check are given in the succeeding paragraphs.

2B.4. Organisational set - up

The affairs of the Company are managed by a Board comprising of 12 Directors, including a Chairman and a Managing Director, appointed by the State Government. As on 30th June 1988, the Board consisted of eleven Directors including one nominee Director each of Industrial Development Bank of India (IDBI) and Government of India. Managing Director is the Chief Executive of the Company who is assisted in his day to day work by Chief General Manager (Procurement and Administration), General Manager (Finance and Accounts), General Manager (Marketing) and General Manager (Export).

2B.5. Capital structure and borrowings

The authorised capital of the Company as on 30th June 1988 was Rs. 150 lakhs consisting of 1.50 lakh equity shares of Rs. 100 each. The paid-up capital as on 30th June 1988 was Rs. 85.75 lakhs which was contributed by the State Government (Rs. 75.75 lakhs) and All India Handicrafts Board (Rs. 10 lakhs).

In addition to the paid-up capital, the Company had been borrowing funds from the State Government and banks. The loans outstanding as on 30th June 1988 amounted to Rs. 2,63.58 lakhs (term loan from Industrial Development Bank of India (IDBI) : Rs. 2,00 lakhs and cash credit : Rs. 63.58 lakhs).

2B.6. Financial position and working results

2B.6.1. The table below summarises the financial position of the Company for the five years ending 1987-88 :

	1983-84	1984-85	1985-86	1986-87	1987-88
			(Rupees in lakhs)		
A. Liabilities					
(a) Paid-up capital	60.75	65.75	70.75	75.75	85.75
(b) Reserves and surplus	2,50.59	2,55.82	2,66.24	2,55.09	2,40.47
(c) Borrowings	22.50	94.44	1,55.34	2,58.18	2,63.58
(d) Trade dues and other current liabilities (including provisions)	4,37.74	5,26.19	10,08.94	4,12.95	4,00.90
(e) Deferred revenue income	27.17	—	—	—	—
Total-A	7,98.75	9,42.20	15,01.27	10,01.97	9,90.70
B. Assets					
(a) Gross block	1,49.33	2,32.00	2,26.66	2,37.47	2,21.24
(b) Less depreciation	24.73	27.39	30.02	37.08	40.73
(c) Net fixed assets	1,24.60	2,04.61	1,96.64	2,00.39	1,80.51
(d) Capital work-in-progress	—	—	18.98	24.03	32.41

	1983-84	1984-85	1985-86	1986-87	1987-88
(e) Investment	2.97	3.55	0.70	0.70	0.70
(f) Current assets, loans and advances	6,71.18	7,34.04	12,84.95	7,76.85	7,77.08
Total-B	7,98.75	9,42.20	15,01.27	10,01.97	9,90.70
(C) Capital employed*	3,64.52	4,18.92	4,98.33	5,94.66	5,95.44
(D) Net worth**	3,11.14	3,21.57	3,36.99	3,30.84	3,26.22

The working results of the Company for five years up to 1987-88 (June ending) were as under :

	1983-84	1984-85	1985-86	1986-87	1987-88
			(Rupees in lakhs)		
1. Income					
(a) Sales	19,04.35	26,40.13	39,51.21	34,52.37	30,88.59
(b) Other income	33.54	33.84	34.78	33.56	38.70
(c) Grants received from Government/ Government agencies	54.61	59.53	39.40	48.20	52.63
Total : 1	19,92.50	27,33.50	40,25.39	35,34.13	31,79.92
2. Expenditure					
(a) Purchases	18,09.23	24,74.60	37,68.60	32,72.78	29,00.04
(b) Other expenses	1,57.98	1,95.32	1,97.19	2,43.37	2,28.39
(c) Interest	11.39	21.25	29.61	27.24	28.22
Total : 2	19,78.60	26,91.17	39,95.40	35,43.39	31,56.65
3. Net profit	13.90	42.33	29.99	(—)9.26	23.27

* Capital employed represents net fixed assets *plus* working capital.

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

It would be observed from the above table that the net profit of the Company which was Rs. 42.33 lakhs during 1984-85 declined to Rs. 23.27 lakhs in 1987-88. The reasons for loss and declining trend of profit were not analysed by the Company.

2B.7. Procurement and distribution of raw materials

2B.7.1. The procurement of scarce raw materials *viz.*, iron and steel, pig iron, coke, fatty acid, paraffin wax etc. and their distribution amongst Small Scale Industrial units (SSI), Rural Industrial units (RI) is the main activity of the Company as detailed below :

Year	Total turnover	Turnover in raw materials		Percentage of raw material turnover to total turnover	
		Iron and steel	Others	Iron and steel	Others
		(Rupees in lakhs)			
1983–84	19,04	14,79	57	78	3
1984–85	26,40	20,62	1,52	78	6
1985–86	39,51	24,62	1,81	62	5
1986–87	34,52	23,44	1,68	68	5
1987–88	30,89	24,15	1,84	78	6

The Company also handles zinc and other non-ferrous metals on agency basis.

2B.7.2. For meeting the demand of SSI/RI units for iron and steel, the Company places indents with the Iron and Steel Controller/Joint Plan Committee (JP C). The table below indicates quantity of iron and steel indented, allocated, lifted and percentage of quantity lifted to quantity indented during the five years up to

1987-88:

Year	Indented	Allocated	Lifted	Percentage of quantity allocated to quantity indented	Percentage of quantity lifted to quantity allocated
1	2	3	4	5	6
		(In thousand tonnes)			
1983–84	583	85	56	15	66
1984–85	583	85	39	15	46
1985–86	667	78	44	12	56
1986–87	667	76	50	11	66
1987–88	749	72	40	10	56

It would be seen from the above table that though the quantity allocated by JPC from year to year was hardly 10 to 15 *per cent* of the quantity indented, the Company failed to lift even the small quantity allocated.

2B.7.3. Immediately on the receipt of the material in depot, delivery orders (DOs) are issued to the registered units to lift the material within ten days of DOs, failing which interest is charged for the period of delay.

A test check of records by Audit of four depots (Panipat, Karnal, Faridabad and Yamuna Nagar) revealed the following irregularities :

(i) 3,563 tonnes of iron and steel valuing Rs. 1,29.41 lakhs was not lifted by the registered units within ten days of the issue of DOs (April 1985 to

March 1988). The material was sold to other parties after a delay of 2 to 22 months. The loss of interest due to non-lifting of material worked out to Rs. 9.18 lakhs.

(ii) The closing stock of iron and steel valuing Rs. 2,60.61 lakhs as at the end of June 1988 included stock valuing Rs. 58.50 lakhs, lying in Faridabad and Sonipat depots for the periods ranging from 2 and 23 months. The loss of interest on blocked funds worked out to Rs. 3.42 lakhs.

2B.7.4. The raw material is sold either against cash payment or on 60 days credit against bank guarantee in which case interest is charged for the period of credit. The Company procures iron and steel from Steel Authority of India Limited (SAIL)–a Govt. of India Undertaking, which takes about a month in sending the sale invoices. Pending its receipt the Company makes sales of iron and steel at provisional rates. The debit/credit notes are issued to the registered units subsequently after the finalisation of sale rates on receipt of invoices from SAIL. As on 30th June 1988, Rs. 20.66 lakhs was recoverable from units on account of difference between the provisional and final rates. Out of Rs. 20.66 lakhs, Rs. 3.74 lakhs had become time barred and irrecoverable as these represent the sales made against cash.

2B.7.5. Blocking-up of funds

The Company purchased 3.34 acres of land for Rs. 5.92 lakhs at Ballabgarh from Haryana Urban Development Authority (HUDA) in 1973-74 for setting up its own raw material depot which was being run in rented premises in Faridabad. In April 1985, the work of construction of the building was entrusted to Haryana State Industrial Development Corporation Limited (HSIDC)- a Haryana Government Undertaking at an estimated cost of Rs. 9.48 lakhs. An advance of Rs. 4.74 lakhs was paid to HSIDC in May 1986. HSIDC allotted the work to Agaon Cooperative Labour and Construction Society Limited Agaon (District Gurgaon) in December 1987 which was to be completed within 12 months from the date of handing over the site. Since there was encroachment, the land was handed over to the firm only in April 1988. The work of construction of the depot could not be taken up by the firm in the absence of the approved building plan. In October 1988, the Company approached HUDA for approval of the building plan. In the meantime, HUDA introduced (September 1986) a scheme of charging extension fee for delay in construction of building on plot beyond three years and accordingly demanded (September 1989) extension fee of Rs. 2.03 lakhs for the years 1987-88 to. 1989-90 before granting approval to the buidlding plan, Neither the Company had deposited the extension fee nor HUDA had approved the building paln so far (October 1989).

As the HSIDC could not take up the construction work for want of approved plan, the Company obtained refund of Rs. 4.69 lakhs in May 1989 and decided to take up the work departmentally. The work was yet to be taken up (October 1989). Thus, due to inordinate delay in starting the construction work, the Company had become liable to pay the penal charges of Rs. 2.03 lakhs. The cost of proposed construction would also increase with passage of time. Besides, the Company also suffered a loss of interest of Rs. 15.71 lakhs on idle investment of Rs. 5.92 lakhs on purchase of land

and Rs. 4.74 lakhs on locked up funds lying with HSIDC for three years. The Company also incurred an avoidable expenditure of Rs. 2.24 lakhs during the period July 1973 to September 1989 on rent charges as a sequel to the delay in construction of raw material depot.

2B.8. Sales emporia

2B.8.1. Up to 1982-83, the Company had seven emporia at Chandigarh, Ambala, Hisar, Delhi, Bombay, Agra and Lucknow. One more emporium was opened at Calcutta in July 1987.

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

The goods such as tapestry, brass wares, carpets, crockery, leather articles, jewellery, kerosene stoves, mudhas etc., either purchased by the Company as a trading venture or kept on consignment basis, are sold through emporia.

The table below indicates the working results of

Year	Sale			
	Consignment	Counter	Direct to Government departments	Total
1	2	3	4	5
			(Rupees in	
Chandigarh Emporium				
1983-84	11.31	7.49	13.75	32.53
1984-85	12.19	10.13	13.24	35.56
1985-86	5.97	10.05	11.95	27.97
1986-87	4.68	13.24	11.74	29.66
1987-88	2.87	11.31	7.18	21.36
Delhi Emporium				
1983-84	3.69	16.87	21.38	41.94
1984-85	4.50	17.04	17.21	38.75
1985-86	5.21	24.12	22.12	51.55
1986-87	3.19	26.11	21.13	50.43
1987-88	1.85	43.30	18.62	63.77
Ambala Emporium				
1983-84	Nil	10.22	5.10	15.32
1984-85	Nil	10.73	5.16	15.89
1985-86	Nil	12.75	2.67	15.42

eight emporia during the five years up to 1987-88 :

Profit(+) Loss (—)	Profit on sale to Government departments	Profit (+)/ Loss (—) on sale to others
6	7	8
lakhs)		
(—)1.09	1.53	(—)2.62
(—)4.12	1.47	(—)5.59
(—)2.22	1.33	(—)3.55
(—)4.21	1.30	(—)5.51
(—)3.26	0.80	(—)4.06
(+)1.85	2.38	(—)0.53
(—)2.34	1.91	(—)4.25
(—)0.04	2.47	(—)2.51
(—)4.26	2.35	(—)6.61
(—)2.09	2.07	(—)4.16
(+)0.36	0.57	(—)0.21
(—)0.24	0.57	(—)0.81
(—)0.02	0.30	(—)0.28

1	2	3	4	5
				(Rupees in
1986-87	Nil	13.90	2.93	16.83
1987-88	Nil	11.90	0.44	12.34
Lucknow Emporium				
1983-84	Nil	7.09	1.22	8.31
1984-85	Nil	6.72	2.37	9.09
1985-86	Nil	7.34	1.00	8.34
1986-87	Nil	4.79	2.31	7.10
1987-88	Nil	1.85	0.45	2.30
Hisar Emporium				
1983-84	Nil	4.19	47.69	51.88
1984-85	Nil	9.70	34.33	44.03
1985-86	Nil	9.88	37.52	47.40
1986-87	Nil	14.08	29.79	43.87
1987-88	Nil	6.25	20.16	26.41
Bombay Emporium				
1983-84	Nil	9.78	Nil	9.78
1984-85	Nil	23.67	Nil	23.67
1985-86	Nil	9.62	Nil	9.62
1986-87	Nil	17.01	Nil	17.01
1987-88	Nil	6.45	Nil	6.45

6	7	8
lakhs)		
(—)0.51	0.33	(—)0.84
(—)0.53	0.05	(—)0.58
(+)0.07	0.14	(—)0.07
(—)0.30	0.26	(—)0.56
(—)0.41	0.11	(—)0.52
(—)0.81	0.26	(—)1.07
(—)2.51	0.05	(—)2.56
(+)1.43	5.30	(—)3.87
(—)0.02	3.81	(—)3.83
(—)0.81	4.17	(—)4.98
(—)1.31	3.31	(—)4.62
(—)1.24	2.24	(—)3.48
(—)0.52	Nil	(—)0.52
(+)0.16	Nil	(+)0.16
(—)1.39	Nil	(—)1.39
(—)1.05	Nil	(—)1.05
(—)2.12	Nil	(—)2.12

1	2	3	4	5
Agra Emporium				
1983-84	9.24	0.32	Nil	9.56
1984-85	5.54	0.11	Nil	5.65
1985-86	7.14	0.35	Nil	7.49
1986-87	5.75	0.25	Nil	6.00
1987-88	5.16	0.16	Nil	5.32
Calcutta Emporium				
1986-87	Nil	N/l	Nil	Nil
1987-88	Nil	9.20	Nil	9.20

6	7	8
(+)0.93	Nil	(+)0.93
(+)0.05	Nil	(+)0.05
(+)0.13	Nil	(+)0.13
(—)0.28	Nil	(—)0.28
(—)0.03	Nil	(—)0.03
(—)1.68	Nil	(—)1.68
(—)1.93	Nil	(—)1.93

It would be seen from the above table that :

—the sales were generally on the decline in all the emporia. Since there was no proportionate reduction in the fixed expenses, the Company had been incurring losses in the running of these emporia during all the five years ending 1987-88 except in the case of Delhi (1984-85), Ambala (1983-84 and 1985-86), Lucknow (1983-84), Hisar (1983-84) Bombay (1984-85) and Agra (1983-84 to 1985-86).

—Agra Emporium is marketing goods of other States instead of Haryana State. The percentage of consignment sales to total sales during the five years up to 1987-88 was 97, 98, 95, 96 and 97, respectively

In their seventeenth Report presented to State Legislature on 29th March 1985, the COPU had recommended that effective steps should be taken to improve the working of the emporia and making them viable and profit earning. The Committee further desired that reasons for continuous losses incurred by Chandigarh Emporium and unsatisfactory performance of the other emporia be investigated and responsibility for losses fixed. Despite this, all the emporia including Chandigarh Emporium continued to incur losses. The responsibility for losses as recommended by the COPU had not been fixed (October 1989).

2B.8.2. The eight emporia of the Company held a stock valuing Rs. 26.56 lakhs as on 30th June 1988 against the counter sales of Rs. 90.42 lakhs in 1987-88. The stock held represented 3.5 months' sale. It was noticed that Chandigarh, Agra, Lucknow, Hisar and

Calcutta emporia held stock equivalent to 6, 33, 14, 6 and 7 months' sale as on 30th June 1988 which was substantially higher than the average stock holding of 3.5. months' sale of all the emporia.

2B.8.3. The Company entered into an agreement (November 1983) with K.C. Mehrotra and Sons, New Delhi for sale of jewellery on commission basis at its New Delhi Emporium for three years which could be terminated by either party on six months notice. The firm guranteed a minimum commission of Rs. 0.71 lakh per annum which was to be recovered at Rs. 6,000 per month from the sale proceeds. The stock of jewellery valuing approximately Rs. 1.70 lakhs belonging to the Company was also to be taken over by the firm for sale alongwith its own stock for which a minimum payment of Rs. 5,000 per month was to be made to the Company from March 1984 onwards. The firm was also to give a bank guarantee of Rs. 1.70 lakhs being the value of jewellery taken over; no such guarantee was obtained by the Company. The counter started functioning from 15th February 1984 and continued up to August 1987 without extension of agreement.

