REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 1996

NO. 2

(COMMERCIAL)

GOVERNMENT OF HARYANA

Table of Contents

Table of Contents

Table of Contents

Preface

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

- Government companies;
- Statutory corporations; and
- Departmentally managed commercial undertakings.

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

3. There are, however, certain companies which inspite of Government investment are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled companies/corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government investment was more than Rs.10 lakhs as on 31 March 1996 is given in Annexure - I.

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

5. The cases mentioned in this Report are those which came to notice in the course of test audit of accounts during the year 1995-96 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 1995-96 have also been included, wherever considered necessary.

Preface

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

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

3. There are, however, certain companies which, in spite of Government's 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 lakh as on 31 March 1996 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 Corporation and Haryana Warehousing Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The Audit Reports on the annual accounts of all the corporations are forwarded separately to the Government of Haryana.

5. The cases mentioned in this Report are those which came to notice in the course of test audit of accounts during the year 1995-96 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 1995-96 have also been included, wherever considered necessary.

OVERVIEW

OVERVIEW

The State had 22 Government companies (including four subsidiaries) and three Statutory corporations as on 31 March 1996.

(Paragraphs 1.2.1 and 1.3.1)

- *The aggregate paid-up capital of Government companies was Rs.163.13 crores, of which Rs.150.08 crores were invested by State Government, Rs.4.02 crores by Central Government and Rs.9.03 crores by others (including holding companies). The State Government loans to the extent of Rs.221.40 crores were outstanding as on 31 March 1996 against 14 Government companies.*

(Paragraph 1.2.1 and Annexure-2)

- *The State Government guaranteed the repayment of loans (and interest thereon) raised by seven companies. The amounts guaranteed and outstanding thereagainst as on 31 March 1996 were Rs.277.59 crores and Rs.127.23 crores, respectively.*

(Paragraph 1.2.3 and Annexure-4)

- *Three companies had finalised their accounts for the year 1995-96, the accounts of remaining 19 companies were in arrears ranging from one year to seven years. The oldest arrear in accounts pertaining to any company relates to 1989-90. Thus, the results of investment of Rs.213.38 crores in these companies are not conclusively known.*

(Paragraph 1.2.4)

- ***Out of three companies which had finalised accounts for the year 1995-96, two companies had earned an aggregate profit of Rs.7.23 crores on total share capital of Rs.59.99 crores and one of these companies (Haryana State Industrial Development Corporation Limited) paid dividend amounting to Rs.1.10 crores to the Government.***

(Paragraphs 1.2.4 and 1.2.5.2)

- ***According to the latest available accounts, six companies suffered a total accumulated loss of Rs.67.05 crores which exceeded their paid-up capital by nearly 2.5 times and suffered loss for 2 to 12 consecutive years. Maximum accumulated loss of Rs.39.94 crores was suffered by Haryana State Minor Irrigation and Tubewells Corporation Limited; accounts of which were finalised up to 1990-91. There is little scope of recovery of loan of Rs.28.64 crores granted to five companies whose share capital had been eroded.***

(Paragraph 1.2.5.3 and Annexure-2)

- ***The aggregate paid-up capital of the three Statutory corporations as on 31 March 1996 was Rs.1217.12 crores; of which Rs.1205.66 crores were invested by the State Government and Rs.11.46 crores by others. The State Government loans to the extent of Rs.1170.27 crores were outstanding as on 31 March 1996 against these corporations. The State Government had also guaranteed repayment of loans (and interest thereon) raised by three corporations. The amounts guaranteed and outstanding*** *thereagainst as on 31 March 1996 were Rs.1657.12 crores and Rs.869.92 crores, respectively.*

(Paragraphs 1.3.2 and 1.3.3)

- *The accounts of Haryana State Electricity Board and Haryana Financial Corporation showed a profit of Rs.16.16 crores and Rs.10.72 crores, respectively, for the year 1994-95 and Haryana Warehousing Corporation earned a profit of Rs.20.22 crores during 1995-96.*

(Paragraphs 1.3.4, 1.4.3, 1.5.4 and 1.6.3)

2. The activities of Haryana Seeds Development Corporation Limited, Haryana Tourism Corporation Limited and Transmission and distribution losses of Haryana State Electricity Board were reviewed in audit.

2A. The Haryana Seeds Development Corporation Limited was incorporated in September 1974 with the main object to organise production of quality seeds and process them on scientific lines for sale within the State at reasonable prices.

(Paragraphs 2A.1 and 2A.2)

- *As against the target and production programme of 7000 quintals of Pusa Basmati paddy seed, the Company procured/processed 14377 quintal seed. The Company could sell 3445 quintals only as seed and the remaining seed had to be disposed of as grain at a loss of Rs.46.69 lakhs.*

(Paragraph 2A.7.2(b)(i))

- *During delinting process of cotton seed 1222.44 quintal fresh seed valued at Rs.20.24 lakhs failed due to delayed delinting. The failed seed was disposed of at a loss of Rs.11.24 lakhs*

  (Paragraph 2A.7.2(b)(iii))

- *Production programme of cotton seed given without keeping in view the demand of the farmers resulted in accumulation of stock of cotton seed which led to condemnation of 3966 quintal seed valued at Rs.64.78 lakhs. The failed seed was disposed of at a loss of Rs.34.96 lakhs.*

  (Paragraph 2A.7.2(b)(iv))

- *Against the objective to provide certified seeds at reasonable rates, the selling cost of seed was higher due to abnormal overheads which ranged from 67 to 78 per cent. It was also observed that even in the case of seeds sold through Company's own sale counters, the dealers commission was charged from the farmers and the amount overcharged in respect of wheat seed alone sold during 1994-95 amounted to Rs.105.72 lakhs.*

  (Paragraph 2A.9.1)

- *Procurement of two varieties of Sun flower seed which could not be sold due to higher sale prices even after allowing subsidy at 25 per cent resulted in loss of Rs.46.99 lakhs on its disposal as grain.*

  (Paragraph 2A.10(a) and (b))

2B. The <u>Haryana Tourism Corporation Limited</u> was incorporated in May 1974 with the main objective to promote tourism in the State.

(Paragraph 2B.1)

- *Income of Rs.319.25 lakhs from leasing of shops and sites involving meagre recurring expenditure constituted 80 per cent of total profits of Rs.396.88 lakhs during the five years up to 1995-96.*

(Paragraph 2B.6(b))

- *Ten tourist complexes had been consistently running in losses which accumulated to Rs.92.77 lakhs during the five years up to 1995-96.*

(Paragraph 2B.7)

- *The occupancy of 34 to 50 per cent units was below the accepted norms resulting in shortfall of revenue amounting to Rs.103.80 lakhs.*

(Paragraph 2B.8)

- *The actual food/fuel cost in excess of norms resulted in excess expenditure of Rs.54.44 lakhs during the three years up to March 1996.*

(Paragraphs 2B.11.1, 2B.11.2 and 2B.11.3)

- *The deployment of manpower in excess of norms entailed extra expenditure of Rs.199.96 lakhs during the five years up to 1995-96.*

(Paragraph 2B.12)

3. Transmission and Distribution system is an important and essential link between the power generating source and the ultimate consumption. A power system is made up of components of generation, transformation, transmission and distribution. A part of the energy carried from generating stations to the consumers is lost on account of technical losses due to inherent characteristics of the equipment and on account of commercial losses due to pilferage, defective meters etc. These losses are called transmission and distribution losses or system losses.

(Paragraph 3.1)

- *The transmission and distribution losses in HSEB ranged between 25.38 to 31.41 per cent as against norm of 15.5 per cent prescribed by Central Electricity Authority (CEA) which resulted in loss of Rs.688.21 crores for five years up to 1995-96.*

(Paragraph 3.3.1)

- *Short-billing due to non-installation of adequate metering equipment at 132 KV sub-station Pinjore costed the Board Rs.18.06 crores*

(Paragraph 3.4.2)

- *Double transformation resulted in avoidable transformation losses of Rs.239.64 lakhs during 1992-93 to 1995-96 and extra expenditure of Rs.141.69 lakhs.*

(Paragraph 3.4.5)

- *Shortfall in installation of capacitor banks resulted in transmission losses to the extent of 213.55 MUs valued at Rs.20.85 crores for five years up to 1995-96.*

(Paragraph 3.4.6)

- *Failure of distribution transformers in excess of norms resulted in extra expenditure of Rs.41.74 crores on repairs for five years up to 1995-96.*

(Paragraph 3.5.1(iv))

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

- *Lack of proper planning in conversion of furnace resulted in unfruitful expenditure of Rs.32.40 lakhs.*

(Paragraph 4.1.1)

- *Failure to assess the requirement of inputs and market viability of products resulted in unfruitful expenditure of Rs.20.48 lakhs.*

(Paragraph 4.1.2)

- *Improper storage of wheat resulted in avoidable loss of Rs.17.87 lakhs.*

(Paragraph 4.3.1)

- *Failure to open the "letter of credit" during the currency of the agreement with the supplier resulted in extra expenditure of Rs.87.32 lakhs.*

(Paragraph 4.7.1)

- *Delayed remittance of freight at the booking point resulted in avoidable expenditure of Rs.26.39 lakhs as surcharge.*

  (Paragraph 4.7.2)

- *Placing the purchase order without ensuring the actual requirement and required finance resulted in loss of interest of Rs.24.50 lakhs.*

  (Paragraph 4.7.3)

- *Failure to place the order on the lowest firm and again splitting the order resulted in an avoidable expenditure of Rs.24.42 lakhs.*

  (Paragraph 4.7.4)

Chapter- I

General view of Government companies and Statutory corporations

Introduction

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

1.1 Introduction

The accounts of the Government companies and deemed Government companies (as defined in Section 619 B of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by Central Government on the advice of Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619(4) of the Companies Act, 1956.