In respect of Company's own jewellery given to the firm, only a sum of Rs. 0.60 lakh was recovered till the termination of the agreement in September 1987. At the end of September 1987, an amount of Rs. 2.28 lakhs (rent of counter : Rs. 1.18 lakhs, cost of jewellery : Rs. 1.10 lakhs) was recoverable from the firm.

In March 1988, the Company with a view to recovering the outstanding amount, waived Rs. 0.63 lakh towards rent recoverable and also allotted a counter in Bombay Emporium to the firm without charging minimum rent to facilitate the recovery of the outstanding amount.

After allowing these concessions an amount of Rs. 1.65 lakhs was recoverable which the firm agreed to pay out of its sales in Bombay Emporium. An amount of Rs. 1.36 lakhs was still recoverable from the firm at the end of March 1989.

2B.9. Export performance

2B.9.1. Export of goods are made against orders secured by the Company and also against orders secured by other parties. The table below indicates total turnover of the Company, exports and percentage of exports to turnover for the five years up to 1987-88:

Year	Turnover	Direct exports	Exports against orders booked by other parties	Total exports	Percentage of exports to total turnover	Net profit (+)/ Loss (—)
1r	2	3	4	5	6	7
			(Rupees in lakhs)			
1983–84	19,04.01	1.55	0.79	2.34	0.12	(—)3.00
1984–85	26,40.13	2.87	38.95	41.82	1.58	(—)5.34
1985–86	39,51.21	1.64	8,06.03	8,07.67	20.44	(—)4.57
1986–87	34,52.37	Nil	4,60.74	4,60.74	13.35	(—)1.35
1987–88	30,88.59	0.50	62.26	62.76	2.03	(—)7.02

It would be seen from the above table that:

—direct exports through own efforts were negligible and the Company was mainly dependent upon other parties; and

—the Company incurred losses except in 1985-86 in the export of goods, the reasons for which were not analysed by the management.

2B.9.2. In January 1985, the Company incurred an expenditure of Rs. 1.68 lakhs on the visits of Managing Director and General Manager (Exports) to West Germany, Holland, Switzerland, U.K. and Egypt. Against orders of Rs. 5 lakhs booked during these visits exports valuing Rs. 2.79 lakhs were made. Again in January 1988, the Chairman and Managing Director visited West Germany, U.K. and Netherlands for export promotion and incurred an expenditure of Rs. 2.11 lakhs; the visit could help the Company in exporting goods valuing Rs. 0.50 lakh only against the order of Rs. 1 lakh.

The Committee on Public Undertakings (COPU) in their nineteenth Report presented to the State Legislature on 29th March 1985, recommended that in future before making any foreign visits by any officer of the Company, proper planning, programme and targets for getting business should be fixed and the achievements on such visits should be evaluated and assessed thereagainst and in case of non-fulfilment of the target/orders booked on such foreign visits, responsibility of the officer should be fixed for such failutre.

However, the recommendations of the COPU were not followed for these foreign visits.

2B.9.3. The Company received an order from Opifex Import-Export, Italy in June 1982 for the supply of floor covering and handloom made ups valuing U.S. £ 11,611 (Rs. 1.09 lakhs). The goods were to be supplied against letter of credit (LC) opened by the foreign buyer and was valid up to 15th October 1982. As per terms of LC goods were to be supplied on a specified ship by 30th September 1982.

Goods valuing £ 6,498 (Rs. 0.61 lakh) were despatched to Bombay on 3rd October 1982. The goods reached Bombay on 8th October 1982 and were shipped on 23rd October 1982 by a liner different from the one specified in the LC. The bankers, with whom LC arrangement was made, refused to make payment against document on the grounds that goods were not shipped by the specified ship and date stipulated in the L.C. The foreign buyer refused to take delivery of the goods as these were despatched late. Ultimately, the Company had to bring back the goods to India in September 1983 at a cost of Rs. 0.35 lakh. Thus, the delay in despatch of goods by another liner resulted in loss of Rs. 0.22 lakh.

2B.10. Marketing assistance to SSI units

The table below indicates the number of units registered, number of units assisted and extent of marketing assistance rendered during the 5 years up to 1987-88 :

Year	Number of units registered	Number of units to whom marketing assistance rendered	Percentage of units assisted to units registered
1983-84	385	7	2
1984-85	402	4	1
1985-86	425	5	1
1986-87	461	15	3
1987-88	482	10	2

It would be seen from the above table that the Company rendered marketing assistance to only one to three *per cent* of the units registered with it.

The scheme provides for registration of all the manufacturing units desirous of availing of the services of the Company on payment of a nominal fees of Rs. 10 for registration and Rs. 5 as annual renewal charges which were enhanced to Rs. 10 from 30th September 1987. The units so registered were also required to furnish a security deposit of Rs. 500 each. It was, however, noticed during test check (May 1989) in Audit that a sum of Rs. 0.17 lakh as annual renewal charges had not been received from the registered units and the Company had not received security of Rs. 2.22 lakhs from 443 units (out of 482 units registered up to 30th June 1988).

2B.11. Rural Industrial Schemes

2B.11.1. The Company is implementing 24 Rural Industrial (RI) Schemes entrusted to it by the State/Central Government and Government agencies since 1978. The schemes provided for extension of assistance to entrepreneurs in the form of (i) institutional finance and seed money at subsidised low rates of interest (ii) subsidies in the form of cash, interest and on stamping and registration charges, (iii) development of industrial complexes in selected trades for imparting short term training to rural artisans and making available constructed sheds to them, (iv) opening sale depots at various centres in the State for the sale of the products manufactured by the tiny units set up under the scheme, and (v) supply of essential raw material to the units. Funds for the implementation of these schemes are provided by Government and the concerned agencies. The table below indicates the grants available with the Company as on 1st July 1983, grants received during 1983-84 to 1987-88 and unutilised/overutilised grants as on 30th June 1983 in respect of various schemes :

			(Rupees in lakhs)
(i)	Opening balance as on 1-7-1983 (Net overspent)		(—)44.45
(ii)	Grants received during 1983-84 to 1987-88		11,39.58
			10,95.13
(iii)	Grants spent during 1983-84 to 1987-88		11,66.06
(iv)	Balance as on 30-6-1988 (Net overspent)		
	Overspent (8 schemes)	1,08.30	
	Unspent (8 schemes)	37.37	(—)70.93

The overspent amount of grant had not been reimbursed by Government so far. The request of the Company for the reimbursement of the amount utilised in excess of grants was rejected by Government (February 1989) which had been insisting on keeping the expenditure within sanctioned amount of grants and reduction in staff.

A review of the various schemes undertaken by the Company revealed the following.

2B.11.2. (i) The schemes for imparting training in various trades *viz.* carpentary, carpet weaving, manufacture of steel utencils, agricultural implements etc. was entrusted to the Company by various District Rural Development Agencies (DRDAs) in 1982-83. Under the scheme, the Company was to provide training to rural artisans in pre-selected trades and help them to set up their own units. Under the schemes 29 training centres were to be set up for training of 2,600 trainees. The various schemes were discontinued from 31st March 1985 as these schemes were taken over by the concerned agencies. In this connection following observations are made:

(a) Out of grants aggregating Rs. 52.35 lakhs received from DRDAs, the Company incurred an expenditure of Rs. 50.62 lakhs up to June 1988. The unutilised grant of Rs. 1.73 lakhs had not been refunded by the Company so far (October 1989).

(b) Out of 1,679 trainees trained, only 779 trainees had adopted the trade. Thus, the object of imparting training under the schemes could be achieved only to the extent of 30 per cent.

2B.11.3. Working of Artistic Pottery Centre, Jhajjar

2B.11.3.1. The Artistic Pottery Centre at Jhajjar was set up as a training-cum-common facility centre in 1980-81 but subsequently (September 1987) it functioned more as a production centre than as a training-cum-common facility centre. The Company incurred a capital expenditure of Rs. 17.21 lakhs on plant and machinery (Rs. 7.56 lakhs), land and building (Rs. 9.13 lakhs) and miscellaneous items (Rs. 0.52 lakh) during the years 1980-81 to 1987-88.

As per scheme, 40 trainees per year were to be trained as against which only 49 persons were trained during the five years up to 1987-88 as detailed below :

Year	Number of trainees trained	Shortfall in number of trainees	Expenditure on training (Rupees in lakhs)
1983-84	Nil	40	2.52
1984-85	Nil	40	3.20
1985-86	14	26	4.11
1986-87	29	11	5.02
1987-88	6	34	5.44
			20.52

The Company stated (May 1989) that the shortfall in the number of trainees was mainly due to inadequate payment of stipend.

The Centre was expected to render assistance to the trainees in the shape of preparation of feasibility and project reports and arranging financial assistance from financial institutions. However, no such assistance was rendered to the trainees trained at the Centre. As per information available with the Company, only 10 trainees out of 49 trained adopted the trade. Thus, the object of imparting training was defeated to a large extent.

2B.11.3.2. Nugatory expenditure

The Company received an order, in July 1985, from Herbert Sons Limited, Delhi for the supply of 400 dinner sets of 18 pieces each. Against the order, the Centre produced 843 complete sets with some extra plates/dongas. The firm lifted only 255 sets up to December 1986 and 45 sets were transferred to various emporia while 6 sets were sold by the Centre. 537 sets with extra plates/dongas valuing Rs. 1.23 lakhs were still lying unsold (March 1989). As the sets bear the logo of the above mentioned firm, there is little chance of their sale. Thus, the expenditure of Rs. 1.23 lakhs on manufacture of 537 dinner sets proved nugatory.

2.B.11.4. Shoe Fabrication Centre

Shoe Fabrication Centre at Jhajjar was set up in December 1978 with objects to :

—provide training to artisans/entrepreneurs so that they can seek gainful employment in the trade; and

—serve as a common facility centre for small shoe manufacturing units.

The unit imparted training to 35 artisans during the four years ending June 1987 against 80 artisans to be trained. No training was imparted in 1987-88 and 1988-89 due to non-availability of trainees. The working results of the Centre for the five years ending 1987-88 are given below :

Year	Expenditure	Income	Excess of expenditure over income
	(Rupees in lakhs)		
1983–84	1.98	0.66	1.32
1984–85	1.59	0.54	1.05
1985–86	2.64	0.53	2.11
1986–87	2.42	0.04	2.38
1987–88	2.67	0.14	2.53

It would be seen from the above table that the Centre had been incurring losses year after year. The Company had not analysed the reasons for continued losses.

2B.11.5. Sports Goods Complex, Murthal

2B.11.5.1. With a view to promote the production of sports goods in the State, the Company set up (December 1983) a sports goods manufacturing complex at Murthal comprising of 99 sheds at a cost of Rs. 90.23 lakhs. A training-cum-common facility centre was also set up (December 1983) at a cost of Rs. 19.58 lakhs, for imparting training to 192 trainees every year in the manufacture of sports goods.

2B.11.5.2. As per project report (June 1981), all the 99 sheds were to be allotted to the sports goods manufaturing entrepreneurs on hire purchase basis. As the response was poor, it was decided in April 1986 that only 50 sheds should be reserved for sports goods manufacturers and the remaining sheds should be allotted to any other type of industry. Out of 99 sheds, the Company, up to December 1988, allotted 64 sheds (35 for sports goods and 29 for others), out of which the entrepreneurs had taken possession of 52 sheds (31 for sports goods and 21 for others). As at the end of December 1988, 35 sheds were yet to be allotted. The Committee on Public Undertakings in their seventeenth Report recommended (March 1985) that the Company should (i) complete the allotment of sheds expeditiously, (ii) provide adequate facilities like availability of raw material at reasonable rates; and (iii) render marketing assistance to entrepreneurs.

A test check of the records in Audit revealed that as per terms of allotment, the allottees were to convey their acceptance and take possession within a period of 30 days failing which the Company could cancel the allotment and forfeit the earnest money deposited by the allottees. The Company refunded a sum of Rs. 2.29 lakhs to eight allottees on account of earnest money even though the allottees failed to convey acceptance within 30 days. As per terms of allotment 25 *per cent* of the cost of sheds was to be paid before taking possession and the balance payment alongwith 15 *per cent* interest thereon was to be paid in 10 equated annual instalments after two years from the date of possession, failing which the sheds were liable to be resumed.

The Company had, however, given possession (February 1984—September 1986) of 27 sheds, in respect of which the entire payment of Rs. 4.83 lakhs towards 25 *per cent* of the cost of sheds was received from 10 entrepreneurs while in the case of remaining 17 sheds, Rs. 3.94 lakhs were received against Rs. 5.56 lakhs payable. As on 31st December 1988, Rs. 16.48 lakhs towards equated instalments including balance of Rs. 1.63 lakhs towards 25 *per cent* cost of sheds in respect of 17 entrepreneurs was overdue for recovery.

Though the entrepreneurs failed to adhere to the terms of the agreements, the Company neither forfeited the amount of Rs. 8.77 lakhs recovered towards 25 *per cent* of the cost of sheds nor resumed the sheds.

2B.11.5.3. Against the target of 192 trainees per year for which infrastructure was created, only 70 trainees were trained during 1983-84 to 1986-87. No trainee was trained during 1987-88 due to non-availability of the trainees in the area.

2B.11.6. Sports Goods Training Centre, Sampla

On persistent demand of residents of Sampla, a training centre for the manufacture of sports goods was set up in January 1983. This centre was shifted from Sampla to Murthal from 11th April 1987. The Centre was expected to impart training to 30 trainees in a year against which only 19 and 11 trainees were trained in 1983-84 and in 1985-86.

As no training was imparted during 1984-85, 1986-87 and 1987-88, the expenditure of Rs. 1.91 lakhs was, thus, rendered infructuous.

2B.11.7. Tool Room Complex, Panchkula

For setting up a sewing machine parts Complex (SMP) at Panchkula, training-cum-common facility (TCF) centre was started by the Company in April 1981 in hired premises in collaboration with Singer Sewing Machine Company, Ludhiana and Rita Mechanical Works, Ludhiana and machinery valuing Rs. 10.82 lakhs was purchased for the purpose. Since the collaborator backed out, the SMP Complex could not be set up. The TCF centre is serving as a tool room for H.M.T. ancilliary units.

During the five years ending 1987-88, value of services rendered was Rs. 6.69 lakhs against the expenditure of Rs. 22.91 lakhs (excluding depreciation of Rs. 7.87 lakhs). The reasons for continuing the unviable centre were not analysed by the management.

2B.11.8. Marketing assistance

With a view to providing marketing assistance to the Tiny/ Rural Industrial (RI) units in the State, the Company opened 12 District Marketing Centres. The State Government reserved 27 specified items, being manufacturred by Tiny/RI units, for purchase by Government departments.

The table below indicates the number of units registered for assistance, number of units assisted during the four years up to 1987-88 :

	1984-85	1985-86	1986-87	1987-88
		(Number)		
1. Units registered for assistance	1,196	1,931	2,280	2,338
2. Units assisted	408	408	418	375
3. Percentage of units assisted to units registered	34	21	18	16
4. Marketing assistance provided (Rupees in lakhs)	1,79.30	2,75.81	2,20.65	1,55.63

It would be seen from the above table that :

—number of units assisted was very low; and

—marketing assistance provided had been showing decreasing trend.

Under the scheme, the Company was to pay to the R I units 80 *per cent* of the cost of the goods sold within 7 days of delivery of the goods to the consignee. Though the Company sold goods valuing Rs. 8,31.39 lakhs during the four years ending 1987-88 on behalf of RI units, no payments for the goods sold were made as stipulated in the scheme. As on 30th June 1988, Rs. 22.15 lakhs were recoverable from the indenting departments for payment to the R I units.

2B.12. Projects undertaken

2B.12.1. Nutan Stove Unit, Panchkula

2B.12.1.1. The Company set up in the year 1979-80, in hired premises, a unit for the manufacture of Nutan Brand kerosene wick stoves under licence from Indian Oil Corporation (IOC) with an installed capacity to produce 60,000 stoves per annum. The Company incurred an amount of Rs. 4.73 lakhs on setting up the unit, which commenced production in March 1982.

As per terms of agreement entered into with IOC in April 1982, the selling rates were to be fixed by IOC and the Company would pay royalty at the rate of 2 *per cent* of selling price.

Subsequently in September 1983, the Company was allowed to fix its own price and pay 50 paise per stove as royalty to the IOC.