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

1.2 Government companies-General view

1.2.1 As on 31 March 1996, there were 22 Government companies (including four subsidiaries) with total investment of Rs.384.53 crores (Equity: Rs.163.13 crores; long-term loans: Rs.221.40 crores) as against 22 companies (including four subsidiaries) with a total investment of Rs.229.93 crores (Equity: Rs.137.90 crores; long-term loans: Rs.92.03 crores) as on 31 March 1995. There was no deemed Government company as on 31 March 1996.

The classification of the companies is as under :

Sl. No.	Particulars	Number of companies	Paid-up capital
			(Rupees in crores)
(a)	Working companies	19	161.49
(b)	Non-working companies		
	(i) Defunct companies	3	1.64
	(ii) Companies under liquidation	Nil	Nil

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

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

EQUITY AND LOANS

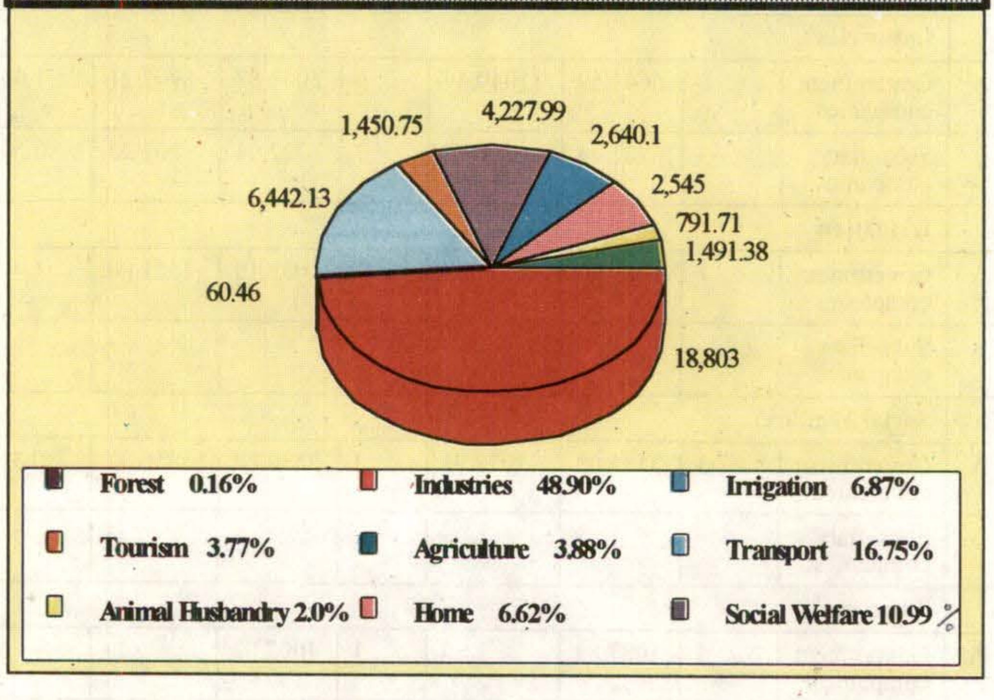
Sl. No.	Depart-ment/ type of Public Sector Under-takings	As at the end of						Debt equity ratio in 1995-96
		1995-96			1994-95			
		Num-ber	Equity	Loan	Num-ber	Equity	Loan	
		(Rupees in lakhs)						
1	**Agriculture**							
A	Government companies	3	1028.25	463.13	3	1000.84	882.70	0.45:1
B	Subsidiary companies	-	-	-	-	-	-	-

Sl. No.	Depart-ment/ type of Public Sector Under-takings	As at the end of						Debt equity ratio in 1995-96
		1995-96			1994-95			
		Num-ber	Equity	Loan	Num-ber	Equity	Loan	
		(Rupees in lakhs)						
2	**Animal Husbandry**							
A	Government companies	1	557.48	234.23	1	557.48	-	0.42:1
B	Subsidiary companies	-	-	-	-	-	-	-
3	**Forest**							
A	Government companies	1	60.46	-	1	40.21	-	-
B	Subsidiary companies	-	-	-	-	-	-	-
4	**Home**							
A	Government companies	1	1405.00	1140.00	1	910.00	-	0.81:1
B	Subsidiary companies	-	-	-	-	-	-	-
5	**Industries**							
A	Government companies	6	6644.59	11049.49	6	5063.87	907.21	1.66:1
B	Subsidiary companies	3	722.04	386.90	3	722.04	207.25	0.54:1
6	**Irrigation**							
A	Government companies	1	1089.10	1551.00	1	1089.10	1551.00	1.42:1
B	Subsidiary companies	-	-	-	-	-	-	-
7	**Social Welfare**							
A	Government companies	3	3155.08	1072.91	3	2836.08	416.32	0.34:1
B	Subsidiary companies	-	-	-	-	-	-	-
8	**Tourism**							
A	Government companies	1	1087.84	-	1	1007.02	-	-
B	Subsidiary companies	1	362.91	-	1	362.91	-	-

Sl. No.	Depart-ment/ type of Public Sector Under-takings	As at the end of						Debt equity ratio in 1995-96
		1995-96			1994-95			
		Num-ber	Equity	Loan	Num-ber	Equity	Loan	
	(Rupees in lakhs)							
9	**Transport**							
A	Government companies	1	200.00	6242.13	1	200.00	5238.58	31.21:1
B	Subsidiary companies	-	-	-	-	-	-	-
	Total	**22**	**16312.75**	**22139.79**	**22**	**13789.55**	**9203.06**	-

The pie chart below also gives a graphical presentation of the sector-wise investment (equity and loans:Rs.38452.54 lakhs) in the companies at the end of 1995-96 :

Sector wise investment in lakhs of Rupees and percentage



Analysis of investments

(a) Decrease in investment in Agriculture sector was mainly due to repayment of loans.

(b) In pursuance of the Industrial policy of the Central Government to disinvest the share holding in PSUs the State Government also decided in 1995 to partially disinvest its holding in selected Government companies. No disinvestment was made by the State Government during the year 1995-96.

1.2.3 Guarantees

The guarantees given by the State Government against loans and credits given by banks etc. to the Public Sector Enterprises for the preceding three years up to 1995-96 and outstanding as on 31 March 1996 are shown in the table below: (See Annexure-4 also).

GUARANTEES GIVEN BY STATE GOVERNMENT

Sl. No.	Guarantees	Amount guaranteed during			Total amount guaranteed as on 31March 1996	Guaranteed amount outstanding as on 31March 1996
		1993-94	1994-95	1995-96		
				(Rupees in crores)		
1	Cash credit from State Bank of India and other Nationalised Banks	Nil	Nil	24.00	24.00	15.00
2	Loans from other sources	27.82	54.98	57.58	253.59	112.23
3	Letters of credits opened by S.B.I in respect of imports	Nil	Nil	Nil	Nil	Nil
4	Payment obligation under agreements with foreign consultants or contracts	Nil	Nil	Nil	Nil	Nil
	Total	**27.82**	**54.98**	**81.58**	**277.59**	**127.23**

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

Budgetary outgo and waiver of dues

(i) The outgo from the State Government during the years 1993-94 to 1995-96 in the form of equity capital, loans and subsidy is as detailed below:

Sl. No.	Particulars	1993-94	1994-95	1995-96
		(Rupees in crores)		
1	Equity capital outgo from Budget	13.75	14.26	24.92
2	Loans given out from Budget	2.05	0.05	0.05
3	Subsidy	112.08	35.17	67.72
	Total outgo	**127.88**	**49.48**	**92.69**

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

WAIVER OF DUES

Sl. No.	Particulars	1993-94	1994-95	1995-96
		(Rupees in crores)		
1	Loans repayments written off	79.95	0.20	Nil
2	Interest waived	Nil	Nil	2.27
3	Penal interest waived	Nil	Nil	0.29
4	Repayment of loans on which moratorium allowed	Nil	Nil	Nil
5	Others	Nil	Nil	Nil
	Total	**79.95**	**0.20**	**2.56**

The amount foregone has gone up in 1995-96.

1.2.4 Finalisation of accounts

Accountability of Public Sector Undertakings to the legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the legislature. Of 22 Government companies, the accounts of 19 companies were in arrears for periods ranging from **one** year to **seven** years as indicated in Annexure-3 (as on 30 September 1996).

According to the latest finalised accounts of these companies, eight companies had incurred losses of Rs.17.17 crores and the remaining 14 companies earned profit of Rs.15.85 crores as indicated in the table below:

Sl. No.	Number of companies	Year up to which accounts were finalised	Profit		Loss		Reference to serial number of annexure-3 (Serial number in bold indicate loss making companies)
			Number of companies	Amount	Number of companies	Amount	
			(Amount in crores of rupees)				
1	3	1995-96	2	7.23	1	6.57	3,7,**1**
2	10	1994-95	9*	8.53	1	3.75	2,4,8,9,11,14 6, 20,21,**15**
3	2	1993-94	-	-	2	0.25	**10,13**
4	1	1991-92	-	-	1	0.13	**18**
5	3	1990-91	1	-**	2	6.17	12,**5,16**
6	2	1989-90	2	0.09	-	-	19,22
7	1	1988-89	-	-	1	0.30	**17**
Total	**22**		**14**	**15.85**	**8**	**17.17**	

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

** Profit Rs. 2821 only hence omitted from the table.

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the companies in the annual general meeting within time schedule prescribed in the Companies Act, 1956. Though the concerned administrative departments and officials of the Government were apprised by Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time schedule, the investment amounting to Rs.213.38 crores (equity: Rs.98.99 crores; long-term loans : Rs.114.39 crores) made in these companies remained outside the purview of audit and their accountability could not be ensured.

1.2.5 Working results

1.2.5.1 Profit making companies

During the year, 11 companies which finalised accounts for 1995-96 or previous years, earned profit of Rs.13.50 crores. Of these, seven companies earned profit for two successive years or more and two companies declared dividend. Free reserves and surpluses amounting to Rs.3.55 crores were built up in six companies.