The actual production of stoves and percentage of utilisation of capacity during the five years up to 1987-88 was as under :

Year	Actual production (Number)	Percentage of utilisation of capacity
1983-84	9,066	15
1984-85	3,554	6
1985-86	3,801	6
1986-87	4,395	7
1987-88	7,800	13

The actual capacity utilisation was only nominal and far below the break-even-point of 68 *per cent* of capacity.

Since the Company produced small quantity of stoves, the actual fixed cost during the period from 1983-84 to 1987-88 was Rs. 53.32, Rs. 130.41, Rs. 120.72, Rs. 118.49 and Rs. 54.73 per stove as against the estimated fixed cost of Rs. 10.46 to Rs. 12.46 per stove during the same period. Due to shortfall in production, the Company failed even to recover the fixed cost amounting Rs. 20.25 lakhs during five years up to 1987-88.

The unit incurred losses amounting to Rs. 22.92 lakhs during five years up to 1987-88 (cumulative loss since inception amounted to Rs. 33.48 lakhs). The Board of Directors decided (September 1987) to close the unit and to retrench the staff recruited for the unit as it had become unviable.

Before the Company could take action for the retrenchment of staff, the latter obtained (October 1987) an interim stay order from Sub-Judge, Ambala against Company's decision. The Company restarted the unit in December 1987.

The losses were attributable mainly to high cost of production.

2B.12.1.2. As per agreement entered into with P.L. Jain and Sons, Delhi in February 1988, the Company agreed to transfer stoves from Panchkula to its emporium in Delhi from where the firm would lift the goods against cheque/demand draft.

In June 1988, the Company despatched 1,500 stoves valuing Rs. 0.86 lakh in five consignments direct to the firm through a transporter against the documents through bank. The firm obtained delivery of only one consignment (166 stoves valuing Rs. 0.10 lakh) and did not retire the documents of other consignments as there was a dispute about the price. The stoves were still (April 1989) lying with the transporter. The inspection (August 1988) of stoves lying with the transporter revealed that many of the stoves were in very bad condition due to poor handling. The transporter claimed (August 1988) demurrage at the rate of Re. 1/- per stove per day for the period from January 1988 to 30th April 1989. Thus, the sale of stove directly to the firm without insisting on cheque/demand draft resulted in a loss of Rs. 0.76 lakh. Besides, the Company had also incurred a liability of Rs. 4.17 lakhs towards demurrage charges payable to the transporter. The management stated (May 1989) that the firm deposited Rs. 0.10 lakh and would lift the stoves shortly after settling the issue of demurrage charges. However, no stove has been lifted so far (June 1989).

2B.13. Internal audit

The Company had not prepared any internal audit manual laying down the functions, scope and periodicity of audit.

The Company has an internal audit cell headed by an Accounts Officer on deputation from Finance Department of the State. The Internal Audit Cell is under the charge of General Manager (Finance and Accounts), even though Government had asked (May 1981) all its commercial undertakings to have internal audit wings enjoying independent status and directly answerable to the Chief Executive. The internal audit reports are submitted to General Manager (Finance and Accounts) instead of to the Chief Executive or the Board of Directors in spite of the fact that the Committee on Public Undertakings had recommended (March 1985) in their seventeenth Report that it was imperative that the internal audit reports were submitted to the Board of Directors so that corrective action and improvements, where needed, were expedited.

The internal audit of Head Office, where major expenditure/decisions are taken, had not been conducted since January 1984.

A review of record of internal audit cell revealed that 1,152 irregularities pointed out by the cell were pending settlement/compliance as on 30th June 1988.

The Company stated (March 1989) that suggestions regarding independent set up of audit wing will be considered.

2B.14. Other topics of interest

2B.14.1. Irregular payment of pay and allowances

The Company follows the State Government pattern so far as the pay scales of employees are concerned. Prior to 1st January 1986, the clerks and steno-typists of the Company were drawing their pay in the scale of Rs. 400-10-490/540-15-600-EB-20-660. In April 1988 the Company allowed initial start of Rs. 480 to those clerks and steno-typists who were appointed prior to 28th February 1980 with retrospective effect from 1st April 1979. Those clerks/steno-typists who had joined service after 28th February 1980 were allowed initial start of Rs. 460 from the date of their appointment. Neither the approval of Board nor of the State Government was obtained for the stepping up of pay.

Since there was no provision in the State Government rules under which clerks/steno-typists could be given a higher start; the action of the company was irregular.

The stepping up of pay, thus, resulted in an irregular payment of Rs. 5.72 lakhs to 84 employees.

2B.14.2. Non-recovery of interest

The Cement Controller issued instructions in June 1974, under the Cement Control Order 1967, that cement producers who receive advance payments for supply of cement and do not supply cement within 45 days of the receipt of advance should pay interest at the rate of 8 *per cent* per annum on the money retained for the period in excess of this limit (revised in September 1978 to 15 days and 14 *per cent*, respectively and to 30 days in February 1982).

The Company made advance payments aggregating Rs. 24.43 lakhs to five cement factories during July 1980 to November 1983 for the supply of 4,155 tonnes of cement against the authorisation issued by the Cement Controller.

The factories supplied only 3,773.65 tonnes of cement valuing Rs. 19.16 lakhs during February 1981 to September 1983 and all supplies were made after 30 days of receipt of advance. While refund of Rs. 5.11 lakhs was received belatedly between December 1981 and February 1985, the balance of Rs. 0.16 lakh was still (February 1989) outstanding against three cement factories. Interest on the amounts retained by the cement factories beyond 30 days without supplying cement, calculated at 14 *per cent* per annum, worked out to Rs. 1.85 lakhs. Neither the cement factories paid interest on the delayed supplies/refunds on their own nor did the company claim interest from them in terms of instructions of Cement Controller.

CHAPTER III

3. Reviews relating to Statutory Corporations

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

3.1. Panipat Thermal Power Project (Stage—II-III)

Highlights

To meet with the growing demand of power in the State, stage-II (2x 110 MW) and stage-III (1x 210 MW) of the project was sanctioned in March 1978 and September 1981 by the Planning Commission for Rs. 72.93 crores and Rs. 1,10.10 crores. The stage-II, scheduled to be commissioned in September 1982 and March 1983, was actually commissioned in November 1985 and January 1987 at a cost of Rs. 1,92.82 crores. As against the target date of commissioning as December 1984, the stage-III was synchronised in March 1989 at a cost of Rs. 2,39.40 crores.

In the execution of stage-II, the Board incurred an infructuous expenditure of Rs. 30.82 lakhs on construction of diaphragm wall which was found tilted on excavation done for manual unloading hopper. The work was abandoned at the instance of a Committee which had recommended inter-linking of coal handling system of stage-II with stage-III. The allotment of work for cooling towers to Central Concrete Allied Products Limited which was incapable of executing such works, despite the recommendations of the consultants, Stores

Purchase Committee and sub-committee to the contrary, resulted in an extra expenditure of Rs. 1,15.29 lakhs.

The percentage of shut-down to available hours of unit II during 1986-87 and 1987-88 was 68.0 per cent and 65.8 per cent and came down to 17.8 per cent in 1988-89. However, the shut-down in unit IV was 41.4 per cent in 1988-89.

There was an excess consumption of fuel valuing Rs. 33,50.10 lakhs in the plant during the three years ended 1988-89 due to high number of trippings, leakage of steam and partial load on units.

The consumption of turbine oil and demineralised water in excess of norms cost the plant Rs. 25.28 lakhs during the three years ended 1988-89.

The cost per unit of power generated by the plant was 67.42 paise, 75.14 paise and 80.58 paise during 1986-87, 1987-88 and 1988-89, respectively, against the estimated cost of 49.87 paise, 78.54 paise and 79.81 paise per unit during these years.

3.1.1. Introductory

The Panipat Thermal Power Project with two generating units of 110 MW each in the first stage was completed and commissioned in November 1979 (first unit) and March 1980 (second unit).

With a view to bridge the gap between the availability of power and the demand for power in the State, the Board decided to install three units with a capacity of 430 MW (two units of 110 MW each in stage-II and one unit of 210 MW in stage-III).

3.1.2. Scope of Audit

The working of the stage-I of the Project was last reviewed in the Report of the Comptroller and

Auditor General of India for the year 1982-83 (Civil)-Government of Haryana.

The present review covers the execution/performance of Panipat Thermal Power Project stage-II and construction of stage-III. The points noticed as a result of test check are given in the succeeding paragraphs.

3.1.3 Stage-II

To meet the growing demand, stage-II of the project with two units (III and IV) of 110 MW each at an estimated cost of Rs. 72.93 crores was sanctioned by the Planning Commission in March 1978 with the scheduled date of commissioning as September 1982 (unit III) and March 1983 (unit IV), respectively. However, the schedule of commissioning and estimated cost of the project were revised from time to time on the basis of the annual plans as under :

Year	Estimated cost as per annual plan (Rupees in crores)	Scheduled dates of commissioning	
		Unit III	Unit IV
1982-83	1,18.50	September 1983	March 1984
1983-84	1,43.00	June 1984	December 1984
1984-85	1,60.00	December 1984	June 1985
1985-86	1,61.07	June 1985	December 1985
1986-87	1,70.00	October 1985	August 1986
1987-88	1,79.69	Commissioned in November 1985	December 1986
1988-89	1,94.85		Commissioned in January 1987

The units III and IV were commissioned on 1st November 1985 and 11th January 1987, respectively. The delay in commissioning was attributed (March 1989) by the project authorities to :

—delay in appointment of consultants;

—delay in finalisation of tenders placement;

—shortage of funds; and

—delay in completion of cooling tower and delay in supply of Boiler/Turbo-generator of unit III.

Against the estimated cost of Rs. 1,94.85 crores as per annual plan for 1988-89, the actual expenditure up to March 1989 worked out to Rs. 1,92.82 crores.

The increase in estimated cost (Rs. 1,94.85 crores) as compared to initial project cost (Rs. 72.93 crores) was attributed by the project authorities (March 1989) to :

—non-provision of ash bund, modification of coal handling plant, additional fire protection and infrastructure facilities at project site: Rs. 13.82 crores;

—increased cost of civil, mechanical and electrical works due to underestimation, additional scope of work and revision of rates at the time of allotment/execution of works : Rs. 1,08.10 crores.

3.1.4. Stage-III

On the advice of Central Electricity Authority (CEA), the Planning Commission in September 1981, accepted the feasibility of the scheme to instal one unit of 210 MW at an estimated cost of Rs. 1,11.10 crores. The unit was scheduled to be commissioned in December 1984.

The scheduled date of commissioning and estimated cost were revised in the annual plans as under :

Year	Estimated cost as per annual plan	Scheduled dates of commissioning
	(Rupees in crores)	
1983-84	1,47.00	December 1985
1984-85	2,10.00	May 1987
1985-86	2,19.90	August 1987
1986-87	2.26.50	March 1988
1987-88	2,32.23	June 1988
1988-89	2,50.48	October 1988
1989-90	2,82.00	February 1989

The unit was synchronised in March 1989. The project authorities attributed (March 1989) the delay in commissioning to :

—delay in finalisation of tenders;

—delay in taking possession of land for coal handling plant; and

—shortage of funds.

Against the revised estimated cost of Rs. 2,82 crores, the actual expenditure booked up to March 1989 was Rs. 2,39.40 crores.

The steep increase in the estimated cost of the project was attributed (March 1989) by the project authorities to:

- —the increased cost of civil, mechanical and electrical works due to underestimation of the cost of work, additional scope of work, change in scheme of marshalling yard with provision of stage-IV and revision of rates at the time of allotment/execution of works: Rs. 1,04.18 crores;
- —increased cost of boiler and auxiliary, turbo generator and auxiliary and its spares, additions in scope of work/material etc: Rs. 46.90 crores;
- —increased cost of establishment charges, infrastructure facilities and provision for trial and commissioning of the unit: Rs. 9.82 crores.

3.1.5. Execution of Project—Stage-II

3.1.5.1. Infructuous expenditure on manual unloading hopper

The work of coal handling plant was awarded to Aluminium Industries Limited, Hyderabad ('A') in June 1982 being the lowest tenderer, although the firm had no experience of such work, at Rs. 3.07 crores. The work included construction of diaphragm wall (cost : Rs. 30 lakhs) and manual unloading hopper (MUH)-estimated cost Rs. 8.5 lakhs. The work, which was to be completed within 17 months i.e. up to November 1983, was extended up to August 1987 owing to delay in release of mobilisation advance, payment of running bills, release of drawings and non-availability of cement.

The work of diaphragm wall for manual unloading hopper was completed in March 1984. Thereafter, excavation of MUH was started and when the excavation reached a depth of about nine metres, the Board observed tilt of diaphragm wall at the top of 4 panels (out of 22 panels) due to overburden from the back side of the wall. The work was abandoned at that stage (August 1985) as the firm was not in a position to take up the work of MUH alongwith other civil works due to lack of resources and dewatering problem of excavated pit. A running payment of Rs. 30.82 lakhs out of Rs. 38.50 lakhs was made to the firm from October 1983 to April 1984.

A committee was constituted in May 1987 to consider the feasibility of linking the coal handling system of stage-II and stage-III. The Committee while recommending (May 1987) inter-linking concluded that the MUH (under completion) would become redundant. Accordingly, the work of MUH was withdrawn from the scope of the work in June 1987. The Board also decided in November 1987 to recover the amount spent on MUH and expenditure to be incurred for filling the excavated pit from the firm on the plea that the site was abandoned by the firm after rendering it unfit for further use.

The work of inter-linking the coal handling system stage-II and stage-III had not been taken up so far (October 1989).

Thus, the allotment of work to a firm which lacked sufficient resources and experience and delay in approval of drawings resulted in abandonment of work by the firm, rendering expenditure of Rs. 30.82 lakhs infructuous

3.1.5.2. Abandonment of work

The construction of storm water drainage and sewerage system (phase-II) of the project colony was awarded to Aman Construction Company, Delhi (Firm 'B') at Rs. 23.11 lakhs in April 1982 and the work was to be completed within six months i.e. by October 1982. The drawings were to be supplied to the firm at the time of allotment of work. However, these were supplied to the firm during May to September 1982. The firm after executing the work of Rs. 4.30 lakhs, left the work in October 1982 as the Board did not supply drawings within time and also failed to release the payments due to the firm. Neither any action was taken by the Board to get the work executed by the firm nor was it got executed from some other firm. Even though tenders were invited in October 1988, but no offer was received.

No further tenders had been invited so far (May 1989).

Thus, owing to failure of the project authorities to release the drawings in time, an amount of Rs. 4.30 lakhs incurred on the works remained locked-up for about seven years. No responsibility in the matter had been fixed so far (October 1989).

3.1.5.3. Avoidable expenditure

The foundations padestral of two degasser tanks of demineralised (DM) plant sank (settled) in January 1987. A committee, constituted (January 1987) to investigate the cause of settlement of foundations, pointed out that foundation of degasser tanks exactly over the storm water pipe line and non neutralising of corrosive effluents from D M plant resulted in damage to storm water pipe line. The dismantled degasser tanks were recommissioned in February 1987 at a cost of Rs. 1.32 lakhs.

Thus, laying of foundation of degasser tanks over the storm water pipe line due to defective preparation of drawings by the consultant and non-neutralising of corrosive effluents from D M plant resulted in an avoidable expenditure of Rs. 1.32 lakhs. No responsibility in the matter has been fixed so far (October 1989).

3.1.5.4. Construction of natural drought cooling towers

Tenders for design and construction of two natural drought colling towers (No. 3 and 4) were invited/opened in May/September 1981 Tenders of Gamon India, Bombay (firm 'A') and Central Concrete and Allied Products Private Limited, Calcutta (firm 'B') were received. The consultants, while scrutinising the technical bid recommended (October 1981) that price bid of firm 'B' should not be opened as the firm was incapable of executing the work in time. Accordingly, the firm was not considered by Store Purchase Committee (SPC) as the firm did not have proven past experience in the construction of natural drought cooling towers. Thereafter, the Board constituted (November 1981), a sub-committee to negotiate with other firms which were having technical competence to undertake such jobs.

After holding detailed discussion with four firms (offers from two more firms *viz.* Paharpur Cooling Towers, Delhi and National Building Construction Limited, New Delhi—a Government of India undertaking, were received), the sub-committee recommended (December 1981) that the work should be allotted to firm 'A'. The Panipat thermal standing committee (PTSC), however, decided (January 1982) to award the work to firm 'B' after taking an overall view about the competency of the firm, its French consultants and the price difference of about Rs. 1.25 crores between the offers available. The work was allotted to firm 'B' in January 1982 at a cost of Rs. 6,70 lakhs plus price escalation limited to Rs. 25 lakhs with a completion period of 20 months (up to September 1983) and 26 months (up to March 1984) for cooling tower No. 3 and 4, respectively. The period of completion was extended (July 1985) up to March 1986 and May 1987, respectively without levy of penalty.

In this connection, following observations are made :

(i) The consultants in the original tender specification for cooling tower No. 3 did not specify the A.C. distribution pipes (pressure or non-pressure). During discussion on part I of the offer with the firm, the consultants specifically stipulated non-pressure pipes. The firm accordingly, provided A.C. non-pressure pipes. The work was completed by the firm in June 1986 at a cost of Rs. 3,20.25 lakhs excluding Rs. 17.21 lakhs paid to the firm on account of escalation charges.

During trial run in June 1986, A.C. non-pressure pipes failed as these could not withstand the designed load. Non-pressure A.C. pipes were replaced with A.C. pressure pipes at a cost of Rs. 3.58 lakhs. The work of replacement was completed by the firm during November 1986 and the firm demanded Rs 10 lakhs towards the labour cost of the work executed.

The unit was ultimately synchronised with the system in December 1986. The loss of generation due to failure of the pipes worked out to 242.352 Mkwh.

(ii) The firm executed the work of cooling tower No. 4 up to May 1986 and a payment of Rs. 1,62.05 lakhs and Rs. 8.71 lakhs towards cost of work and escalation charges, respectively was made. The firm, due to delay in payment of mobilisation advance, time lost in post-contractual negotiations, shortage of cement, financial stringency on the part of the Board etc., abandoned (June 1986) the work and also lodged (October 1986) a claim of Rs. 3.39 lakhs for both the cooling towers which was revised (July 1988) to Rs. 2,47 lakhs in respect of cooling tower No. 3. The Board decided (September 1986) to constitute a committee to examine the claims and other related matters. The Board, after considering the recommendations of the committee, withdrew the work from the firm. Tenders were invited in September 1987 and, after a few extensions, were opened in January 1988. Offers from firm 'A' and firm 'B' (not on prescribed forms) were received. PTSC decided (January 1988) to constitute a sub-committee to explore the possibility of getting the work completed from firm 'B' in view of high price bid of firm 'A' and also to negotiate the rates with firm 'B'. After consideration of the recommendations of the sub-committee, the Board decided (February 1988) to reallot the balance work of cooling tower No. 4 to firm 'B'. Accordingly, the work was reallotted (March 1988) to firm 'B' for Rs. 2,40 lakhs with the following terms and conditions :

(a) completion period—20 months i.e. up to November 1989;

(b) interest-free mobilisation advance of Rs. 25 lakhs;

(c) price escalation was payable subiect to a ceiling of 10 *per cent* of Rs. 2,40 lakhs;

(d) no adjustment/recoveries would be made from running account bills of this work for any dues against the old contract; and

(e) the firm was to withdraw all arbitration and court cases relating to both the cooling towers.

A sum of Rs. 1,36.33 lakhs towards the cost of work and Rs. 7.93 lakhs on account of escalation charges had been paid to the firm up to March 1989.

As the completion of cooling tower No. 4 was delayed, PTSC decided (July 1986) to interconnect the hot water duct of cooling tower No. 4 within cooling towers No. 1 and 2 (stage-I) so as to commission unit IV. The work was got executed (January 1987) from Raj Kishan and Company (firm 'C') at a cost of Rs. 19.74 lakhs.

Thus, allotment of work to an inexperienced firm, despite the recommendations of consultants to the contrary, resulted in an extra expenditure of Rs. 1,15.29 lakhs as detailed below:

Cooling tower No. 3	(Rupees in lakhs)
(i) extra payment of escalation charges	4.71
(ii) extra expenditure on purchase of A.C. pressure pipes	3.58

Cooling tower No. 4	(Rupees in lakhs)
(i) extra expenditure on reallotment of work	67.05
(ii) extra expenditure on inter-connections	19.74
(iii) extra expenditure on account of escalation charges	20.21

In addition, the Board also extended undue financial benefit to the firm by way of interest-free mobilisation advance and non-adjustment/recovery of the amount due from the firm under the old contract.

Although inter-connection of cooling towers was made to run four units on three cooling towers, yet due to inadequate cooling, the units could not run to their rated capacity. This resulted in short generation of 242.352 Mkwh

3.1.6. Execution of Project-Stage-III

3.1.6.1. Extra expenditure on procurement of transformer evacuation system

As per operation and maintenance manual of manufacturers, the filling of the oil in all the main and unit transformers was required to be done under vacuum. The Board purchased (August 1987) one high vacuum oil purification and filteration plant of 6,000 LPH capacity valuing Rs. 13.50 lakhs from Vacuum Plant and Instrument Manufacturing Company Private Limited, Pune (firm 'A') without transformer evacuation system which the firm had offered to supply at a cost of Rs. 3.65 lakhs. The filteration set was drawn (September 1987) from the store by Executive Engineer, Switchyard (stage-III). The Executive Engineer pointed out (November/December 1987) that the plant already procured would be of no use without evacuation system The evacuation system was purchased (November 1988) from the firm, being its proprietary item, at a cost of Rs. 5.12 lakhs. Thus, the delay in purchase of evacuation system resulted in an extra expenditure of Rs. 1.47 lakhs.

3.1.6.2. Avoidable expenditure

The work for supply, fabrication and erection of structural steel was allotted (December 1984) to Haryana State Minor Irrigation and Tubewells Corporation Limited (HSMITC)—a State Government undertaking. According to schedule of quantities and rates attached with the work order, the work including painting was to be carried out as per specifications, drawings and directions of the Board. On getting necessary drawings duly approved by the consultants, HSMITC executed the work. After execution of work, certain modifications were carried out at a cost of Rs. 1.70 lakhs during 1986 to 1988 based on the requirements of BHEL. Out of Rs. 1.70 lakhs, HSMITC was paid Rs. 0.71 lakh (January/June/July 1987). Thus, the modifications carried out after fabrication/erection due to lack of coordination between the consultants, BHEL and project authorities resulted in an avoidable payment/liability of Rs. 1.70 lakhs.

3.1.7. Plant performance

The two units of 110 MW each (stage-II) were commissioned in November 1985 (unit III) and January 1987 (unit IV) and the commercial operation started in April 1986 and April 1987, respectively.

The following table summarises performance of the plant (stage-II) for three years up to 1988-89 :

Serial number	Particulars	1986-87	1987-88		1988-89	
		III	III	IV	III	IV
1.	Installed capacity (MW)	110	110	110	110	110
2.	Average load (MW)	21.70	32.94	74.49	77.26	53.62
3.	Anticipated generation(MUs)	200	292	680	440	450
4.	Gross generation during the year (MUs)	190.050	289.360	654.360	676.780	469.760
5.	Auxiliary consumption during the year (MUs)	28.677	101.377		133.090	
6.	(a) Percentage of auxiliary consumption to gross generation	15.1	10.7		11.6	
	(b) Percentage of auxiliary consumption as per O&M estimates	12.5	14.0		12.0	
7.	Generation per KW of installed capacity	1,728	2,631	5,949	6,153	4,271
8.	Hours of operation (actual) during the year	2,801	3,003	7,123	7,202	5,133
9.	Availability rate of actual operation hours to total hours in a year *(per cent)*	32.0	34.2	81.1	82.2	58.6
10.	Plant load factor *(per cent)*	19.7	30.0	67.7	70.2	48.8

An analysis of generation of power by the plant revealed the following :

1. Generation per KW of installed capacity of unit-III during 1986-87 and 1987-88 was 1,728 and 2,631 Kwh against the norm of 5,350 Kwh, as laid down in the project report estimates. The project authorities attributed (January 1989) the low generation to shut-down of unit III from 27th November 1986 to 27th March 1987 and again from 14th April 1987 to 22nd November 1987 due to high eccentricity/vibrations on all the turbine bearings.

2. The consumption on auxiliaries was 15.1 , 10.7 and 11.6 *per cent*, respectively during the three years up to 1988-89 compared to eight *per cent* provided in the project report The project authorities stated (February 1989) that eight *per cent* auxiliaries consumption as given in the proiect report was not feasible due to low plant utilisation on account of testing and commissioning of unit III It was, however, observed in Audit that unit III was synchronised in November 1985 and commercial operation started in April 1986 Further the estimates for auxiliary consumption were revised from year to year on the basis of actual consumption of previous year without keeping in view the norms in project report.

3. The plant load factor of unit III during 1986-87 and 1987-88 was 19.7 and 30.0 *per cent* as against 44.8 and 48 4. *per cent* for 110 MW units on all India basis during 1986-87 and 1987-88. The reasons for low plant utilisation were attributed

(February 1989) by the project authorities to shut-down of unit III from 27th November 1986 to 27th March 1987 due to high eccentricity and high vibration on the turbine bearings.

3.1.8. Outages

The table below indicates the details of unit wise outages for the three years up to 1988-89 :

Serial number	Particulars	1986-87	1987-88		1988-89	
		III	III	IV	III	IV
1	2	3	4	5	6	7
				(Hours)		
1.	Planned outages	44	79	193	142	1,975
2.	Reserve shut-down	233	—	664	256	372
3.	**Forced outages**					
	(i) trouble in boiler and failure of boiler and related equipments	65	128	124	363	245
	(ii) trouble in coal mills and related equipments	13	3	2	—	—
	(iii) trouble in turbo generator	3,158	5,393	190	275	425
	(iv) electrical instruments and grid disturbances	169	115	357	76	272
	(v) inadequate furnace draft	86	8	35	104	43
	(vi) miscellaneous disturbances	2,201	55	95	342	295
Total forced outages		5,692	5,702	803	1,160	1,280

1	2	1986-87	1987-88		1988-89	
			III	IV	III	IV
1	2	3	4	5	6	7
4.	Total outages (1+2+3)	5,959	5,781	1,660	1,558	3,627
5.	Total available hours during the year	8,760	8,784	8,784	8,760	8,760
6.	Working hours actually available	2,801	3,003	7,123	7,202	5,133
7.	**Percentage of :**					
(a)	planned outages to available hours	0.5	0.9	2.2	1.6	22.5
(b)	reserve shut-down to available hours	2.5	—	7.6	2.9	4.3
(c)	forced shut-down to available hours	65.0	64.9	9.1	13.2	14.6
(d)	total outages to available hours	68.0	65.8	18.9	17.8	41.4

It would be observed from the table that forced shut-down of unit-III during 1986-87 (65 *per cent)* and 1987-88 (64.9 *per cent)* was very high. There was abnormal shut-down of 2,892 hours during 1986-87 (27th November 1986 to 27th March 1987) and 5,332 hours in 1987-88 (14th April 1987 to 27th November 1987) due to high vibration and eccentricity of rotor of the machine and abnormal L.P. differential expansion causing the damage of L.P. rotor.

3.1.9. Fuel consumption

3.1.9.1. Excess consumption of coal

The project report for stage-II 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 efficiency of boiler had been taken as 87 *per cent* at nominal rate of 375 tonnes per hour.

During three years up to 1988-89, the average load on two units (stage-II) ranged between 22 and 77 MW. Based on heat rate of 2232 K.cal/Kwh for a load of 65 MW and the boiler efficiency as 87 *per cent*, the excess consumption of coal during the three years ending 1988-89 worked out to 5,43,242 tonnes valuing Rs. 33,50.10 lakhs as detailed below :

Serial number	Particulars	1986-87	1987-88		1988-89	
		III	III	IV	III	IV
1.	Actual heat rate (K.cal/Kwh)	4099	4081	3855	3322	3340
2.	Stipulated heat rate as per standard adopted (project report)	2232	2232	2232	2232	2232
3.	Stipulated heat rate @ 87 *per cent* boiler efficiency	2566	2566	2566	2566	2566
4.	Excess heat consumed (K.cal/Kwh)	1533	1515	1289	756	774
5.	Percentage of excess consumption over stipulated heat rate	59.7	59.0	50.2	29.5	30.2
6.	Total units generated (MUs)	190.050	289.360	654.360	676.780	469.760
7.	Average calorific value of coal (K.cal/Kg.)	4483	4891.8	4729.6	4332	4300
8.	Excess fuel consumed in terms of coal (tonnes)	64,989	2,75,032		2,03,221	
9.	Estimated cost of coal as per O&M estimates (Rupees/tonne)	560	570		698	
10.	Cost of excess fuel consumed (Rupees in lakhs)	3,63.94	15,67.68		14,18.48	

The excess consumption of coal was attributed (February 1989) by the project authorities, *inter alia*, to :

—non-charging of HP/LP heaters;

—low vacuum of the turbine;

—low volatile matter of coal;

—high number of trippings/cold start ups during stablisation of the unit;

—low coal mill fineness;

—various leakages of steam from valves/flanges pipes etc. from time to time; and

—partial load on the units during stablisation period of units.

Although the coal received and consumed during 1987-88 was of calorific value of 4810.7 K.cal/Kg. against 4600 K.cal/Kg. stipulated in the project report, the required heat rate could not be achieved due to above reasons.

3.1.9.2. Loss due to improper storage/shortage of reject coal

Coal, being basic input for generation of power, is crushed, pulvarised and fed to the furnace for combustion. Due to presence of foreign material and boulders in coal, it was rejected by the coal mills and was stacked after weighments at different locations through bullock carts/tractor trolleys at coal yard. After inviting tenders, the Board issued sale order for disposal of the old reject coal (1.20 lakh tonnes) and fresh reject coal (0.20 lakh tonnes) at the rate of Rs. 151 and Rs. 300 per tonne respectively to Coal India Associates, Hisar in December 1985.

It was noticed that physical verification of reject coal lying at site was not carried out annually as required in terms of Board's Manual of Inspection. As per records, the physical verifications were carried out only in July 1984 and January 1985 as detailed below :

Date of physical verification	Balance as per accounts	Coal as per physical verification report	Shortage (—)/ surplus (+)
		(tonnes)	
20th July 1984	61,075	1,03,707	(+)42,632
24th January 1985	81,540	38,542	(-)42,998

No action to adjust surplus and investigate shortages was taken as the physical verification was considered by the management to be on approximation and rough estimation.

As per accounts books there was closing balance of 1.24 lakh tonnes of reject coal on 31st March 1986. During the period from April 1986 to April 1987, the Board sold 0.35 lakh tonnes of old reject coal at Rs 151 per tonne thereby leaving a balance of 0.89 lakh tonnes As per physical verification conducted on 25th April 1987 there was a balance of 0.08 lakh tonnes lying at site. Thus, there was shortage of 0.81 lakh tonnes valuing Rs. 122.76 lakhs. No investigation to find out the reasons and fixing the responsibility for the shortages had been made by the Board so far (October 1989).

3.1.9.3. Excessive consumption of turbine oil

Turbine oil is used as make up oil for topping up the oil level of the turbo-generators. BHEL manual of operating instructions prescribes a norm of 0.42 litre of oil per hour of operation of the turbo-set. The actual consumption of oil was, however, far in excess of the norms during the three years up to 1988-89 as shown in the table below :

	1986-87 III	1987-88 III and IV	1988-89 III and IV
(1)	(2)	(3)	(4)
(i) Working hours	2,800	12,133	14,965
(ii) Requirement of make up oil as per norms (litres)	1,176	5,096	6,285
(iii) Actual consumption (litres)	23,165	27,060	25,128
(iv) Excess over normal consumption (litres)	21,989	21,964	18,843
(v) Percentage of excess consumption over norms	1,870	431	300

The value of 62,796 litres of turbine oil consumed in excess worked out to Rs. 9.43 lakhs for the three years up to 1988-89 based on the average procurement rate of oil.

The project authorities attributed (January 1989) the abnormal consumption of turbine oil to :

—topping up of main oil tank after over-hauling;

—unavoidable oil leakages during commissioning from various points;

—overflowing of oil through centrifuge; and

—oil leakage from various impulse lines, unions and other points.