1.2.5.2 Profits and dividend

Out of three companies which finalised their accounts for 1995-96 by September 1996, two companies earned profit of Rs.7.23 crores on total share capital of Rs.59.99 crores . Of these profit making companies, one company declared dividend amounting to Rs. 1.10 crores as detailed below:

Name of Company	Profit earned	Dividend declared	
	(Rupees in crores)	*Per cent*	Amount (Rupees in crores)
Haryana State Industrial Development Corporation Limited	6.06	1.99	1.10

The dividend as percentage of share capital in the profit making company worked out to 1.99. The other profit making company did not declare any dividend on the profit of Rs.1.16 crores earned by it in 1995-96. On the total equity capital contributed by the State Government, the return worked out to 0.73 *per cent* in 1995-96 compared to 0.80 *per cent* in 1994-95.

1.2.5.3 Loss making companies

According to the latest available accounts, six companies had eroded their paid-up capital as the accumulated losses amounting to Rs.67.05 crores of these companies had far exceeded the paid-up capital of Rs.27.34 crores. Of the nine loss making companies, eight companies suffered loss for 2 to 12 consecutive years as shown below:

Sl. No.	Name of company	Accumulated loss	Suffering loss due to	Paid- up capital	Percentage of capital eroded
		(Rupees in lakhs)			
1	Haryana Harijan Kalyan Nigam Limited	558.48	High incidence of administrative expenses	1049.95	53.19
2	Haryana State Handloom and Handicrafts Corporation Limited	260.15	-do-	254.00	102.42

Sl. No.	Name of company	Accumulated loss	Suffering loss due to	Paid- up capital	Percentage of capital eroded
		(Rupees in lakhs)			
3	Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited	158.33	High incidence of administrative expenses	484.99	32.65
4	Haryana Dairy Development Corporation Limited	695.72	High incidence of interest on loans etc.	557.48	124.80
5	Haryana State Minor Irrigation and Tubewells Corporation Limited	3993.80	High incidence of administrative expenses	1089.10	366.71
6	Haryana Matches Limited	12.50	Operation suspended	12.50	100.00
7	Haryana Tanneries Limited	705.25	-do-	135.15	521.83
8	Haryana Concast Limited	1037.91	High incidence of administrative expenses	685.50	151.41
9	Haryana Forest Development Corporation Limited	0.81	-do-	20.00	4.05

Inspite of the poor performance leading to complete erosion of paid-up capital, the State government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, waiver of interest, conversion of loan into equity, subsidy, etc. The total financial support provided during 1995-96 to five companies of these eight companies amounted to Rs.63.27 crores.

The main reasons for the poor performance of these companies as analysed by audit were high incidence of salaries, wages, administrative expenses and interest on loans, etc.

1.2.5.4 Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the Statutory Auditors. Accordingly, the audited annual accounts of Government companies are reviewed on a selective basis. During the period from October 1995 to September 1996, accounts of 15 companies were selected for review. The net effect of the important comments as a result of such review was as follows:

Details	Number of Accounts	Monetary effect (Rupees in crores)
Increase in losses	2	1.67
Non-disclosure of material facts	1	0.09

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

(a) Return on capital invested

As the capital structure differs from company to company and rates of interest charged on long-term loans given to the companies are not uniform, it may be unrealistic to compare profit of the companies wholly on the basis of profit and loss as reflected in these accounts. To study the results on a uniform basis, therefore, the capital was taken into account consisting of the total paid-up capital, long-term loans and free reserves less accumulated losses at the close of the financial year. Similarly, the return was taken not only as the profit or loss (before tax and prior period adjustments) as disclosed in the accounts but also the interest paid on long-term loans. On this basis, the return on total investment of Rs.173.74 crores in three companies amounted to Rs.15.43 crores (before tax and prior period adjustments) in 1995-96 which comes to 8.88 *per cent* compared to 19.12 *per cent* in 1994-95. The return on capital invested as per latest available accounts during 1995-96 in 22 companies in different sectors was as follows:

Sl. No.	Sector	Number of companies	Capital invested	Return on capital invested	Percentage of return on capital invested
			(Rupees in crores)		
1	Agriculture	3	20.24 (29.38)	8.25 (12.99)	40.76 (44.21)
2	Animal Husbandry	1	0.75 (1.74)	2.27 (0.01)	302.67 (0.57)
3	Forest (First account)	1	0.19	-0.01	-
4	Home	1	9.10 (1.00)	-	-
5	Industries	9	172.10 (149.20)	19.67 (22.12)	11.43 (14.83)
6	Irrigation	1	93.10 (84.71)	3.92 (6.31)	4.21 (7.45)
7	Social Welfare	3	9.96 (9.85)	-0.39 (-0.34)	-
8	Tourism	2	19.74 (17.48)	1.97 (1.64)	9.97 (9.38)
9	Transport	1	23.37 (18.35)	2.87 (0.22)	12.28 (1.20)
	Total	**22**	**348.55 (328.39)**	**38.55 (40.55)**	**11.06 (12.35)**
			(Figures for previous yearsin brackets)		

(b) Return on capital employed

Capital employed has been taken as net fixed assets (excluding capital works-in-progress) *plus* working capital. Interest on borrowed funds is added/subtracted to the net profit/loss as disclosed in the profit and loss account. Thus, during 1995-96 the total capital employed worked out to Rs.237.22 crores in three companies and the return thereon amounted to Rs.37.10 crores which is 15.64 *per cent* as compared to return of Rs.49.23 crores (20.71 *per cent*) in 1994-95.

Sector-wise details of the return on capital employed as per latest available accounts in the 22 Companies during 1995-96 were as under:

Sl. No.	Sector	Number of companies	Capital employed	Return on capital employed	Percent-age of return on capital employed
			(Rupees in crores)		
1	Agriculture	3	85.20 (85.66)	18.99 (28.39)	22.29 (33.14)
2	Animal Husbandry	1	1.93 (3.47)	2.27 (0.01)	117.62 (0.29)
3	Forest (First account)	1	0.19	-0.01	-
4	Home	1	14.15 (1.04)	0.24 (-)	1.70 (-)
5	Industries	9	200.01 (176.36)	22.06 (22.68)	11.03 (12.86)
6	Irrigation	1	155.02 (117.20)	3.92 (6.31)	2.53 (5.38)
7	Social Welfare	3	10.20 (10.83)	-0.39 (-0.34)	-
8	Tourism	2	17.28 (15.07)	1.97 (1.64)	11.40 (10.88)
9	Transport	1	24.24 (19.21)	2.87 (0.22)	11.84 (1.15)
	Total	**22**	**508.22 (479.96)**	**51.92 (56.75)**	**10.22 (11.82)**
			(Figures for previous years in brackets)		

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

Some of the Government companies are engaged in the development/promotion of industries in the State by providing loans or making investments in their share capital. The terms and conditions of the promotional agreement provides for the buy back of the shares from the Government companies by the co-promoter after the promoted unit starts commercial production. During the year, the shares of the following units were disinvested by the Government company:

Sl. No.	Name of company	Name of unit in which investment was made	Number of shares bought back
1	Haryana State Industrial Development Corporation Limited	Haryana Telecom Limited	1327460 shares of Rs.10 each

1.2.7 Important points made by Statutory Auditors and CAG

Some of the important points made by the Statutory Auditors and the Comptroller and Auditor General of India in respect of the companies whose annual accounts were audited during the year are indicated below:

1.2.7.1 The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directions to the Statutory Auditors of Government companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the Statutory Auditors on the accounts of eight companies for the years 1991-92 to 1994-95 were received during the year. The important points noticed in the reports are summarised below:

Sl. No.	Nature of defect	Number of companies in which defect was noticed	Reference to Sl.No. of companies as per Annexure- 3
1	Absence of accounting manual	1	19
2	Non conducting of internal audit, system analysis audit and inadequacy of internal control and internal audit	4	1,14,15,19
3	Non-fixation of norms for consumption of raw materials and energy	2	14,15
4	Absence of system for procurement, awarding of construction contracts and disposal procedure	1	15
5	Non-fixation of maximum and minimum limits of stores, spares etc.	2	14, 15
6	Absence of system for analysis of idle hours in respect of high value machines	2	14,15
7	Non-reconciliation of financial transactions of purchase/sale with the excise records	1	15
8	Non-preparation of sales and profit figures for major products	2	14,15
9	Non-reconciliation of fixed assets register with financial books	2	14,17
10	Non-computing of cost of major operations, jobs, products, process and services and non-identification of idle time of labour and overheads	2	1,14
11	Non-fixation of norms for deployment of manpower	1	1

1.2.7.2 Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the Audit Reports of the Statutory Auditors. Under this provision, the review of annual accounts of Government companies is being conducted in selected cases. Accounts relating to 15 companies were selected for such review during the period from October 1995 to September 1996.

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

(a) **Haryana Harijan Kalyan Nigam Limited (accounts for the year 1988-89)**

Loss (Rs.30.12 lakhs) was understated by Rs.16 lakhs due to :

- treatment of Government grant (Rs.14.11 lakhs) received for creation of assets, as income during the year instead of allocating it proportionately to the life of the asset; and
- short provision of depreciation by Rs.1.89 lakhs.

(b) **Punjab State Irons Limited (accounts for the year 1990-91)**

Fixed assets (Rs.9.09 lakhs) included land valued at Rs.9.07 lakhs already disposed of in March 1985.

(c) **Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited (accounts for the year 1991-92)**

Accumulated loss (Rs.158.33 lakhs) was understated by Rs.151.24 lakhs due to non-accounting of loans and advances written off by the Board of Directors.

1.2.8 Capacity utilisation

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

1.2.9 Other investments

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

1.3 Statutory corporations

1.3.1 General aspects

There were three Statutory corporations in the State as on 31 March 1996. Audit arrangement of these Corporations are shown below:

Name of the Corporation	Statute under which constituted	Date of Formation	Audit arrangement	Year up to which accounts finalised	Separate Audit Report placed in legislature up to the year	Authority for audit by CAG
Haryana State Electricity Board	Electricity (Supply) Act, 1948	3 May 1967	CAG is the sole Auditor	1994-95	1993-94	Section 69 of Electricity (Supply) Act, 1948
Haryana Financial Corporation	State Financial Corporations Act, 1951	1 April 1967	Accounts audited by Chartered Accountants appointed by State Government in consultation with CAG	1994-95	1993-94	Section 37 (6) of the State Financial Corporations Act, 1951
Haryana Warehousing Corporation	Warehousing Corporation Act,1962	1 November 1967	-do-	1995-96	1992-93	Section 31(1) of Warehousing Corporation Act, 1962

1.3.2 Investment

The total investment in these corporations as on 31 March 1996 was Rs.3986.33 crores (Equity:Rs.1217.12 crores, long-term loans: Rs.2769.21 crores) as against three Statutory corporations with total investment of Rs.3420.67 crores as on 31 March 1995 (Equity: Rs.1213.26 crores, long-term loans: Rs.2207.41 crores).

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

EQUITY AND LOANS

Sl. No..	Department/ type of PSUs	As at the end of				Debt equity ratio in 1995-96
		1995-96		1994-95		
		Equity	Loan	Equity	Loan	
	(Rupees in crores)					
1	**Irrigation**					
	Haryana State Electricity Board	1190.00 (1190.00)	2210.89 (1163.14)	1190.00 (1190.00)	1810.12 (837.41)	1.86:1
2	**Industries**					
	Haryana Financial Corporation	21.28 (12.74)	556.67 (7.13)	17.42 (12.74)	395.09 (4.08)	26.16:1
3	**Agriculture**					
	Haryana Warehousing Corporation	5.84 (2.92)	1.65 (Nil)	5.84 (2.92)	2.20 (Nil)	0.28:1
	Total	**1217.12 (1205.66)**	**2769.21 (1170.27)**	**1213.26 (1205.66)**	**2207.41 (841.49)**	

(Figures in brackets denote State Government Investment)

1.3.3 Guarantee on loans

The guarantees given by the State Government against loans and credits given by banks etc. to the corporations for the preceding three years up to 1995-96 and outstanding as on 31 March 1996 are shown in the table below:

GUARANTEES GIVEN BY STATE GOVERNMENT

Sl. No.	Guarantees	Amount guaranteed during			Total amount guaranteed as on 31 March 1996	Guaranteed amount outstanding as on 31March 1996
		1993-94	1994-95	1995-96		
(Rupees in crores)						
1	Cash credit from State Bank of India and other nationalised banks	143.00	165.00	45.00	45.00	19.30
2	Loans from other sources	289.45	239.72	183.00	1612.12	850.62
3	Letters of credits opened by S.B.I. in respect of imports	Nil	Nil	Nil	Nil	Nil
4	Payment obligation under agreements with foreign consultants or contracts	Nil	Nil	Nil	Nil	Nil
	Total	**432.45**	**404.72**	**228.00**	**1657.12**	**869.92**

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

Budgetary outgo and waiver of dues

The outgo from the State Government to three corporations during the years 1993-94 to 1995-96 in the form of equity capital, loans and subsidy is as detailed below:

Sl. No.	Particulars	1993-94	1994-95	1995-96
			(Rupees in crores)	
1	Equity capital outgo from Budget	1.52	Nil	Nil
2	Loans given out from Budget	230.01	303.81	329.78
3	Subsidy	71.82	115.11	210.09
	Total outgo	**303.35**	**418.92**	**539.87**

1.3.4 Finalisation of accounts

According to the latest finalised accounts of these three corporations, all the three corporations earned a profit of Rs.47.10 crores as indicated in the table below:

Sl.No.	Name of the corporation	Year up to which accounts were finalised	Profit/ surplus	Loss/ deficit
			(Rupees in crores)	
1	Haryana State Electricity Board	1994-95	16.16	-
2	Haryana Financial Corporation	1994-95	10.72	-
3	Haryana Warehousing Corporation	1995-96	20.22	-
	Total		**47.10**	-

Out of three corporations, Haryana State Electricity Board submitted its accounts for the year 1995-96 in August 1996 for audit and the same are under finalisation (September, 1996); one corporation had not submitted its accounts for the year 1995-96 (September 1996).

1.3.5 Subsidy

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

Sl. No.	Name of the corporation	Subsidy received during		
		(Rupees in crores)		
		1993-94	1994-95	1995-96
1	Haryana State Electricity Board	71.78	115.07	210.05
2	Haryana Financial Corporation	Nil	Nil	Nil
3	Haryana Warehousing Corporation	0.04	0.04	0.04
	Total	**71.82**	**115.11**	**210.09**

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

1.3.6 Working results of Statutory corporations

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

1.4 Haryana State Electricity Board

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

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

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding at the close of each of the two years up to 31 March 1996 were as follows:

Source	Amount outstanding as on 31 March 1995	1996	Percentage increase(+) decrease(-)
		(Provisional) (Rupees in crores)	
State Government	837.41	1163.14	(+)38.90
Other sources			
Loans from Life Insurance Corporation of India	157.83	171.81	(+)8.86
Loans from Rural Electrification Corporation Limited	159.39	151.55	(-)4.92
Bonds and other loans	655.15	724.39	(+)10.57
Total	**1809.78**	**2210.89**	**(+)22.16**

1.4.2 The table below summarises the financial position of the Board at the end of each of the three years up to 1995-96:

Sl. No.	Source	1993-94	1994-95	1995-96 (Provisional)
			(Rupees in crores)	
A	**Liabilities**			
1	Capital	1190.00	1190.00	1190.00
2	Long-term loans:			
	From Government	911.52	837.41	1163.14
	Others	811.63	903.91	967.58
	Deposits from public institutions	53.08	68.46	80.17
3	Other loans including consumers' contribution	564.57	246.73	254.04
4	Reserves and reserve funds	162.42	190.62	227.40
5	Current liabilities	1211.22	1222.22	1222.38
	Total	**4904.44**	**4659.35**	**5104.71**
B	**Assets**			
1	Gross fixed assets	2211.11	2445.54	2392.67
	Less: Depreciation	535.00	678.40	779.72
2	Net fixed assets	1676.11	1767.14	1612.95
3	Capital works-in-progress	398.27	311.58	383.10
4	Current assets	1060.29	827.02	1017.49
5	Accumulated deficit	1769.77	1753.61	2091.17
	Total	**4904.44**	**4659.35**	**5104.71**
C	**Capital employed***	1525.18	1371.94	1408.06
D	**Capital invested****	2966.23	2999.78	3400.89

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

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

1.4.3 The working results of the Board for each of the three years up to 1995-96 are summarised below:

Sl. No.	Particulars	1993-94	1994-95	1995-96 (Provisional)
		(Rupees in crores)		
1	(a) Revenue Receipts	856.57	994.62	1293.83
	(b) Subsidy from the State Government	71.78	115.08	210.05
	Total	**928.35**	**1109.70**	**1503.88**
2	Revenue expenditure including write off of intangible assets	1119.76	1262.95	1601.99
3	Gross deficit for the year (2-1)	191.41	153.25	98.11
4	Appropriations:			
	(a) Interest on Government loans	51.16	45.68	69.97
	(b) Interest on other loans	121.83	134.26	159.44
	(c) Contribution to repayment of loans under Section 65 of the Act	--	--	--
	Total	**172.99**	**179.94**	**229.41**
5	Deficit for the year (3+4)	364.40	333.19	327.52
6	Net prior period adjustment Debit(+)/Credit(-)	(+)46.50	(-)349.35	(+)10.04
7	Net surplus(+)/deficit(-) (5+6)	(-)410.90	(+)16.16	(-)337.56
8	Total return on:			
	Capital employed (7-4)	(-)237.91	(+)196.10	(-)108.15
	Capital invested	(-)259.12	(+)172.21	(-)146.60
9	Percentage of return on:			
	Capital employed	-	14.29	-
	Capital invested	-	5.74	-

1.4.4 The table below indicates the physical performance of the Board during each of the three years up to 1995-96:

Sl.No.	Particulars	1993-94	1994-95	1995-96 (Provisional)
			(MW)	
1	Installed capacity			
	-Thermal	1241.1	1255.5	1255.5
	-Hydel	1020.5	1116.8	1063.6
	-Nuclear	30.0	28.1	28.1
	Total	**2291.6**	**2400.4**	**2347.2**
			(MKWH)	
2	Power generated			
	-Thermal	3154	3434	3342
	-Hydel	3386	3732	3644
	Total	**6540**	**7166**	**6986**
3	Auxiliary consumption	357	377	391
4	Net power generated (2-3)	6183	6789	6595
5	Power purchased/Procured from other sources	4985	4683	6110
6	Total power available for sale (4+5)	11168	11472	12705
			(MW)	
7	Normal maximum demand	1855	1947	1973
			(MKWH)	
8	Power sold including power supplied free to own works	8316	8203	8714
9	Transmission and distribution losses to total power available for sale	2852	3270	3991
			(Per cent)	
10	Load factor			
	(a) for Panipat Thermal Plant	37.70	42.29	39.70
	(b) for Faridabad Thermal Plant	51.08	54.17	55.15
11	Percentage of transmission and distribution losses to total power available for sale	25.5	28.5	31.4
			(KWH)	
12	Number of units generated per KW of installed capacity	2854	2985	2976
			(Number)	
13	Villages/towns electrified	7154	7154	7154