The project authorities have not kept any record of spoilage/ leakages through centrifuge and other various impulse lines up to June 1988. As per records maintained from July 1988 to March 1989, a quantity of 4,550 litres of turbine oil valuing Rs. 0.72 lakh was lost/leaked for which no responsibility had been fixed so far (October 1989).

3.1.10 Heavy consumption of demineralised water

The estimate for consumption of demineralised (DM) water was prepared on eleven months working of boiler and assuming make up water required for losses including hydraulic test at the rate of four *per cent* of 375 tonnes/hour (maximum continuous rating of boiler). The actual consumption of stage-II was, however, high during three years up to 1988-89 as per details given below :

	1986-87 III	1987-88 III and IV	1988-89 III and IV
(i) Estimated consumption of DM water per hour (in tonnes)	15	30	30
(ii) Working hours of boiler	3,220	11,287	13,825
(iii) Requirement of DM water as per estimates (in tonnes)	1,18,800	2,37,600	2,37,600

	1986-87 III	1987-88 III and IV	1988-89 III and IV
(iv) Actual consumption of DM water (in tonnes)	2,15,550	3,84,505	5,15,920
(v) Actual consumption of DM water per hour(in tonnes)	64.94	34.07	37.32
(vi) Excess consumption of D.M. water over estimates(in tonnes)	96,750	1,46,905	2,78,320
(vii) Excess consumption per hour(in tonnes)	30.05	13.02	20.13
(viii) Consumption expressed as percentage of estimated quantity	181.4	161.8	217.1
(ix) Estimated cost of water per tonne (in rupees)	2.97	2.96	3.10
(x) Loss due to excess consumption(Rupees in lakhs)	2.87	4.35	8.63

The project authorities attributed (January 1989) the excess consumption of DM water to :

—testing, commissioning and stablisation of unit III during 1986-87;

—testing. commissioning and stablisation of unit IV in 1987–88;

—high number of trippings;

—leakages from various valves/lines; and

—passing in valves etc.

The project authorities further expressed their inability to stop leakages/passing in valves of DM water as the unit could not be shut-down due to demand for power.

3.1.11. Manpower analysis

The project reports of stage-I and III did not lay down any standards or norms for the deployment of staff for operation and maintenance of the plant. However, the project report of stage-II envisaged the deployment of 907 employees i.e. 4.12 employees per MW of installed capacity for operation and maintenance. It had been observed that 2,728 employees were working in the project as on 31st March 1989 against the sanctioned posts of 1,843 which worked out to 6.20 employees per MW of installed capacity which was even higher than the Northern India level of 6 persons per MW, for which no reasons were on record.

The review committee constituted (April 1987) by the Board had recommended (February 1988) the deployment of 1,693 persons (3.85 persons per MW) for operation and maintenance of all the four units (stage-I and II) but no action had been taken thereon so far (October 1989).

3.1.12. Cost appraisal

The table below shows the unit cost of generation of electricity in respect of stage-II (units III and IV) during the three years up to 1988-89 :

	1986-87	1987-88	1988-89
(i) (a) Gross generation (Mkwh)	190.050	943.720	1146.540
(b) Auxiliary consumption (Mkwh)	28.677	101.377	133.090
(c) Power sent out (Mkwh)	161.373	842.343	1013.450
(ii) **Fuel consumed**			
(a) Coal (gms/kwh)	888	770	721
(b) Furnace oil (ml./Kwh)	74.40	18.46	21.115
(c) High speed diesel oil (ml./Kwh)	Nil	Nil	0.06
(iii) (a) Average calorific value of coal (K.cal/Kg.)	4483.0	4810.7	4316.0
(b) Average calorific value of furnace oil (K.cal/Ltr.)	10478.2	10512.6	10172.0
(c) Average calorific value of HSD (K.cal/Ltr)	Nil	Nil	10578
(iv) Heat rate (K.cal/Kwh)	4760	3898	3327
(v) Thermal efficiency (percentage)	18.1	22.1	25.9

(vi) **Cost per Kwh of power generated**

	1986-87	1987-88	1988-89
		(In paise)	
A—Direct cost	67.42	56.67	59.93
B—Indirect cost	Nil	18.47	20.65
Total	67.42	75.14	80.58
(vii) Estimated cost of generation (as per yearly estimates)	49.87	78.54	79.81
(viii) Average revenue per unit	50.87	52.52	68.79

The cost of generation for 1986–87 did not include indirect cost due to non-capitalisation of assets, though commissioned, resulting in deflation of cost of generation.

It would be observed from the table that total unit cost of power generated increased from 67.42 paise in 1986-87 to 75.14 paise in 1987-88 and 80.58 paise in 1988-89. The high cost of generation was due to excess consumption of coal, increase in price of coal and heavy repairs of unit III during 1987-88. The unit cost of power sent out increased from 79.41 paise in 1986-87 to 84.18 paise in 1987-88 and 91.16 paise in 1988-89. As against this, the average revenue per unit earned by the Board was 50.87 paise during 1986-87, 52.52 paise during 1987-88 and 68.79 paise during 1988-89.

3.1.13. Other topics of interest

3.1.13.1. Idle dust extraction plant

The dust extraction plant was designed to suck the dust in the crushing house to avoid extra long dust runs and consequent high pressure drops. To meet this requirement, dust extraction plant was installed and commissioned alongwith commissioning of coal handling plant by Robina Frasher Limited, Jamshedpur during the year 1979 at a cost of Rs. 4.84 lakhs. However, the plant was not put to use since November 1979 as the dust spreads in the coal handling maintenance office/ control room and pollutes the entire area resulting into almost total closure of all the activities of the plant. Installation of motor at low level also created problem during rainy season. No steps were taken to modify the system in order to utilise the dust extraction plant. The General Manager of the plant opined (November 1988) that the system was lying idle due to the apathy of the concerned staff for which no responsibility had been fixed so far (October 1989).

3.1.13.2. Surplus machines

(i) A workshop was set up (December 1976) in the project with the object of undertaking miscellaneous jobs of preventive maintenance, repairs during break-down and manufacture of some critical spares during lean period. To achieve this, 21 machines and equipments costing Rs. 18.33 lakhs were installed (December 1976) in the workshop and 17 to 21 technicians/workers with yearly establishment bill of Rs. 4.21 lakhs were engaged during 1986-87 to 1988-89.

In June 1979, Chief Engineer (O&M), Thermal decided that no production work would be undertaken in the workshop. Consequently, one hydraulic cylindrical grinder and two tool cutter grinder machines valuing Rs. 2.58 lakhs, procured for undertaking the manufacturing work, were, thus, rendered surplus.

The project authorities stated (May 1989) that no work order relating to hydraulic cylindrical grinder had been received since April 1986 and it was not expected that they would receive any work order for this machine. Regarding tool cutter grinders, the project authorities stated that these machines were being utilised to carry out day to day jobs for grinding the tool. It was, however, observed that no job orders on these machines were being issued and these were lying idle.

(ii) Eight machines/equipments valuing Rs. 1.78 lakhs were purchased during April 1979 to November 1982 to carry out workshop activities, civil works jobs departmentally and to provide cold water for thermal plant stage-I. However, these machines/equipments could not be used defeating the very purpose of purchase. The project authorities stated (May 1989) that machines valuing Rs. 1.40 lakhs had been declared surplus and were awaiting disposal. The pumps valuing Rs 0.38 lakh would be utilised in near future on the project works.

Thus, non-utilisation of machines/equipments, valuing Rs. 1.78 lakhs resulted in blocking of funds for more than six years.

CHAPTER—IV

4. MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

A—GOVERNMENT COMPANIES

4.1. HARYANA BREWERIES LIMITED

4.1.1. Purchase of hops

Hops is an essential ingredient for production of beer and is grown in the Kashmir valley only. In order to streamline the system of procurement, the Board of directors of the Company decided in November 1985 that a committee consisting of two directors should visit and contact producers of hops directly.

A *suo moto* offer for supply of 20 tonnes of hops at the rate of Rs. 120 per Kg. (FOR Srinagar) was received from Hops International ('A') in February 1986. Though the season for procurement of dried hops falls in August-September, the committee in disregard of the decision of the Board and without ascertaining the prevailing market rate placed an order for 20 tonnes in February 1986. An advance of Rs. 6 lakhs representing 25 *per cent* value of the order was also paid to the firm in April 1986.

In March 1986, Kashmir Hops ('B') offered to supply an unspecified quantity of hops in September at the rate to be notified by the State Government, but this was not considered. Again in September 1986, Balaji Agro Industries ('C') offered

4 tonnes of hops at Rs. 100 per Kg. A scrutiny of records in Audit revealed that Associated Breweries and Distilleries, Bombay had purchased hops at Rs. 90 to 100 per Kg. during this period. Considering the prevailing rate as Rs. 100 per Kg., the Company incurred an extra expenditure of Rs. 4 lakhs on the purchase of 20 tonnes of hops, besides, loss of interest of Rs. 0.36 lakh on advance of Rs. 6 lakhs paid four months prior to supply of hops.

Against 20 tonnes, received during August 1986 to December 1986, the consumption was 3.98 tonnes during first 12 months (August 1986-July 1987), 4.27 tonnes in the next 12 months and 7.04 tonnes in the 12 months ended July 1989 leaving a balance of 4.71 tonnes of hopes in stock. The bulk purchase of hops which was far in excess of one year's requirement resulted not only in blocking of funds but also in deterioration of quality of hops in stock. Resultantly, from April 1988, the Company increased the input of hops in the manufacture of various brands of beer by one to four Kg. per brew. Upto July 1989, the excess consumption of hops aggregated to 1,430.5 Kg. valuing Rs. 1.76 lakhs. The extra expenditure would further increase when the remaining stock of hops (4.71 tonnes) is consumed.

The matter was reported to the Company and Government in August 1989; their replies had not been received (October 1989).

4.1.2. Purchase of new bottles

Tenders for the purchase of 30 lakh new bottles were invited and opened in December 1987. Of the three offers received, the rate of Universal Glass Limited, New Delhi (firm 'A') at Rs 2,234.61 per thousand bottles was the lowest and that of Ballarpur Industries Limited, New Delhi (firm 'B') at

Rs 2,356.80 per thousand bottles and Hindustan National Glass Industries Limited, Bahadurgarh (firm 'C') at Rs 2,583.63 per thousand bottles were the second and third lowest. The firms offered to supply full tendered quantity.

All the three firms were called for negotiations (January 1988) and as a result of negotiations, firms 'B' and 'C' reduced the rates to Rs 2,320.40 and Rs 2,463.97 per thousand bottles, respectively. Firm 'A', however, did not reduce the rates but agreed to allow 30 days credit against 15 days indicated in its offer.

Meanwhile, the requirement was re-assessed at 60 lakh bottles and the Company decided to purchase 45 lakh bottles pending decision on the representation of firm 'C' to the State Government regarding levy of sales tax/surcharge on glass products at first point.

Instead of placing orders for 30 lakh bottles at the lowest rates on firm 'A' and for remaining 15 lakh bottles at the second lowest rates on firm 'B', the Company placed orders (January 1988) for 15 lakh bottles only on firm 'A' at Rs 2,234.61 per thousand bottles and for 30 lakh bottles on firm 'B' at Rs 2,320.40 per thousand bottles. The supplies were to be completed by firm 'A' by April 1988 and by firm 'B' up to May 1988. Against this, firm 'A' supplied 12.45 lakh bottles up to May 1988 and firm 'B' supplied 26.87 lakh bottles up to July 1988. Thus, by purchasing 12.45 lakh bottles as against 30 lakh bottles, which firm 'A' had agreed to supply, the Company incurred an extra expenditure of Rs. 1.51 lakhs

As the matter regarding levy of sales tax could not be got sorted out by firm 'C', the Company procured (May- July 1988) an additional quantity of 10 lakh new bottles from firm 'B' at a higher rate of Rs 2,393.20 per thousand bottles without calling for any fresh enquiry. The purchase was made without asking firms 'A' and 'B' to complete the balance supply of bottles against their pending orders of January 1988. Compared with the tendered rate of firm 'B' (Rs 2,320.40 per thousand bottles), the purchase of 10 lakh bottles at higher rates resulted in an extra expenditure of Rs 0.73 lakh.

Thus, the procurement of bottles at higher rates without assessing properly the actual requirement and by not availing the benefit of lowest rates on the full quantity offered by firm 'A' the Company incurred an extra expenditure of Rs 2.24 lakhs.

The matter was reported to the Company and Government in June 1989; their replies had not been received (October 1989).

4.1.3. Extra expenditure

The Company had been purchasing crown corks for beer bottles from Larsen and Toubro Limited (firm 'A') on negotiated basis since its inception in 1974. In July 1984, press tenders for the purchase of 2 crore crown corks were invited but no offer was received. The Company did not make any further market survey to find out the other sources of procurement of crown corks and continued to make purchases from firm 'A' in contravention of its purchase regulations which provide that all purchases estimated to cost above Rs. 0.50 lakh should be effected through open tenders. By virtue of its monopolistic position, firm 'A' raised its rates from Rs 1,460 to Rs. 1,855 per hundred gross between July 1984 and January 1986.

However, in October 1985, the Company contacted Metal Box India Limited, New Delhi (firm 'B') and placed (November 1985) an order for 750 cases, each containing hundred gross of crown corks, at Rs. 1,750 per hundred gross.

In June 1986 tenders were invited for supply of 2 crore crown corks for meeting the requirement for the year 1987-88. In response to the tender enquiry, eight firms (including firms 'A' and 'B') quoted their rates ranging from Rs. 1,550 to 1,760 per hundred gross FOR factory (exclusive of excise duty and sales tax). The lowest rate of Rs. 1,550 per hundred gross was quoted by Delhi Kanodia, Delhi (firm 'C') which was an approved supplier to Parle Group, MC Dowell Group, Punjab Breweries and J&K Breweries. The offer of the firm was not considered (October 1986) on the ground that this firm had supplied a very small quantity earlier but the same was not of good quality, though there was nothing on record to support this contention.

As regards the second lowest firm Ashoka Metals, New Delhi (firm 'D'), which quoted the rate of Rs. 1,600 per hundred gross, it was decided that this firm being new could be given only a trial order for 50 cases. As a result of competition this time, firm 'A' brought down its quoted rates from Rs. 1,725 to Rs. 1,660 per hundred gross after negotiations. Accordingly, orders for 500 cases and 50 cases of hundred gross each of crown corks were placed (February 1987) on firms 'A' and 'D' at the rates of Rs. 1,660 and Rs. 1,600 per hundred gross, respectively.

Even after opening of the tenders in July 1986, the Company could finalise the tenders only in February 1987. Due to delay in finalisation of tenders the Company continued to accept supplies at rates ranging from Rs. 1,700 to 1,750 per hundred gross from firm 'B' during August 1986 to March 1987 resulting in an extra expenditure of Rs. 1.77 lakhs on the purchase of 59.188 gross as compared to the revised rates of firm 'A'. Thus, had the Company finalised tenders in July 1986 the extra expenditure could have been avoided.

Tenders were again invited in December 1987 for the supply of 1.44 crore crown corks to meet the requirement of 1988-89.

Offers were received from seven firms (including firms 'A' and 'D') and their rates ranged between Rs. 1,500 and Rs. 1,825 per hundred gross.

The Purchase Committee, of which General Manager (Production) was a member, reported (February 1988) that crown corks supplied by firm 'D' earlier had been used and were in order. Yet, the Company, however, placed trial order in March 1988 for the supply of 50 cases of hundred gross each on firm 'D' at the rate of Rs. 1,500 per hundred gross and another order for 600 cases of hundred gross on firm 'A' at Rs. 1,650 per hundred gross.

Since the quality of crown corks supplied by firm 'D' earlier was satisfactory. there was no justification in purchasing 600 cases from firm 'A' at an extra cost of Rs. 0.62 lakh.

Thus, the Company incurred an extra expenditure of Rs. 2.39 lakhs on purchase of crown corks due to delay in finalisation of tenders (Rs. 1.77 lakhs) and purchase at higher rates (Rs. 0.62 lakh).

The matter was reported to the Company and Government in July 1989; their reply had not been received (October 1989)

4.2. HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED

4.2.1 Nugatory expenditure

The Company Secretary, who was appointed in September 1977, was placed under suspension on 18th November 1985 and his services were subsequently terminated in January 1986 by the then Managing Director without the approval of the Board of Directors, as required under Article 125A of the Articles of Association. However, the *ex-post facto* sanction for termination of services of the Secretary was accorded by the Board on 11th March 1986.