Sl.No.	Particulars	1993-94	1994-95	1995-96 (Provisional)
14	Pump sets/wells			
	-Energised	381791	377479	380175
	-Awaiting energisation	70360	71430	72202
15	Sub-stations (33 KV & above)	366	383	394
			(Kilometres)	
16	Transmission/distribution lines			
	(a) High/medium voltage	60343	61489	62000
	(b) Low voltage	101151	101892	102639
			(MW)	
17	(a) Connected load	5566	5894	6193
			(KW)	
	(b) Load awaiting energisation	646148	690200	729421
			(Number)	
18	Consumers	2973476	3067838	3171050
19	Employees	54452	54235	54104
			(Rupees in lakhs)	
20	Total expenditure on staff	22399.98	25030.02	28833.43
			(Per cent)	
21	Percentage of expenditure on staff to total revenue expenditure	20.00	17.38	15.48
			(MKWH)	
22	Break-up of sale of energy according to category of consumers			
	(a) Agricultural	3959.110	3653.415	3904.326
	(b) Industrial	1719.231	1884.892	2017.013
	(c) Commercial	221.718	245.691	257.725
	(d) Domestic	1549.745	1550.253	1637.231
	(e) Others*	866.346	868.248	897.259
	Total	**8316.150**	**8202.499**	**8713.554**
			(figures in paise)	
23	(a) Revenue per KWH**	103.00	121.25	148.48
	(b) Expenditure per KWH***	155.45	175.90	210.17
	(c) Loss per KWH	52.45	54.65	61.69

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

** The revenue per KWH sold has been arrived at after excluding subsidy from 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 31 March 1996 was Rs.21.28 crores (State Government: Rs.12.74 crores; Industrial Development Bank of India: Rs.4.33 crores; Others: Rs.4.21 crores) as against Rs.17.42 crores as on 31 March 1995 (State Government:Rs.12.74 crores; Industrial Development Bank of India: Rs.4.33 crores; others: Rs.0.35 crore).

1.5.2 The State Government had guaranteed the repayment of share capital of Rs.20.65 crores (excluding special share capital of Rs.0.63 crore) and payment of minimum dividend thereon at 3 to 7.5 *per cent* under Section 6(1) of the Act, ibid.

Government had also guaranteed the repayment of market loans of Rs.163 crores raised by the Corporation. Amount of principal outstanding thereagainst as on 31 March 1996 was Rs.148.44 crores.

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

Sl. No.	Particulars	1992-93	1993-94	1994-95
		(Rupees in crores)		
A	**Liabilities**			
1	Paid-up capital	15.91	17.58	17.42
2	Reserve fund, other reserves and surplus	13.04	14.67	17.25
3	Borrowings:			
	(i) Bonds	74.58	91.59	118.14
	(ii) Others	131.58	196.13	281.16
4	Other liabilities and provisions	17.83	9.25	11.83
	Total	**252.94**	**329.22**	**445.80**

Sl. No.	Particulars	1992-93	1993-94	1994-95
		(Rupees in crores)		
B	**Assets**			
1	Cash and bank balances	7.85	10.15	36.10
2	Loans and advances	240.49	312.14	386.05
3	Net fixed assets	0.30	0.67	11.81
4	Other assets	4.30	6.26	11.84
°	**Total**	**252.94**	**329.22**	**445.80**
C	**Capital employed***	**200.97**	**273.98**	**373.04**
D	**Capital invested****	**229.81**	**314.30**	**427.95**

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

Sl. No.	Particulars	1992-93	1993-94	1994-95
		(Rupees in crores)		
1	**Income**			
	(a) Interest on loans and advances	23.06	36.13	53.68
	(b) Other income	1.39	1.44	3.60
	Total	**24.45**	**37.57**	**57.28**
2	**Expenditure**			
	(a) Interest on long-term loans	17.72	29.48	40.41
	(b) Other expenses	4.06	6.15	6.15
	Total	**21.78**	**35.63**	**46.56**
3	Profit before tax	2.67	1.94	10.72
4	Provision for tax	0.74	0.71	2.46
5	Other appropriations	1.93	1.23	7.45
6	Amount available for dividend	-	-	0.81
7	Dividend paid/proposed	-	-	0.78
8	Total return on: - Capital employed - Capital invested	 20.39 20.39	 31.42 31.42	 51.13 51.13
9	Percentage return on : - Capital employed - Capital invested	 10.1 8.9	 11.5 10.03	 13.7 11.9

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

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

1.5.5 The operational performance of the Corporation in the disbursement/recovery of loans during each of the three years up to 1995-96 is indicated below :

Sl. No.	Particulars	1993-94		1994-95		1995-96 (Provisional)		Cumulative	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Amount in crores of rupees)								
1	Applications pending at the beginning of the year	186	72.13	181	46.99	166	51.58	-	-
2	Applications received	1039	162.81	1690	338.25	1193	264.58	18793	1879.97
3	**Total**	**1225**	**234.94**	**1871**	**385.24**	**1359**	**316.16**	**18959**	**1931.55**
4	Applications sanctioned	792	134.33	1644	329.60	1201	264.22	14075	1434.12
5	Applications withdrawn/ rejected	252	53.62	61	4.06	49	9.12	4636	387.68
6	Applications pending at the close of the year	181	46.99	166	51.58	109	42.82	109	42.82
7	Loans disbursed	623	155.18	1665	149.59	N.A.	232.14	-	924.41
8	Amount outstanding at the close of the year	4906	311.38	5354	393.80	N.A.	548.88	-	548.88
9	Amount overdue at the close of the year	1559	103.09	2548	116.33	N.A.	153.25	-	153.25
10	Percentage of default to total loans outstanding	-	33.1	-	29.5	-	27.9	-	-

1.6 Haryana Warehousing Corporation

1.6.1 The paid-up capital of the Corporation, as on 31 March 1995 and also as on 31 March 1996 was Rs.5.84 crores (State Government: Rs.2.92 crores; Central Warehousing Corporation : Rs.2.92 crores).

1.6.2 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1995-96 :

Sl. No.	Particulars	1993-94	1994-95	1995-96
		(Rupees in crores)		
A.	**Liabilities**			
1	Paid-up capital	5.84	5.84	5.84
2	Reserves and surplus	51.33	71.86	91.50
3	Borrowings	11.83	21.22	1.65
4	Trade dues and other current liabilities	12.87	14.09	16.29
	Total	**81.87**	**113.01**	**115.28**
B	**Assets**			
1	Gross block	30.01	32.61	41.51
2	Less: depreciation	6.68	7.39	8.18
3	Net fixed assets	23.33	25.22	33.33
4	Capital works-in-progress	0.69	1.39	0.61
5	Investment	1.00	1.00	1.00
6	Current assets, loans and advances	56.85	85.40	80.34
	Total	**81.87**	**113.01**	**115.28**
C	**Capital employed***	**67.31**	**96.53**	**97.38**
D	**Capital invested****	**56.99**	**74.35**	**91.60**

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

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

1.6.3 The following table gives details of the working results of the Corporation for each of the three years up to 1995-96:

Sl. No.	Particulars	1993-94	1994-95	1995-96
			(Rupees in crores)	
1	**Income**			
	(i) Warehousing charges	10.23	18.36	16.97
	(ii) Other receipts	10.58	12.26	16.13
	Total	**20.81**	**30.62**	**33.10**
2	**Expenditure**			
	(i)Establishment charges	3.48	3.94	4.54
	(ii) Interest	0.52	0.44	0.51
	(iii) Other expenses	5.38	5.28	7.83
	Total	**9.38**	**9.66**	**12.88**
3	Profit before tax	11.43	20.96	20.22
4	Previous year adjustment (Net)	(+) 0.15	(+) 0.15	-
5	Other appropriations (excluding profit transferred to Balance Sheet)	11.58	21.11	20.22
6	Dividend paid	0.58	0.58	0.58 (payable)
7	Return on capital employed (2(ii)+3)	11.95	21.40	20.73
8	Percentage of return on capital employed	17.8	22.2	21.3

1.6.4 The following table gives details about the operational performance of the Corporation during each of the three years up to 1995-96 :

Sl.No.	Particulars	1993-94	1994-95	1995-96
			(Number)	
1	Number of stations covered	104	105	105
2	Storage capacity created up to the end of the year:		**(Lakh tonnes)**	
	(a) Owned	5.71	7.25	7.72
	(b) Hired	3.96	4.27	3.34
	Total	**9.67**	**11.52**	**11.06**
3	Average storage capacity utilised* during the year	8.56	10.76	12.14
			(Per cent)	
4	Percentage of utilisation of average capacity	88.5	93.4	109.8
			(Rupees)	
5	Average expenses per tonne	109.58	89.78	106.05
6	Average income per tonne	243.11	284.57	272.64

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

During the year 1995-96, the COPU completed discussion of all the 21 paragraphs (3 reviews and 18 paragraphs) of the Audit Report (Commercial) for the year 1991-92. Position of discussion of Audit Reports and reviews/paras pending in the COPU as on 31 March 1996 is shown below:

Period of Audit Report	No. of reviews/paras pending for discussion		No. of reviews/paras to which replies received from Companies/ Corporations/Board	
	Reviews	Paras	Reviews	Paras
1992-93	3	17	2	11
1993-94	3	20	1	8
1994-95	3	17	1	4

* Includes that of godowns closed during the respective years.

Report of the Comptroller and Auditor General of India for the year 1994-95 was placed before the State Legislature on 26 February 1996. Paragraphs contained in Audit Reports for the years 1992-93 and 1993-94 will be discussed during the year 1996-97.

In respect of Audit Reports (Commercial) discussed in the COPU up to 1991-92, 248 recommendations (from 1972-73 to 1991-92) were pending for final settlement as on 31 March 1996.

Chapter -II

Reviews on the working of selected Government Companies

Reviews on the working of selected Government Companies

Chapter - II

Reviews on the working of selected Government Companies

Section -2

Reviews relating to Government companies

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

Haryana Seeds Development Corporation Limited

Haryana Tourism Corporation Limited

2A HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED

Highlights

- **The Company was incorporated in September 1974 with the main object to organise production of quality seeds and process them on scientific lines for sale within the state at reasonable prices.**

  (Paragraphs 2A.1 and 2A.2)

- **As against the target and production programme of 7000 quintals of Pusa Basmati paddy seed, the Company procured/processed 14377 quintal seed. The Company could sell 3445 quintals only as seed and the remaining seed had to be disposed of as grain at a loss of Rs.46.69 lakhs.**

  (Paragraph 2A.7.2(b)(i))

- **During delinting process of cotton seed 1222.44 quintal fresh seed valued at Rs.20.24 lakhs failed due to delayed delinting. The failed seed was disposed of at a loss of Rs. 11.24 lakhs.**

  (Paragraph 2A.7.2(b)(iii))

- **Production programme of cotton seed given without keeping in view the demand of the farmers resulted in accumulation of stock of cotton seed which led to condemnation of 3966 quintal seed valued at Rs.64.78 lakhs. The failed seed was disposed of at a loss of Rs. 34.96 lakhs.**

(Paragraph 2A.7.2 (b)(iv))

- **Against the objective to provide certified seeds at reasonable rates, the selling cost of seeds was higher due to abnormal overheads which ranged from 67 to 78 *per cent*. It was also observed that even in the case of seeds sold through Company's own sale counters, the dealers commission was charged from the farmers and the amount overcharged in respect of wheat seed alone sold during 1994-95 amounted to Rs.105.72 lakhs.**

(Paragraph 2A.9.1)

- **Procurement of two varieties of Sun flower seed which could not be sold due to higher sale prices even after allowing subsidy at 25 *per cent* resulted in loss of Rs.46.99 lakhs on its disposal as grain.**

(Paragraph 2A.10 (a) and (b))

2A.1 Introduction

The Company was incorporated in September 1974 with a view to provide better quality of seeds at reasonable prices to the farmers so that agricultural base in Haryana was replaced with good quality of certified seeds of various agricultural products.

2A.2 Objects

The main objects of the Company are to:

- make arrangement for the supply of foundation seed to grower-shareholders having land of viable size suitable for production of seeds;
- carry on production of certified seeds of all kinds and varieties coming under the purview of the Seeds Act, 1966 and quality seeds of other kinds or varieties, processing, drying, storing, distribution and transportation of the same on commercial lines;
- carry on business as seed merchants including export and import and make available at reasonable prices sufficient quantities of certified seeds to support agricultural production programme;
- purchase, own, acquire, take on lease, install, manage and operate land, seed farms, farm machinery and seed storage, seed cleaning, seed processing and transportation equipment deemed necessary for seed business and to give equipment on rental basis; and

- undertake seed quality control measures and own and operate seed testing laboratories.

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

2A.3 Organisational set-up

The affairs of the Company are managed by a Board of Directors (Board) comprising 11 Directors including a Chairman and a Managing Director appointed by the State Government. Secretary Agriculture Department of the State Government is an ex-officio Chairman of the Board. As on 31 March 1996 there were 10 Directors. The Managing Director is the Chief Executive of the Company and is assisted by Chief Manager Production, Chief Manager Marketing, Chief Engineer and Chief Accounts Officer in day to day affairs of the Company.

2A.4 Scope of audit

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988 (Commercial) Government of Haryana and the recommendations of the Committee on Public Undertakings (COPU) thereon are contained in the 36th report presented to the State Legislature on 16 March 1994.

The present review covers the performance of the Company in the areas of production, procurement, processing and marketing of seeds during the five years up to 31 March 1996.

2A.5 Capital structure

The authorised capital of the Company as on 31 March 1996 was Rs.7 crores consisting of 5.75 lakh equity shares and 1.25 lakh 11 *per cent* cumulative preference shares of Rs.100 each. The issued capital, according to Articles of Association of the Company was to be subscribed by the State Government, National Seeds Corporation Limited (NSC) and growers (equity shares only) in the ratio of 35:30:35, respectively.

The table given below indicates the position of paid up capital of the Company as on 31 March 1996.

	Preference shares	Equity shares	Total	Percentage contribution
	(Rupees in lakhs)			
State Government	46.80	229.07	275.87	60.2
NSC	32.23	79.27	111.50	22.4
Growers	--	70.54	70.54	15.4
Total	**79.03**	**378.88**	**457.91**	

In order to involve the growers in the activities of the Company, 35 *per cent* shares of the total issued capital were to be allotted to the growers against which growers participation as on 31 March 1996 was only 15.4 *per cent.*. The Management attributed the reason as poor response from the growers even after lot of persuasion.

2A.5.1 Borrowings

In addition to the paid up capital, the Company had obtained loans of Rs.1367.22 lakhs during 1991-92 to 1995-96 from the State Government (Rs.765 lakhs) and banks etc.(Rs.602.22 lakhs). Out of the total loans, Rs.511.07 lakhs was outstanding as on 31 March 1996 (Rs.350 lakhs to the State Government and Rs.161.07 lakhs to banks etc.). Besides interest amounting to Rs.86.24 lakhs was outstanding to the State Government as on 31 March 1996.

In order to meet working capital requirements, the Company had also made cash credit arrangements with commercial banks by hypothecation of inventories and seeds up to the maximum limit of Rs.500 lakhs against which maximum limit availed of during 1995-96 was Rs.348.46 lakhs. No amount of cash credit was outstanding as on 31 March 1996.

2A.6 Financial position and working results

(a) Financial position

The following table summarises the financial position of the Company for the five years up to 1995-96:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
A LIABILITIES					
		(Rupees in lakhs)			
Paid-up Capital	416.89	427.79	434.38	443.60	457.91
Reserves and surplus	92.63	91.89	79.78	74.31	▲664.31
Borrowings	639.32	918.72	830.28	801.04	597.31
Trade dues and current liabilities (including provisions)	182.88	349.97	375.83	319.15	190.20
Total	**1331.72**	**1788.37**	**1720.27**	**1638.10**	**1909.73**

▲ Reserves and surplus includes capital grant in aid amounting to Rs.536 lakhs.

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
B ASSETS	(Rupees in lakhs)				
Gross Block	879.91	891.10	910.15	929.22	963.76
Less: depreciation	471.49	508.40	546.67	579.83	613.80
Net Fixed Assets	408.42	382.70	363.48	349.39	349.96
Capital work -in - progress	0.46	0.24	0.18	16.45	46.48
Current Assets including loans and advances	600.33	1145.67	1213.18	1187.16	1507.39
Miscellaneous expenditure to the extent not written off	--	--	2.25	6.02	5.90
Loss	322.51	259.76	141.18	79.08	--
Total	**1331.72**	**1788.37**	**1720.27**	**1638.10**	**1909.73**
Capital employed*	**825.87**	**1178.40**	**1200.83**	**1217.40**	**1667.15**
Net worth**	**187.01**	**259.92**	**370.73**	**432.81**	**1116.32**

Capital employed and net worth during 1995-96 increased sharply due to receipt of Rs.536 lakhs as capital grant from Central/State Government.

(b) Working results

The table given below summarises the working results of

* Capital employed represents net fixed assets *plus* working capital.
** Net worth represents paid-up capital *plus* reserves and surplus less intangible assets.

the Company for the five years up to 1995-96:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
			(Rupees in lakhs)		
A INCOME					
Sales	1367.27	1619.55	1936.26	2484.33	1900.45
Subsidy from State Government	251.41	257.31	328.07	292.86	232.54
Other income	16.00	42.53	36.29	30.64	92.37
TOTAL	**1634.68**	**1919.39**	**2300.62**	**2807.83**	**2225.36**
B EXPENDITURE					
Purchases	1198.62	1694.09	1674.22	1771.05	1805.98
Salaries, operational and administrative expenses and selling and distribution expenses	289.67	357.36	438.66	519.78	545.20
Interest	102.87	137.48	162.64	127.52	91.99
Depreciation	44.99	39.66	37.96	40.07	35.68
Provisions	0.51	--	--	--	--
Accretion (-)/ Decretion (+) in stock	(-)68.75	(-)361.44	(-)128.84	(+)287.04	(-)369.98
Net profit for the year	66.77	52.24	115.98	62.37	116.49
TOTAL	**1634.68**	**1919.39**	**2300.62**	**2807.83**	**2225.36**
Return on capital employed	8.08	4.43	9.66	5.12	6.99
Percentage of profit to sales including subsidy	4.12	2.78	5.12	2.25	5.46

Reasons for decrease in profit from Rs.115.98 lakhs in 1993-94 to Rs.62.37 lakhs in 1994-95 as analysed by the Company were due to:

- failure to meet the standard of certification of large quantity of cotton seed which had to be sold at lower rates (discussed in paragraph 2A.7.2 (b)(iv));
- purchase of Sun flower seeds which had to be sold at lower rates (discussed in paragraph 2A.10 (a) and (b)); and
- increase in expenses on inter unit transfers (discussed in paragraph 2A.11).

Increase in profit during 1995-96 despite low turnover (Rs.1900.45 lakhs in 1995-96 as against Rs.2484.33 lakhs during 1994-95) was mainly due to non-operational income as indicated below :

- earning of interest of Rs.38.63 lakhs on Fixed Deposit Receipts (FDRs) purchased out of capital grant from Central/State Government during 1995-96;
- receipt of assistance for production programmes of villages during 1995-96: Rs.39.41 lakhs as against Rs.15.69 lakhs received during 1994-95; and
- receipt of assistance for development of new varieties of cotton seed during 1995-96: Rs.4.46 lakhs.