Being aggrieved by the termination order, the Secretary filed a writ petition in the High Court of Punjab and Haryana and the order of termination of services of the petitioner was set aside (9th May 1986) by the single judge of the court on the ground that the order of termination of services of the petitioner was passed by the Managing Director ' on the application of his mind whereas Article 125 A enjoins upon the Board of Directors to perform this function; the Managing Director nakedly usurped the powers of the Board and the Board of Directors in causing approval to the order of termination had mutely surrendered their powers to the Managing Director". The court held that this was an impossible situation and could not be given the seal of approval of the court and that on this score alone the order of termination of services of the petitioner was bad in law.

An appeal filed (May 1986) by the Company against the judgement was also dismissed (13th September 1988) by the Division Bench of the High Court. The Company filed (19th September 1988) a Special Leave Petition before the Supreme Court which was dismissed (December 1988) by the Supreme Court. The Secretary was accordingly reinstated on 13th December 1988.

Thus, due to termination of the services of the Secretary without getting prior approval of the Board of Directors, the Company had not only to incur nugatory expenditure of Rs. 1 . 67 lakhs as arrears of his pay and allowances for the period from 19th November 1985 to 12th December 1988 but legal expenses amounting Rs. 0. 63 lakh had also to be incurred for contesting the case in different courts of law.

The Company stated (July 1989) that the Managing Director was competent to terminate the services of the Company Secretary as per the powers delegated to him by the Board but the case could not be successfully argued in the High Court and that during the pendency of litigation the vacancy of company secretary was not filled.

The reply is not tenable as the court did not upheld the competence of the Managing Director to terminate the services of the Company Secretary and that without gainful utilisation of his services, the company had to pay the arrears of pay and allowances to him

4.3. HARYANA TOURISM CORPORATION LIMITED

4.3.1. Loss due to charging of concessional rate of room-rent

For providing accommodation at concessional rates to the officers of the Company, at its various complexes in Haryana, the company in April 1979, framed rules and fixed the rent of the rooms to be charged from these officers These rules/rates were further revised by the Company in July 1988. Under these rules, the officers of the Company entitled for concessional accommodation, would not be provided accommodation at the place of their posting/headquarters.

During course of Audit of Badkhal Complex, it was noticed (February 1989) that the Divisional Manager, who joined the complex on 18th July 1987 and was also provided with residential accommodation, stayed in the Motel during 18th July 1987 to 13th March 1988 by paying concessional rent of Rs. 5 per day in contravention of the instructions *ibid.* As the occupancy ratio of Motel was 151.5 *per cent* during 1987-88 the Company could have earned an additional income of Rs. 0.48 lakh by renting the room occupied by the Divisional Manager.

On being pointed out in Audit the Company asked (April 1989) the Divisional Manager to deposit the room rent at normal tariff rate immediately; the amount had not been deposited. Further outcome of the case was awaited (October 1989).

The matter was reported to the Company and Government in July 1989; their replies had not been received (October 1989).

B—STATUTORY CORPORATIONS

4.4. HARYANA STATE ELECTRICITY BOARD

4.4.1. Extra expenditure in the purchase of conductors

4.4.1.1. Tenders for the supply of Aluminium Conductor Steel Reinforced (ACSR) 'Dog' conductor ($100mm^2$) and 'Rabit' conductor ($50\ mm^2$) were invited and opened in October 1986. On the basis of lowest rates received telegraphic orders for supply of 450 Kms. 'Dog' conductor (3 orders) and 1,000 Kms. 'Rabit' conductor (7 orders) were issued in December 1986.

Detailed orders for supply of 450 Kms. 'Dog' conductor were placed (January 1987), at firm equivalent rates ranging from Rs. 9,978 to Rs. 10,010 per Km. on Adinath Cables and Conductors Private Limited, Jaipur (firm 'A'), Bhandari Cables Private Limited, Jaipur (firm 'B') and Jaldhara Conductors Private Limited, Jaipur (firm 'C'). Orders for supply of 1,000 Kms. 'Rabit' conductor were placed (January 1987) at firm equivalent rates ranging from Rs. 5,104 to Rs. 5,196 per Km. on firms 'A' 'B', 'C' and the four other firms *viz.*, Ashok Transmission Wires Private Limited, Jaipur (firm 'D'), Bali Cables Private Limted, Jhuntha, Rajasthan (firm 'E'), Nakoda Conductors Private Limited, Bhilwara (firm 'F') and Aaldee Wires and Conductors, Gwalior (firm 'G').

In terms of the orders, the supplies were to be completed by 31st March 1987 except in case of firms 'B' and 'E' where the supply of 'Rabbit' conductor was to be completed by April 1987 and July 1987, respectively.

Firms, 'A', 'D' 'E' and 'F' completed the supplies in February 1987. Firm B supplied 75 Kms. of 'Dog' conductor in February 1987 leaving a balance of 25 Kms. and did not supply 300 Kms. of 'Rabbit' conductor Firm 'C' on whom the order for 250 Kms. 'Dog' conductor and 100 Kms. 'Rabbit' conductor was placed and firm G which was to supply 100 Kms. 'Rabbit' conductor did not commence supply.

Firms 'B' and 'C' refused (February 1987) to execute the orders on the plea that the orders were placed late and the rates as per purchase order were inclusive of Central Sales Tax (CST) while their offers were exclusive of CST. The plea taken by the firms was not correct as the telegraphic orders were issued well in time and the rates were given in the purchase orders after adding CST in the tendered rates. Consequent upon the increase in price of aluminium rods from Rs. 20,260 to Rs 24,653 per tonne, with effect from 1st March 1987, both firms B and C offered (March 1987) to execute the orders at enhanced rates by October 1987. The whole time members of the Board agreed (May 1987) to allow an increase of Rs. 1,451 per Km. for 'Dog' conductor and Rs. 750 per Km. for 'Rabbit' conductor even though the rates were firm and the increase was not in conformity with the purchase regulations of the Board. Firm G was also allowed increase on similar lines. Consequently, firms 'B' 'C' and 'G' supplied (June-November 1987) 264.35 Kms. 'Dog' conductor and 486.872 Kms. 'Rabbit' conductor at higher rates resulting in extra expenditure of Rs. 7.41 lakhs.

Thus, by allowing price increase despite firm rates, the Board had to incur an extra expenditure of Rs. 7.41 lakhs.

The matter was reported to the Board and Government in June 1989; their replies had not been received (October 1989).

4.4.1.2. Tenders for supply of 15,000 Kms. Aluminium Conductor Steel Reinforced (ACSR) conductor (Squirrel : 10,000 Kms. and Weasel : 5,000 Kms.) were invited in July 1986. 35 firms quoted their rates with different terms and conditions regarding delivery, payments, penalty for late supply etc. The validity of offers was to expire on 15th November 1986.

Before a final decision on the matter could be taken, the Board started receiving supplies from Minerals and Metals Trading Corporation Limited, against earlier orders (March 1985) at concessional rates. It was, therefore decided (October 1986) to get the validity of the offers extended up to 15th February 1987.

In the meantime, the Board increased targets for tubewells energisation and supplies against earlier orders could not match the pace of work. The whole time members (WTMs) of the Board decided (January 1987) to process and finalise the tenders of July 1986 on priority basis. 18 telegraphic purchase orders for 12,500 Kms. conductor were placed (February 1987) on 10 firms at firm rates ranging between Rs 2,101 and Rs. 2,295 per Km. for Squirrel conductor and Rs. 3,076 to Rs. 3,376 per Km. for Weasel conductor. Simultaneously, the firms were invited for discussion to sort out various terms and conditions, contrary to purchase regulations of the Board, which prohibit any negotiations after placement of orders.

Out of 10 firms, 8 firms attended negotiations on 18th February 1987 but remained non-committal to various terms and conditions, though there were only minor deviations from the Board's standard terms.

With the announcement of increase in the controlled price of aluminium from Rs. 20,260 to Rs. 24,653 per tonne, with effect from 1st March 1987, five firms represented that the proportional increase in the cost of conductor due to increase in the price of aluminium should be borne by the Board. Despite the fact that the rates were firm, the WTMs decided (March 1987) to allow enhancement in rates and invite the firms for discussion regarding finalisation of terms and conditions.

Resultantly, 12 purchase orders were placed (March-April 1987) on 11 firms for supply of 12,500 Kms. conductor at rates ranging from Rs. 2,393 to Rs. 2,572 per Km. for Squirrel conductor (7,500 Kms.) and from Rs. 3,514 to Rs. 3,808 per Km. for Weasel conductor (5,000 Kms.) even though the firms did not accept all the terms and conditions of the Board. These firms supplied (March 1987—February 1988) 7,401 Kms. Squirrel conductor and 4,478 Kms. Weasel conductor at an extra cost of Rs. 37.82 lakhs.

Thus, by inviting the firms for negotiations after placing the orders, the Board offered them an opportunity to demand escalation in quoted rates, and though the rates were firm, the Board, instead of insisting on the supply of conductors on the quoted rates and invoking risk purchase clause in case of refusal by firms, agreed to allow enhancement in rates resulting in an extra expenditure of Rs. 37.82 lakhs.

The matter was reported to the Board and Government in September 1989; their replies had not been received (October 1989).

4.4.2. Extra expenditure in purchase of transformers

In order to meet with the requirement for the year 1987-88, three tenders for supply of distribution transformers of 25 KVA, 63 KVA and 100 KVA capacity, were invited in March 1987 and opened in April 1987. The offers were valid up to 19th July 1987.

The Store Purchase Committee (SPC) recommended (May—June 1987), *interalia*, as under :

(i) Uttam Bharat Electricals, Jaipur (firm 'A') though lowest for 25 KVA transformer should be passed over due to lack of experience.

(ii) East India Transformers and Switch Gears, Ghaziabad (firm 'C') which was third lowest for 25 KVA and 63 KVA transformers and fifth for 100 KVA transformers may be ignored in view of high incidence of damage to the transformers supplied by this firm against earlier orders.

(iii) The orders should be split up between E.C.E. Industries, New Delhi (firm 'B'), Electro (India) Ltd. Meerut (firm 'D'), Paramax Electricals, Ghaziabad (firm 'E'), Rajasthan Transformers and Switchgear, Jaipur (firm 'F'), and Vijay Electriclas, Hyderabad (firm 'G') which became the five lowest acceptable offers, keeping in view the quantity offered by these firms and their past performance.

The whole time members (WTMs) of the Board, however, decided (July 1987) to ignore firm 'B' (which was now lowest for all the three types) for 100 KVA transformers and place small orders of 100 transformers of 25 KVA and 1000 transformers of 63 KVA (against offer for full quantity) in view of its slow pace of supplies against earlier orders. Instead, it was decided to place orders on firm 'C' on the ground that the transformers supplied by this firm earlier were 'sealed type' while in the instant case, the tenders were floated for conventional type of transformers. It was also recommended by WT Ms of the Board to place order on Indian Aluminium Cables, Gwalior (firm 'H') for 100 KVA transformers.

Accordingly, orders were placed in August 1987 on firms 'B', 'C', 'D', 'E', 'F', 'G' and 'H' for 1500 transformers of 25 KVA (at the landed rate of Rs. 9,748) 3500 transformers of 63 KVA (at the landed rate of Rs. 16,718) and 1200 transformers of 100 KVA (at the landed rate of Rs. 22,297).

In August 1987 itself, the Board noticed that the firm 'C' on which orders for 300, 750 and 200 transformers of 25 KVA, 63 KVA and 100 KVA capacity, respectively were placed was blacklisted in 1983 due to frequent damage to transformers supplied by the firm. It was decided by WT Ms of the Board (September 1987) to hold the orders in abeyance till the damaged transformers were repaired/replaced by the firm. As the matter could not be sorted out, it was decided (June 1988) to cancel the orders placed on firm 'C' and [to severe dealings with this firm for a period of two years.

Later on, orders to make up the supplies were placed (December 1988) on firms 'B' and 'G' at rates higher by Rs. 2,658, Rs. 4,289 and Rs. 3,064 per transformer as compared to the rates at which orders were placed earlier (August 1987) for 25 KVA, 63 KVA and 100 KVA transformers, respectively. The Board incurred an extra expenditure of Rs. 31.26 lakhs in carrying over the requirement of 300 Nos. 25 KVA, 400 Nos. 63 KVA and 200 Nos. 100 KVA transformers for the year 1987-88 to next year.

Thus, owing to non-placement of orders for full quantity offered by firm 'B' and placing the order on firm 'C' whose past performance was not satisfactory, despite recommendation of the SPC to the contrary, the Board had to incur an extra expenditure of Rs. 31.26 lakhs.

The matter was reported to the Board and Government in July 1989; their replies had not been received (October 1989).

4.4.3. Locking-up of funds

The Board placed nine job orders between January 1976 and January 1985 with Bhakra Beas Management Board Workshop, Nangal for fabrication and supply of 4,296 (17,592 tonnes) single/double circuit towers. The workshop fabricated and supplied 3,757 towers (15,005 tonnes) between March 1977 and December 1987. 3,500 towers were issued till December 1987 on various transmission lines constructed by the Board and balance 257 towers (1,708 tonnes) valuing Rs. 1.71 crores could not be put to use on account of shortage/excess of certain parts of towers due to mix up of consignments of various stores at the time of despatch from Nangal Workshop, wrong issue of material by stores and improper utilisation by construction organisation.

In January 1988, the Controller of Stores sought permission of the Board for fabrication of wanting parts weighing 172 tonnes (value : Rs. 17.20 lakhs) for 257 towers. However, he was asked (January 1988) to first intimate comparative details of surplus/short material and to fix responsibility for the lapse. The details had not yet been intimated (October 1989).

Thus, owing to mix up of consignments of various stores, wrong use of material by stores and improper utilisation by construction organisation, the Board's funds to the extent of Rs. 1.71 crores remained blocked since January 1988 resulting in loss of interest of Rs. 48.74 lakhs up to July 1989.

The matter was reported to the Board and Government in August 1989; their replies had not been received (October 1989).

4.4.4. Loss of revenue

4.4.4.1. As per the terms and conditions of supply of electricity to consumers, the Board has the right to fix the position of the meter.

Bhupendra Cement Works, Surajpur, having a large supply connection with a direct feeder, was billed up to April 1980 on the basis of readings of the meter installed at 66 KV sub-station, Surajpur (400 meters from the factory) after giving a rebate of 0.2 *per cent* for line losses. In May 1980, a meter was installed in the factory premises and billing commenced on the basis of the readings of this meter.

During May 1980 to March 1988, the meter installed in the factory premises showed less consumption to the extent of 1,09.83 lakh units (value : Rs. 54.77 lakhs) than the meter installed in the sub-station even after allowing rebate of 0.2 *per cent* for line losses. The reasons for wide variations between the readings of two meters were neither investigated nor was the consumer billed on the basis of readings of the meter installed at the sub-station.

In November 1987, the Operational Review Committee of the Board decided that metering equipment of all consumers having direct feeders should be installed at the sub-stations itself by 31st December 1987. Accordingly, from April 1988 the factory was billed on the basis of readings of the meter installed in the sub-station.

In June 1988, the consumer approached the Board either to consider recording of power consumption from the meter installed in its premises or to allow rebate for line losses in case the power consumption was to be recorded from the meter installed in the sub-station. Secretary (Technical) of the Board decided (July 1988) to bill the consumer on the basis of power consumption recorded by the meter installed in factory premises. It was further decided that the two meters i.e. sub-station meter and consumer's meter would be read on the same day by Sub-Divisional Officer (Operation) for immediate investigation of the causes of differences and removal of defects, if any. Accordingly, from August 1988 the consumer was billed on the basis of readings of the meter installed in its premises. During the period from August 1988 to April 1989 the meter installed in the premises of the consumer showed less consumption by 2.21 lakh units—excluding line losses of 0.2 *per cent*—(Rs. 2.46 lakhs) as compared to the consumption recorded by the sub-station meter. No action was taken by the Board to investigate the reasons for wide variations between the readings of two meters.

Thus, during the period May 1980 to March 1988 and August 1988 to April 1989, the consumer was billed less for 1,12.04 lakh units resulting in loss of revenue amounting to Rs. 57.23 lakhs to the Board.