2A.7 Production performance

2A.7.1 Seed development process

Nucleus/Breeder Seed constitutes the basis of all further seed production. The **breeder seed**[1] (nucleus seed) needed for production of foundation seed is developed by scientists in Haryana Agriculture University (HAU). The **foundation seed**[2] which is marked by genetic purity and other physical characteristics is multiplied from breeder seed

1 Seed which provides the source for the initial and recurring increase of foundation seeds.

2 The progeny of breeder seed.

and used for production of **certified seed**[3]. The Company procures foundation seed mainly from HAU, National Seeds Corporation (NSC) and other research institutions and distributes it amongst grower shareholders and others for multiplication/ production of raw seed on their land holdings. The Company procures raw seeds from grower-shareholders and others to whom the foundation seed is distributed for further processing in its plants. The processed seed is got tested by Haryana State Seed Certification Agency (HSSCA) in the seed testing laboratory. The seed which is labelled as certified seed by the HSSCA is sold to the farmers.

Processing of Wheat, Paddy and Cotton seeds constitutes about 97 *per cent* of the total procurement. The Company takes up processing of these seeds through its five processing plants at Hisar, Sirsa, Umri, Yamuna Nagar and Tohana. The company draws-up Production programme of certified seeds for each season (Rabi and Kharif) according to requirement indicated by the State Agriculture Department and keeping in view the market trends. However, for drawing up production programme, the Company appointed (January 1994) a Production Sub-Committee which comprised of Managing Director and one Director of the Company, one member each from NSC and HAU and the Director of Agriculture.

2A.7.2 Targets and achievements of distribution

(a) Foundation seed

The requirement of foundation seed is assessed by the Company on the basis of estimated coverage of the total cultivated area as

3 The progeny of foundation seed.

per crop production programme of each season. The foundation seeds are sold to the growers on 'no profit no loss' basis. The targets for distribution of foundation seeds of major crops viz wheat, paddy and cotton are fixed by the Company in consultation with the State Agriculture Department. The table below indicates the targets and achievements for distribution of foundation seeds of three major crops during the five years up to 1995-96:

Seed	Year	Target for distribution	Foundation seed procured and available	Foundation Seed distributed	Percentage of achievement to targets
		(In quintals)			
Wheat	1991-92	7015	7348	6471	84
	1992-93	7315	7388	7100	97
	1993-94	7445	10259	7520	101
	1994-95	8748	8788	8406	96
	1995-96	9626	9496	7669	80
Paddy	1991-92	158	148	146	92
	1992-93	229	234	206	90
	1993-94	66	61	61	92*
	1994-95	109	104	104	95
	1995-96	114	115	96	84
Cotton	1991-92	334	335	260	78
	1992-93	291	290	213	73
	1993-94	305	323	247	81
	1994-95	342	325	265	77
	1995-96	409	275	269	66

It would be seen from the above table that despite the availability of foundation seed for wheat during 1991-92, 1992-93, 1994-95 and 1995-96; for paddy during 1992-93 and 1995-96; and for cotton during 1991-92 to 1994-95, the targets for distribution were not achieved.

The Management stated (January 1996) that the availability of foundation seed of any specific variety was more whereas the other variety in demand was not available. The contention of the Management is not convincing as it was incumbent on the Management to procure the foundation seed after ensuring the variety of the seed in demand and acceptable to growers.

In some cases the procurement of foundation seeds in excess of the targets fixed/seeds distributed led to downgrading/ condemnation of seeds.

A few cases where the Management could not utilise the foundation seed effectively are discussed as under :

(i) The Company, in anticipation of demand of seed, obtained (Kharif 1992) 605.20 quintals of paddy foundation seed at Rs.9.38 lakhs. The Company could not give programme for production of raw seed and without multiplication these were downgraded as certified seed. Out of 605.20 quintals, the Company could sell 123 quintals as seed during Kharif 1993 and Kharif 1994. On revalidation (January 1995), the remaining stock of 482.20 quintal certified seed valued at Rs.7.47 lakhs could not meet the required minimum germination standards and was disposed of (February 1996) as grain at a loss of Rs.4.46 lakhs.

(ii) The Company obtained (October 1992) 412.80 quintals of foundation wheat seed valued at Rs.1.67 lakhs (K.Sona 251.20 quintals. and HD-2189:161.60 quintals) from Haryana Land Reclamation and Development Corporation (HLRDC) Hisar under its seed production programme during Rabi 1991-92. But for 66 quintals of HD-2189 foundation seed, the Company could not give any programme to the growers for multiplication of seed during Rabi 1993 season. On revalidation, 51.20 quintals was downgraded as certified seed without multiplication and 295.60 quintal seed as condemned during January 1994. The condemned seed was sold as grain after accounting for shortage of 3.25 quintals at a loss of Rs.1.15 lakhs for which responsibility was yet to be fixed.

The Management while admitting the loss stated (January 1996) that the demand of seed of these varieties had declined and the entire foundation seed procured during Rabi 1991-92 could not be utilised for production of raw seed.

(b) Certified seed

The table below indicates the targets and actual production of the certified seeds during the five years up to 1995-96:

Seed	Year	Target	Actual Production	Percentage of achievement
		(In quintals)		
Wheat	1991-92	196000	141775	72
	1992-93	185500	201442	109
	1993-94	210500	216112	102
	1994-95	220000	194028	88
	1995-96	231400	172000 (Provisional)	74
Paddy	1991-92	17200	13428	78
	1992-93	19900	23582	119
	1993-94	7500	10543	141
	1994-95	14100	9512	67
	1995-96	17460	10659	61
Cotton	1991-92	15250	9141	60
	1992-93	9500	10610	112
	1993-94	10690	8294	78
	1994-95	15000	6456	43
	1995-96	17000	7163	42

It would be observed from the above table that the percentage of achievements to target of all the three varieties showed a declining trend during 1994-95 and 1995-96 and ranged between 42 and 88 *per cent* during these years.

A few cases of production of certified seeds where the Management could not effect economy and effectiveness are discussed below:

(i) For Kharif 1993 season, the Director of Agriculture Haryana, indicated the production requirement of 3500 quintals of certified seed of Pusa Basmati No.1 for the State. The Company, however, increased (June 1992) production programme of certified seed of the variety to 7000 quintals in view of heavy demand during the previous year. Against this target of 7000 quintals the Company, however, procured 14377 quintals of certified seeds. In addition to this the Company was already having a stock of 95 quintals.

Excessive Procurement of paddy seed than targeted resulted in loss of Rs.46.69 lakhs

After adding processing and other charges the sale price of these seeds worked out by the Company was Rs.1440 per quintal. Out of total available quantity of 14472 quintals, the Company could sell 4694.92 quintals (392.22 quintals in the State and 4302.70 quintals outside the State) during Kharif 1993 and 1994. Against sale outside the State, 601 quintal certified seed was sold to Maharashtra State Seed Corporation Limited(MSSC) and 3501.70 quintals to Department of Agriculture, Uttar Pradesh (DOA UP) at a reduced rate of Rs.1300 and Rs.1235 per quintal, respectively. Of this, 205.60 quintal and 1044.07 quintal seed was received back due to poor germination from MSSC and DOAUP and had to be auctioned on "as is where is" basis at a loss of Rs.0.74 lakh and Rs.5.20 lakhs, respectively.

The remaining quantity of 9444.51 quintals (excluding shortage: 332.57 quintals) was sold (September 1994) as grain at a loss of Rs.40.75 lakhs. The total loss, thus, worked out to Rs.46.69 lakhs.

The Board had appointed (January 1994) a Committee consisting of Managing Director, Director of Agriculture and one Director of the Company to examine the circumstances under which 14377 quintals of certified seed was procured against the target of 7000 quintals.

The Government stated (October 1996) that the Committee had examined the case and responsibility of the defaulting officials/ officers for procurement of excess quantity and for shortages was being fixed.

(ii) The Company according to its production programme processed 3104.40 quintals of HD-2189 wheat seed for inter state sale during 1990-91 in its Umri and Yamuna Nagar plants without having received any confirmed commitment. Though there was not sufficient response for sale of this variety (sale during 1990-91:1550 quintals) yet the production of this variety of seed was continued during 1991-92 to 1993-94 and the total 6503 quintals (including 3104.40 quintals) of seed was processed.

Giving a production programme and procurement of a variety of wheat seed continuously having low demand resulted in loss of Rs.10.15 lakhs

Due to poor demand the Company sold 4846 quintals of seed outside the state during 1990-91 to 1993-94 at lower rate to liquidate stocks, resulting in a loss of Rs.6.04 lakhs and remaining 1366 quintals excluding inter-unit transfers (144 quintals), sale as foundation seed (142 quintals) and shortages (5 quintals) was condemned and sold as grain at a loss of Rs.4.11 lakhs.

Thus, by continuing the processing of a variety of wheat seed having low demand, the Company suffered a loss of Rs.10.15 lakhs. The responsibility for the loss had not been fixed so far (October 1996).

Delayed delinting of cotton seed resulted in failure of 1222.44 quintals of fresh seed which led to a loss of Rs.11.24 lakhs

(iii) Seed processing plant at Hisar delinted[⊖] (February-April 1995) 5862.64 quintals of Cotton seed. Out of above quantity, 1222.44 quintals of fresh seed failed to meet the minimum required germination standard due to late delinting of seed in February 1995 (against the normal schedule of November-December), late receipt of acid required for delinting and ginning machine having remained out of order. The rejected seed including shortage of 57.62 quintals valued at Rs.20.24 lakhs was disposed of (May 1996) at a loss of Rs11.24 lakhs.

The Government stated (October 1996) that the officials responsible for the loss had been identified and the administrative action was being taken.

⊖ It is a process through which residual cotton fibre (after ginning process) on cotton seed is separated.

(iv)(a) Seed production programme for production of certified seed during Kharif 1992 included among other seeds, production of 4000 quintals of F-414 variety of Cotton seed.