The matter was reported to the Board and Government in August 1989; their replies had not been received (October 1989).

4.4.4.2. As per the instructions of the Board, the energy variation register should be maintained in a sub-division in order to investigate the causes of variation in the normal consumption of energy during a month and to detect unauthorised extension of load.

Shiv Oil and General Mill, Narwana was sanctioned (January 1981) a medium supply connection with a connected load of 52.560 KW by city sub-division, Narwana. Subsequently, in September 1982 and August 1985, the consumer applied for extension of load to 63.750 KW and 98.493 KW but the request was rejected (June 1983 and February 1986) due to non-compliance of demand notice by the consumer. The connected load of the consumer was, however, extended (January 1987) to 98.493 KW on the basis of fresh application (May 1986).

During the course of Audit (June 1987), it was noticed that the monthly consumption of energy of oil mill ranged from 1371 to 20,810 and 1242 to 30,144 units during the years 1985-86 and 1986-87 (up to January 1987), respectively. The actual load of the consumer computed in Audit worked out to 101.53 KW and 120.25 KW during the years 1985-86 and 1986-87 (up to January 1987), respectively and thus consumer came under the category of large supply consumer for whom energy charges were to be billed at higher rates. Although the sub-division was maintaining energy variation register and the extension of load was evident from consumption of energy, the sub-division failed to detect unauthorised extension of load by the consumer and continued to bill the consumer at lower rates. This resulted in loss of revenue amounting to Rs. 0.92 lakh (energy charges : 0.65 lakh; additional surcharge : 0.27 lakh) for the period from April 1985 to January 1987.

Neither the amount was recovered nor had the responsibility in the matter been fixed by the Board (October 1989).

The matter was reported to the Board and Government in July 1989; their replies had not been received (October 1989).

4.4.5. Overpayment

After inviting tenders, an order for supply of 1,871 Stock Bridge (S.B.) dampers (value : Rs. 1.70 lakhs) for Zebra (1,779 SB dampers) and Panther (92 SB dampers) conductors was placed (February 1986) on Alfa Transmission Industries, Varanasi (firm 'A'). In terms of the purchase order, the firm was to commence supply within 30 days of technical clearance and was to be completed within three months thereafter. Full payment against despatch documents through bank was to be made for which 10 *per cent* performance-cum-security in the form of bank guarantee was required to be submitted by the firm. Neither the firm furnished any bank guarantee nor commenced supply of SB dampers even through the technical clearance was given on 31st July 1986.

Another tender enquiry for supply of 2,927 SB dampers for Zebra (960 SB dampers) and Panther (1,967 SB dampers) conductors was issued in July 1986. In response, four firms quoted the rates and the offer of firm 'A' was the lowest. The firm offered (September 1986) to supply the SB dampers on the rates, terms and conditions applicable to the purchase order of February 1986. Though supplies against the order of February 1986 were awaited, the Store Purchase Committee decided (October 1986) to place order on this firm after it agreed to supply the SB dampers against the earlier order. Accordingly, another order for supply of 2,927 SB dampers (value : Rs. 2.24 lakhs) was placed on firm 'A' on 10th November 1986. The supplies were to be completed by the firm within three months of the order.

Only in October 1988, the firm despatched 1,779 SB dampers against order of February 1986 and claimed Rs. 1.53 lakhs through bank after allowing adjustment of amount of bank guarantee. The documents were got retired after paying Rs. 1.46 lakhs (13th December 1988) after deducting penalty (Rs. 0.07 lakh) for delay. The material packed in 50 bags was got released from railways on 15th December 1988. However, only 140 SB dampers were found in these bags against 1,779 SB dampers mentioned in the invoice. Thus, the firm fraudulently received excess payment of Rs. 1.32 lakhs representing the cost of 1,639 SB dampers which were not despatched.

Similarly, the firm fraudulently obtained excess payment of Rs. 1.69 lakhs on 14th December 1988 representing the cost of 2,490 SB dampers against order of November 1986. As against the reported despatch of 2,527 dampers, only 37 SB dampers were received in Karnal and Dadri stores during February/March 1989.

The short supply of SB dampers was taken up (December 1988/February 1989) with the firm by different consignees of the Board. The firm supplied (March 1989) another lot of 120 SB dampers (value : Rs. 0.11 lakh). No further supply was, however, received (October 1989).

It was observed in Audit that the weight of 1,779 SB dampers received initially worked out to 99.62

quintals according to the technical specification given by the firm in its offer. However, the actual weight as per railway receipt was 21.35 quintals. Yet, the Board failed to detect the fraud and take timely action to prevent encashment of cheque.

Three cases of fraud were got registered (March/April 1989) against the firm with the Police at Dadri, Karnal and Dhulkote. The results of police investigation were still awaited (October 1989).

Thus, the failure of the Board to detect short receipt of material with reference to weight resulted in overpayment of Rs. 2.90 lakhs to the firm.

No responsibility had been fixed by the Board (October 1989).

The matter was reported to the Board and Government in August 1989; their replies had not been received (October 1989).

4.4.6. Purchase of cables at higher rates

As per Haryana State Electricity Board (Purchase) Regulations, 1974, the indents for the capital equipment and material for works below 33 KV and for operation and maintenance of existing works are required to be submitted by the Chief Engineer (Operations) 12 months in advance of requirement. On receipt of the indents, the Material Management Organisation (M MO) prepares consolidated itemwise list of equipment and material to be procured during the year.

The indents for various types of cables required for release of general services/tubewell connections and maintenance and upkeep of local distribution system during the year 1987-88 were submitted by Chief Engineers

(Operations) in December 1986 i.e., only four months in advance of requirement. Tenders for supply of 2,447.5 Km. cables in 12 different sizes were invited/opened in March/May 1987 and in response, 24 firms quoted the rates.

Keeping in view the anticipated supply of cables against pending orders (534 Kms.), the Store Purchase Committee decided (August 1987) to place 12 orders for 1,880 Km. of cables on eight firms. Telegraphic orders were issued in August 1987 to eight firms which were subject to their acceptance. Three firms conveyed their acceptance (August/September 1987), but detailed purchase orders were not issued immediately to these firms.

On 3rd November 1987, the whole time members decided to purchase cables in four sizes through a Special Purchase Committee (SPC) preferably against ex-stock supplies in view of acute shortage of cables as detailed orders against annual requirement were yet to be issued by the MMO. In pursuance of the above decision, the committee issued tender enquiry to eight firms (November 1987) which were regular suppliers of cables to the Board. Offers received from four firms were opened on 13th November 1987. Meanwhile, the Board issued nine detailed purchase orders on 4/16th November 1987 to eight firms for supply of 1,780 Km. cables against tender enquiries opened in May 1987. This quantity included 230 Kms. in 3 sizes authorised for purchase through SPC. The SPC also placed order on R.K. Electrical Industries, New Delhi on 3rd December 1987 for the supply of 250 Km. cables of the same 3 sizes, at rates higher than those of the purchase orders already issued in November 1987, resulting in an extra expenditure of Rs. 4.46 lakhs.

Thus, owing to (i) delay in sending indent for requirement of cables for the year 1987-88 by Chief Engineers (Operations); (ii) delay in issue of detailed purchase orders by MMO and (iii) purchase of cables at higher rates without keeping in view the rates allowed for similar type of cables by MMO, the Board had to incur an extra expenditure of Rs. 4.46 lakhs.

The matter was reported to the Board and Government in June 1989; their replies had not been received (October 1989).

4.4.7. Acceptance of substandard meters

After inviting tenders, an order for supply of 215 (11 K.V.) Trivector meters (value : Rs. 11.57 lakhs) was placed on Industrial Meters Private Limited, Bombay in February 1987. As per the terms of the purchase order, the firm was to get the sample approved from the Superintending Engineer (Maintenance and protection), Hisar within one month of the receipt of the order and the meters were to be inspected and tested before despatch.

Sample meter supplied by the firm was tested in Board's laboratory in May 1987. Test results indicated that 'in case of system voltage going below 80 *per cent* of the rated system voltage, the clutch coil will not function throwing the Maximum Demand Indicator registration out of gear; consequently, its recording under such system conditions will be absurd and problematic in the field'. Without obtaining fresh sample meter, the sample was approved in September 1987 on the basis of undertaking given by the firm (July 1987) that meters would operate even if voltage falls below 80 *per cent* but not below 70 *per cent*.

172 meters were inspected in October 1987 (86 meters) and January 1988 (86 meters) by an Assistant Executive Engineer (AEE) at the firm's works. Without checking the meters offered for inspection with the approved sample, the AEE reported that the meters were found conforming to the Board's specifications. 172 meters were received between November 1987 and February 1988 against which entire payment of Rs. 9.26 lakhs was made in December 1987 and March 1988. Performance of these meters was not found satisfactory (January 1988) as 'the maximum demand and energy consumption of the meter was reduced by more than 10 *per cent*, if the phase sequence of the line was changed; and the meter was very sluggish at low loads and counter gears were sticky'.

The matter v taken up with the firm in July 1988. The firm contested the point that the meters were not as per approved sample. Thereafter, six meters selected at random were got tested (December 1988) from Bhakra Beas Management Board (BB MB) laboratory and all these meters failed in one or other tests. In a meeting held with the firm in March 1989, it was decided that all the meters be got tested and recalibrated individually irrespective of reports on sample meters received from BB MB laboratory. The firm agreed to repair the meters found defective.

83 meters were found defective after testing, out of which 40 meters were repaired (April-May 1989) by the firm leaving 43 defective meters, valuing Rs 2.31 lakhs, unrepaired.

The whole time members of the Board decided (April 1989) to cancel the order for balance 43 meters (out of 215 meters ordered) and not to issue 172 meters already supplied by the firm for loads exceeding 100 KW in view of their poor performance. Accordingly, the order for balance 43 meters was cancelled in June 1989.

Thus, laxity in approval of the sample and inspection of meters resulted in acceptance of 172 sub-standard/defective meters valuing Rs. 9.26 lakhs, of which 43 meters valuing Rs. 2.31 lakhs were lying un-repaired and the balance 129 meters (value : Rs. 6.95 lakhs) could not be put to intended use.

No responsibility in the matter had been fixed (October 1989).

The matter was reported to the Board and Government in August 1989; their replies had not been received (October 1989).

4.4.8. Undue financial aid

According to Sales Manual of the Board, a consumer has the option either to pay the cost of service line in lump sum or a monthly rental as prescribed in the schedule of service charges.

Lauls Private Limited, Faridabad applied for a large supply connection in September 1982. Though the estimate for the work was sanctioned in June 1984 for Rs. 1.25 lakhs, the cost was not mentioned in the demand notice issued in July 1984. Nevertheless, the consumer opted (July 1984) to pay the cost in instalments instead of lump sum or on monthly rental basis as stipulated in the Sales Manual.

However, the connection could not be released through the approved route as the land owners did not allow the service line to pass through their premises.

The connection was released in July 1985 through a longer route. Neither the estimate was revised nor was the cost of service line got deposited from the consumer.

The revised estimate for Rs. 2.73 lakhs was submitted in March 1986 for sanction of the competent authority. The estimate was yet to be sanctioned (October 1989). However, a sum of Rs. 2.69 lakhs, being the actual cost booked for service line, was deposited by the consumer in June 1988.

Thus, owing to release of the connection to the consumer without asking for the deposit towards the cost of service line, an amount of Rs. 2.69 lakhs remained blocked for 35 months (from July 1985 to May 1988) resulting in undue financial aid to the firm. As the Board had been operating on borrowed funds, the incidence of interest (at the rate of 17.5 *per cent* per annum) on the blocked funds amounted to Rs. 1.35 lakhs. No responsibility in the matter had been fixed by the Board (October 1989).

The matter was reported to the Board and Government in July 1989; their replies had not been received (October 1989).

4.4.9. Payment without receipt of material

An order for supply of a set each of Generator Bearing Brass (GBB) valuing Rs. 0.82 lakh and Excitor Bearing Brass (EBB) valuing Rs. 0.20 lakh was placed (May 1979) on Bharat Heavy Electricals Limited (BHEL), New Delhi by Thermal Power House, Faridabad. In terms of the order, 10 *per cent* payment was to be made in advance and balance 90 *per cent* against railway receipt/despatch documents.

Advance payment of Rs. 0.09 lakh (GBB : 0.07 lakh; EBB : 0.02 lakh) was made to BHEL in June 1979. BHEL despatched (June 1979) one set of GBB by road from Hyderabad and sent invoice (October 1979) for payment. Neither the material was received by the Board nor was payment made to the supplier.

In January 1981, BHEL despatched EBB by road and sent invoice (March 1981) for payment. EBB was received in April 1981 and accounted for vide Store Receipt Voucher (SRV) No. 21/6 of April 1981 simply as Bearing Brass.

BHEL approached the Board in December 1982 for payment of invoice of October 1979 for GBB. Payment of Rs. 0.75 lakh was made (February 1983) to BHEL on the basis of SRV No. 21/6. Payment of Rs. 0.18 lakh on account of supply of EBB was also released (December 1986) against invoice dated 31st March 1981 on the basis of same SRV No. 21/6 without locating the whereabouts of GBB.

On being pointed out in Audit the matter was taken up (May 1989) with BHEL. BHEL in their reply stated (May 1989) that the GBB was despatched on 15th June 1979 by road and asked the Board to locate the item. The thermal authorities stated (June 1989) that the whereabouts of GBB were being ascertained and a sum of Rs. 0.17 lakh had since been adjusted (May 1988) from the pending bills of BHEL but there was nothing on record to show that BHEL had accepted deduction made by the Board.

Thus, failure to record correct entry of material received and release of payment without ensuring receipt of material resulted in undue payment of Rs. 0.82 lakh and loss of interest of Rs. 0.93 lakh thereon, for which no responsibility had been fixed by the Board (October 1989).

The matter was reported to the Board and Government in July 1989; their replies had not been received (October 1989).

4.4.10. Non-reimbursement of freight charges

During the period from 24th to 30th October 1985, 800 tonnes of cement was purchased by the Board from a cement factory at Charkhi Dadri under the authorisation from the Cement Controller. The cement was transported by road and freight charges amounting to Rs. 0.64 lakh were paid (October 1985) by Executive Engineer (XEN), Central Store, Rohtak and Sub-Divisional Officer (SDO) Divisional Store, Jind. As per terms of authorisation, in case of transportation of cement by road, the freight charges were reimbursable by the cement factory provided the claim for refund of freight charges was preferred within a period of six months from the date of despatch of cement. SDO, Divisional Store, Jind lodged (November 1985) a claim of Rs. 0.28 lakh with the cement factory but all the relevant documents were not furnished with the claim. The XEN, Central Store, Rohtak also lodged a similar claim for Rs. 0.36 lakh in February 1987 *i.e.* long after expiry of six months period from the date of despatch of cement. Both the claims were rejected (May 1988) by cement factory on the ground that these were time barred.

Thus, owing to late/incomplete preferring of claims, the Board had to incur a loss of Rs. 0.64 lakh on account of non-reimbursement of freight charges. Responsibility for the lapse has, however, not been fixed (October 1989).

The matter was reported to the Board and Government in August 1989; their replies had not been received (October 1989).

4.5. HARYANA WAREHOUSING CORPORATION

4.5.1. infructuous expenditure

In 1984, the Corporation hired six godowns of 1,575 tonnes capacity each at Cheeka from Nav Durga Trading Company, Cheeka on a monthly rent of Rs. 2,520 per godown. As per the terms of the rent deed, the Corporation could vacate the godowns at any time without prior notice by sending a formal intimation to the owner. The godowns were not in good condition since July 1986 and needed repairs but no action was taken by the owner to repair the godowns as per the terms of rent of rent deed. In September 1987, the District Manager, Kaithal sought permission of the Corporation to dehire the godowns with immediate effect to save rent in view of their poor physical condition and remote chances of utilisation in near future.

Five godowns were dehired only on 31st May 1988 and the sixth godown was still (May 1989) under the possession of the Corporation.

The table below indicates the extent of utilisation of six godowns during the period from October 1987 to May 1988 :

Month	Aggregate capacity	Actual capacity utilised	Percentage of utilisation
	(In tonnes)		
October 1987	9450	795.7	8.4
November 1987 to March 1988	9450	905.9	9.6
April 1988	9450	1330.8	14.1
May 1988	9450	1140.1	12.1

It would be seen from the above table that the capacity utilisation of all the six godowns was even less than the capacity of one godown.

Thus, the delay in dehiring of the godowns which were even not storage-worthy, resulted in an infructuous expenditure of Rs. 1.01 lakhs on rent.

The Corporation/Government stated (August 1989) that these godowns were retained in the hope of utilisation in near future.

4.6. HARYANA FINANCIAL CORPORATION

4.6.1 Irregular disbursement of loan

The Corporation sanctioned (May 1985) a loan of Rs. 4.27 lakhs to Lord Krishna Ice and General Mills, for setting up an ice plant at Odhan (Sirsa) with a stipulation that machinery would be purchased from Jindal India, Yamuna Nagar and Kisan Tubewell Store, Sirsa, the suppliers approved by the Corporation. The Corporation disbursed (January—February 1986) Rs. 1.09 lakhs to the loanee for land (Rs. 0.07 lakh), building (Rs. 0.42 lakh) and some items of machinery (Rs. 0.60 lakh). In April 1986, the loanee sought permission of the Corporation for change of both the suppliers of machinery which had refused to supply the machinery at the quoted rates and requested for permission to purchase the machinery from Ganesh Mechanical Works, Yamuna Nagar and Lucky Trading Company, Yamuna Nagar. The Corporation, however, granted the permission without verifying the genuineness of the new suppliers.

The Corporation deputed (May 1986) a clerk to supervise the despatch of machinery by suppliers and make payment of Rs. 2.56 lakhs thereagainst. The clerk delivered two cheques (Rs. 1.29 lakhs and Rs. 1.27 lakhs) to the suppliers without ensuring despatch of machinery to loanee and transit insurance etc. As no information regarding receipt of machinery by the loanee was received, the clerk visited the factory of loanee but did not find any machinery there. The clerk was placed (May 1986) under suspension for the lapse and an F.I.R. was lodged with police against the suppliers and the loanee in June 1986. However, the clerk was reinstated in August 1988 by imposing a penalty of stoppage of two increments with cumulative effect. The police case was still under investigation (October 1989).

The Corporation took over the possession (July 1988) of land (the building was found demolished and some machines installed there removed by loanee) which was put to auction three times between September 1988 and February 1989 but no bid was received.

Thus, irregular disbursement of the loan resulted in unfruitful investment of Rs. 2.56 lakhs.

The matter was reported to the Corporation and Government in August 1989; their replies had not been received (October 1989).

Raghubir Singh

(RAGHUBIR SINGH)

CHANDIGARH **Accountant General (Audit) Haryana.**

The

Countersigned

(C.G. SOMIAH)

NEW DELHI **Comptroller and Auditor General of India.**

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ANNEXURES

ANNEXURE—I

LIST OF COMPANIES IN WHICH GOVERNMENT'S INVESTMENT WAS MORE THAN Rs. 10 LAKHS

(Referred to in paragraph 3 page of preface and paragraph 1.2.6 page 11)

Serial number	Name of company	Total investment up to 1988-89
		(Rupees in lakhs)
1.	Indo Swiss Times Limited, Gurgaon	15.00
2.	East India Syntex Limited, Dharuhera	15.40
3.	Pashupati Spinning and Weaving Mills Limited, Dharuhera	20.00
4.	Sehgal Papers Limited, Dharuhera	25.00
5.	Rama Fibres Limited, Hisar	19.50
6.	Victor Cables Limited, Dharuhera	12.75
7.	Uni-Products (India)Limited, Ladowas(Mohindergarh)	19.00
8.	Omex India Limited, Rewari	17.00
9.	Heynen India Limited, Rewari	11.85
10.	Life Line Injects Limited, Pachor (Mohindergarh)	12.45

ANNEXURE—

STATEMENT SHOWING PARTICULARS OF UP TO DATE PAID-UP BY GOVERNMENT AND AMOUNTS OUTSTANDING THEREAGAINST.

(Referred to in paragraph

Serial Number	Name of company	Paid up capital as at the end of 31stMarch 1989				Loans outstanding at the close of the current year
		State Government	Central Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	4
				(Figurers in columns 3 to 6(b to d)		
1.	Haryana Harijan Kalyan Nigam Limited	10,79.95	—	—	10,79.95	116.30 1,21.46
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	10,89.10	—	—	10,89.10	1,49,83.00
3.	Haryana Tourism Corporation Limited(HTC)	5,58.59	—	—	5,58.59	75.00
4.	Haryana Backward Classes Kalyan Nigam Limited	3,99.99	—	—	3,99.99	—
5.	Haryana Agro Industries Corporation Limited	1,69.83	94.83	—	2,64.66	—
6.	Haryana Women and Weaker Sections Development Corporation Limited	1,74.72	—	—	1,74.72	—

2

CAPITAL, OUTSTANDING LOANS, AMOUNT OF GUARANTEES GIVEN WORKING RESULTS ETC. OF ALL THE COMPANIES

1.2.2. page 1)

Amount of guarantee given	Amount of guarantee outstanding at the close of the current year	Outstanding guarantee commission payable at the close of the current year	Position at the end of the year for which accounts were finalised			
			Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated Profit(+) Loss(—)	Any excess of loss over paid-up capital
5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
are in lakhs of rupees)						
—	—	—	1980–81	3,42.90	(—)11.44	—
1,70,48.39	54,12.26	—	1983–84	9,99.94	(—)41.99	—
—	—	—	1986–87	4,78.59	(+)5.21	—
—	—	—	1985–86	2,65.00	(—)63.95	—
—	—	—	1988–89	2,64.66	(-)10,50.54	7,85.88
—	—	—	1986–87	1,11.00	(—)86.11	—

1	2	3(a)	3(b)	3(c)	3(d)	4
7.	Haryana State Small Industries and Export Corporation Limited	75.75	10.00	—	85.75	2,00.00
8.	Haryana Land Reclamation and Development Corporation Limited	1,36.64	—	19.66	1,56.30	26.30
9.	Haryana Seeds Development Corporotion Limited	1,79.92	1,11.50	32.64	3,24.06	4,20.41
10.	Haryana State Handloom and Handicrafts Corporation Limited	2,31.00	—	—	2,31.00	1,32.38
11.	Haryana State Industrial Development Corporation Limited(HSIDC)	17,81.58	—	—	17,81.58	17,35.90
12.	Haryana Dairy Development Corporation Limited	5,57.48	—	—	5,57.48	1,94.97
13.	Haryana State Electronics Development Corporation Limited	2,25.00	—	—	2,25.00	30.00

5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
2,00.00	2,00.00	—	1987-88	85.75	(—)0.04	—
1,14.02	26.30	—	1988-89	1,56.30	(—)46.66	—
87.64	90.30	—	1988-89	3,24.06	(-)3,80.73	56.67
—	—	—	1987-88	1,95.00	(-)1,15.00	—
—	—	—	1987-88	16,47.58	98.62	—
5,29.00	4,68.51	—	1987-88	5,57.48	(-)6,27.20	69.72
—	—	—	1987-88	2,25.00	(+)0.20	—

1	2	3(a)	3(b)	3(c)	3(d)	4
14.	Haryana Roadways Engineering Corporation Limited	2,00.00	—	—	2,00.00	16,28.47
15.	Haryana Television Limited (Holding Company HSIDC)	—	—	19.40	19.40	1,25.43
16.	Haryana Hotels Limited (Holding Company HTC)	—	—	3,41.44	3,41.44	20.00
17.	Haryana Matches Limited (Holding Company HSIDC)	—	—	12.50	12.50	8.26
18.	Haryana Concast Limited(Holding Company HSIDC)	50.00	—	2,61.15	3,11.15	6,53.34
19.	Haryana Breweries Limited(Holding Company HSIDC)	11.15	—	1,50.15	1,61.30	1,32.48
20.	Haryana Minerals Limited(Holding Company HSIDC)	—	—	24.04	24.04	31.92
	Total	69,20.70	2,16.33	8,60.98	79,98.01	2,05,19.32

5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
20,00.00	20,00.00	—	Accounts not compiled as yet although the Company was incorporated on 27th November, 1987.			
—	—	—	1982-83	19.40	(—)93.02	73.62
—	—	—	The Company was Incorporated in April 1983 and its first accounts were under revision.			
—	—	—	1987-88	12.50	(—)21.01	8.51
—	—	—	1987-88	3,11.15	(-)3,85.87	74.72
—	—	—	1987-88	1,71.91	(+)51.43	—
16.40	7.51	—	1988-89	24.04	(+)3.25	—
1,99,95.45	82,04.88	—	—	—	—	—

ANNEXURE—

SUMMARISED FINANCIAL RESULTS OF ALL THE GOVERNMENT WERE

(Referred to in paragraph)

Serial number	Name of company	Name of department	Date of incorporation	Period of accounts	Year in which finalised	Total capital invested at the end of year of account (A)
1	2	3	4	5	6	7
				(Figures in columns 7 to 13		
1.	Haryana Harijan Kalyan Nigam Limited	Social Welfare	2nd January 1971	1980–81 (July-June) from 1982-83 April-March	1988	4,17.37
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	Irrigation	9th January 1970	1983–84 (April-March)	1988	93,15.10
3.	Haryana Tourism Corporation Limited(HTC)	Tourism	1st May 1974	1986–87 (April-March)	1989	8,49.97
4.	Haryana Backward Classes Kalyan Nigam Limited	Social Welfare	10th December 1980	1985–86 (April-March)	1989	2,65.00
5.	Haryana Agro Industries Corporation Limited	Agriculture	30th March 1967	1987–88 (July-June)	1988	2,39.66
				1988–89 (July-March)	1989	2,64.66

3

COMPANIES FOR THE LATEST YEAR FOR WHICH ACCOUNTS FINALISED

1.2.3. page 3)

Profit(+) Loss(—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (8+10)	Capital employed (B)	Total return on capital employed (8+9)	Percentage of total return on capital invested	Percentage of total return on capital employed
8	9	10	11	12	13	14	15
are in lakhs of rupees)							
(—)7.18	0.77	0.77	(—)6.41	4,07.02	(—)6.41	—	—
(–)2,41.14	7,51.07	7,28.33	(+)4,87.19	87,11.33	(+)5,09.93	5.23	5.85
(+)32.10	23.40	23.40	55.50	5,08.53	55.50	6.53	10.91
(–)13.92	—	—	(–)13.92	2,01.05	(–)13.92	—	—
(–)94.05	82.86	—	(–)94.05	3,07.94	( )11.19	—	—
(+)0.40	16.38	—	(+)0.40	3,66.46	(+)16.78	0.15	4.58

	2	3	4	5	6	7
6.	Haryana Women and Weaker Sections Development Corporation Limited	Social Welfare	31st March 1982	1986–87 (April-March)	1988	1,11.00
7.	Haryana State Small Industries and Export Corporation Limited	Industries	10th September 1967	1987–88 (July-June)	1989	3,83.39
8.	Haryana Land Reclamation and Development Corporation Limited	Agriculture	27th March 1974	1987–88 1988–89 (April-March)	1988 1989	1,93.65 2,27.31
9.	Haryana Seeds Development Corporation Limited	Agriculture	12th September 1974	1987–88 (July-June) 1988–89 (July-March)	1989 1989	7,21.38 7,37.71
10.	Haryana State Handloom and Handicrafts Corporation Limited	Industries	20th February 1976	1987–88 (April-March)	1989	3,30.16
11.	Haryana State Industrial Development Corporation Limited(HSIDC)	Industries	8th March 1967	1987–88 (April-March)	1988	—
12.	Haryana Dairy Development Corporation Limited	Animal Husbandry	3rd November 1969	1987–88 (April-March)	1989	8,32.86

8	9	10	11	12	13	14	15
(-)30.09	—	—	(-)30.09	24.72	(-)30.09	—	—
(+)23.27	28.22	18.12	(+)41.39	6,05.75	(+)51.49	10.80	8.50
(+)94.89	7.49	4.45	(+)99.34	2,28.35	(+)1,02.35	51.33	44.83
(+)51.01	8.07	3.14	(+)54.15	3,14.62	(+)59.08	23.82	18.78
(-)92.62	1,15.26	64.98	(-)27.64	8,54.02	(+)22.64	—	2.65
(-)61.68	75.66	49.72	(-)11.96	7,90.66	(+)13.98	—	1.77
(-)29.02	10.25	6.57	(-)22.45	2,44.93	(-)18.77	—	—
				(C)	(D)		
(+)69.71	99.73	—	(+)69.71	33,82.04	(+)1,69.44	—	5.01
(-)38.33	40.48	40.48	2.15	3,68.87	2.15	0.26	0.58

1	2	3	4	5	6	7
13.	Haryana State Electronics Development Corporation Limited	Industries	15th May 1982	1987–88 (April-March)	1988	2,25.20
14.	Haryana Roadways Engineering Corporation Limited	Transport	27th November 1987	—	—	—
15.	Haryana Television Limited	Industries	18th March 1977	1982–83 (April-March)	1988	1,16.74
16.	Haryana Hotels Limited	Tourism	11th April 1983	—	—	—
17.	Haryana Matches Limited	Industries	17th June 1970	1987–88 (April-March)	1988	20.76
18.	Haryana Cancast Limited	Industries	29th November 1973	1987–88 (April-March)	1988	9,90.94
19.	Haryana Breweries Limited	Industries	14th September 1970	1987–88 (April-March)	1988	2,27.27
20.	Haryana Minerals Limited	Industries	2nd December 1972	1988–89 (April-March)	1989	1,02.12

Note : (A) Capital invested represents paid-up capital plus long-term loans and free

(B) Capital employed represents net fixed assets (excluding capital

(C) Represents mean capital employed i.e. mean of aggregate of (iii) borrowings.

(D) Represents net profit before charging interest, tax provisions and

8	9	10	11	12	13	14	15
(+)3.35	—	—	(+)3.35	2,73.56	(+)3.35	1.49	1.22
—	—	—	—	Accounts not compiled as the Company was incorporated on 27th November, 1987.			
(–)2.06	3.42	3.42	1.36	46.82	1.36	1.16	2.90
—	—	—	—	The Company was incorporated in April 1983 and its first accounts were under revision.			
(–)0.91	0.43	0.43	(–)0.48	(–)0.26	(–)0.48	—	—
(–)56.85	75.47	43.97	(–)12.88	8,89.79	(+)18.62	—	2.09
(+)30.40	35.50	—	(+)30.40	4,49.42	(+)65.90	13.37	14.66
(–)9.63	4.38	—	(–)9.63	1,04.52	(–)5.25	—	—

reserves.

work-in-progress) plus working capital.

opening and closing balances of (i) paid-up capital (ii) reserves and surplus and

revenues under Section 36(1) (viii) of the Income Tax Act, 1961.

ANNEXURE—

SUMMARISED FINANCIAL RESULTS OF STATUTORY CORPORATIONS

(Referred to in

Serial number	Name of corporation/ Board	Name of department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
				(Figures in column 6 to	
1.	Haryana State Electricity Board	Irrigation and Power	3rd May 1967	1988–89	16,88.18
2.	Haryana Financial Corporation	Industries	1st April 1967	1988–89	94.61
3.	Haryana Warehousing Corporation	Agriculture	1st November 1967	1988–89	25.48

1. Capital invested represents paid-up capital plus long-term loans and free
2. Capital employed (except in the case of Haryana Financial Corporation) capital.
3. In case of Haryana Financial Corporation Capital employed represent mean reserves and (iv) borrowings.
4. Loss for the year in case of Haryana State Electricity Board has been arrived

4

FOR LATEST YEAR FOR WHICH THE ACCOUNTS WERE FINALISED

(pragraph 1.3.4. page 15)

Profit (+) Loss(—)	Total interest charged to profit & 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	Percen- of total return on capital employed
7	8	9	10	11	12	13	14
12 are in crores of rupees)							
(–)52.16	1,08.48	1,06.45	54.29	16,09.29	56.32	3.2	3.5
(+)1.45	6.66	6.66	8.11	88.28	8.11	8.6	9.2
(+)1.72	0.50	0.50	2.22	25.47	2.22	8.7	8.7

reserves

represents net fixed assets (excluding capital work-in-progress) *plus* working

of aggregate of opening and closing balances of (i) paid-up capital (ii) bonds (iii)

at after giving effect to previous year adjustments (Net) of Rs. 8.75 crores.

20925—A.G.—H.G.P., Chd.