Giving a production programme and procurement of cotton seed having sufficient stock resulted in loss of Rs.34.96 lakhs

Against the above programme the Company procured 2702 quintals of seed in Kharif 1992 and after processing it could sell 1276 quintals only in Kharif 1993 leaving a balance of 1426 quintals. On revalidation, during Kharif 1994, 1042 quintal seed met the required standard. Despite the fact that during Kharif 1993 there was no good response and there was sufficient stock, the Company gave a further production programme of 1910 quintals of seed for production during Kharif 1993 against which 1603 quintals of seed was procured. Out of total available quantity of 2645 quintals certified seed for sale during Kharif 1994 it could sell only 563 quintals and a stock of 2082 quintals was left with the Company. Out of left over stock, only 199 quintal seed could pass during revalidation in January 1995 and 1883 quintals (i.e. more than 90 *per cent*) of seed failed to meet the required standard. Due to excessive production and huge rejection 2267 quintal seed (including 384 failed during Kharif 1994) amounting to Rs.37.04 lakhs was disposed of (May 1996) at a loss of Rs.19.38 lakhs including Rs.0.40 lakh due to shortage of 51.67 quintals.

(iv)(b) In another case, the Company was having 3569 quintals of F-505 variety Cotton seed for sale during 1994. Of this, it could sell 1412 quintal seed only during 1994. When the remaining seed of 2157 quintals was put for revalidation, 1699 quintals (78.77 *per cent*) of seed valued at

Rs.27.74 lakhs could not be revalidated and disposed of (May 1996) at a loss of Rs. 15.58 lakhs including shortage of 44.39 quintals.

In reply to an audit observation for failure of such a huge quantity of seed in both cases, the Government stated (October 1996) that the reasons for failure of cotton seed have been examined and the administrative action against the defaulting officials/officers was being taken.

2A.8 Cotton ginning and bale pressing plant

2A.8.1 The Company procures raw cotton (kapas) from the growers. This raw cotton is then ginned and seed is separated from cotton which is pressed in cotton ginning and bale pressing plant. The Company is having a ginning and bale pressing plant at Hisar. The installed capacity of this plant is 28800 bales per working season of 150 days in a year.

The table below summarises the capacity utilisation of the plant :

Year	Installed capacity in number of bales	No.of Cotton bales ginned and pressed			Percentage of utilisation of installed capacity
		Own	Other parties	Total	
1991-92	28800	1163	4733	5896	20
1992-93	28800	2241	--	2241	8
1993-94	28800	1438	--	1438	5
1994-95	28800	1220	96	1316	5
1995-96	28800	819	106	925	3

It may be seen from the above table that percentage of capacity utilisation decreased from 20 during 1991-92 to 3 during 1995-96. The reasons for low capacity utilisation were due to less work as the Company did not procure/produce cotton seed of the quality acceptable to the growers in the State. It was further observed that no significant work for ginning and pressing of bales was undertaken on custom basis during the years 1992-93 to 1995-96 despite the fact that HAFED and Cotton Corporation of India had been procuring raw cotton in Hisar but its ginning and pressing was not being given to the Company because of its poor quality of ginning and bale pressing. No efforts had been made to improve the quality of ginning and bale pressing and obtain orders subsequently.

The Government stated (October 1996) that efforts were being made to dispose of the ginning and bale pressing plant in view of its underutilisation.

2A.8.2 Capacity utilisation of cotton delinting plants

After the seed is separated from raw cotton, a few lints remaining on the seed are removed through delinting process. The Company has three delinting plants (two at Hisar and one at Sirsa) with total installed capacity of 23000 quintals per season. The table below shows the utilisation of installed capacity during the five years up to 1995-96 both at Hisar and Sirsa:

Year	Installed capacity	Seed processed	Percentage of capacity
	(Figures in quintals)		
1991-92	23000	9397	41
1992-93	23000	10830	47
1993-94	23000	8539	37
1994-95	23000	7729	34
1995-96	23000	7164	31

It would be seen that the percentage of capacity utilisation decreased from 47 during 1992-93 to 31 during 1995-96. The main reason of underutilisation as analysed in audit was due to low production of cotton seeds acceptable to the growers.

The Management stated (January 1996) that the main reason for decline in sale was new varieties of cotton seed available in the market but the same were not recommended by the State Government for commercial cultivation in the State. The plea is not tenable as the Company neither could produce the varieties demanded by the farmers nor could convince the farmers about quality of its seed.

2A.9 Sales performance

2A.9.1 Fixation of sales price

One of the main objectives of the Company is to provide and make available to farmers the certified seeds at reasonable rates. In arriving at the rates, prices are fixed on the basis of procurement price plus pre-determined (estimated) overheads including service charges. These rates are approved by a Price Fixation Committee which includes representative of the State Government. It was observed that against the procurement price of Rs.465, Rs.905 and Rs.1080 per quintal for certain varieties of wheat, paddy and cotton during 1994-95, the Company's sales prices was Rs.775, Rs.1575 and Rs.1925 per quintal, respectively. The reason for such high selling price was abnormal overheads which ranged from 67 to 78 *per cent*. The management while discussing the reasons for large quantity of seeds remaining unsold during Rabi 1995, also realised (December 1995) that rates fixed by it, even after allowing subsidy, were higher in comparison to the neighbouring States.

Due to such higher rates not only the sales of the Company were affected but the main purpose for which the Company was formed to provide seed at reasonable rates was also defeated. The following deficiencies were also noticed in cost sheets for fixation of prices of seeds:

(i) The pre-determined overheads were not adjusted with actuals to review the price structure; and

(ii) Dealers commission is charged at the rate of 10 *per cent* and is included in the final price charged from the farmers though in case of sales made by the Company through its own sale counters this commission was not payable to the dealers.

Inclusion of element of dealer's commission not payable on sales through Company's Sale counters in respect of wheat seed alone sold during 1994-95 resulted in overcharging from the farmers Rs.105.72 lakhs

During five years up to 1994-95, 28 to 36 *per cent* of total seed was sold through dealers and the balance through Company's sale counters. A test check of records for the year 1994-95 of wheat seed alone, it was observed that as against Rs.55.85 lakhs paid to dealers as commission on all seeds sold by them, Rs.161.57 lakhs were charged in cost sheet of wheat seed alone resulting in over charging to the farmers to the extent of Rs.105.72 lakhs for one year.

In its Report (July 1994) regarding Institutional Strengthening of the Company, the consultants appointed by Government of India, under National Seed Project - Phase III, also observed that "private sector activity in production and trading in seeds is on the increase. Despite non-admissibility of subsidy on sale of seeds by them, they are able to compete with the Company both on price and quality of seeds. The question of raising the productivity and cost effectiveness of its production, processing and marketing operations is, therefore of utmost importance."

The Government stated (October 1996) that the pricing policy was being rationalised.

2A.9.2 Contribution of the Company towards meeting the demand in the State

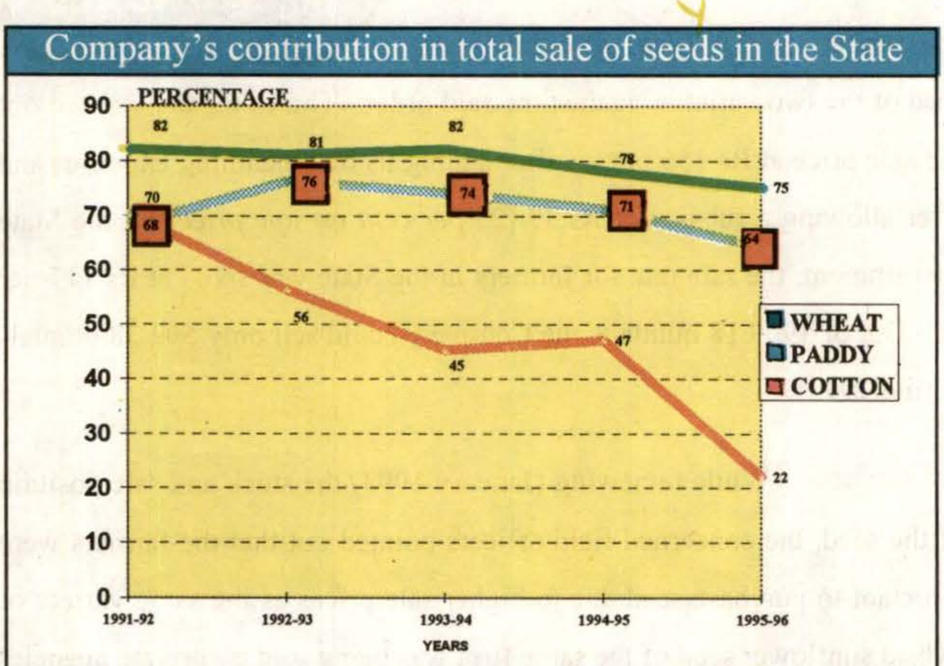
One of the main objectives of the Company is to provide quality seeds to the farmers at reasonable prices. The prices fixed by the Company, however, were on higher side as discussed in the preceding paragraph. Despite providing subsidy by the State Government on various seeds, the percentage contribution of the Company towards meeting the demand in the State is showing a declining trend during the last five years up to 1995-96 and the farmers purchased seeds from private agencies particularly more in case of cotton seed, as indicated in the table given below :

Crop variety	1991-92	1992-93	1993-94	1994-95	1995-96
Wheat	(In quintals)				
Total sale of seed in the State	155840	174232	235966	276350	228503
Contribution of the company	128423	140750	192978	216262	172337
Percentage of Company's contribution	82	81	82	78	75
Paddy					
Total sale of seed in the State	16905	10515	13554	15184	14547
Contribution of the Company	11521	7942	10028	10731	9292
Percentage of Company's contribution	68	76	74	71	64

Crop Variety	1991-92	1992-93	1993-94	1994-95	1995-96
Cotton	(In quintals)				
Total sale of seed in the State	11977	18430	20574	11387	28312
Contribution of the Company	8439	10353	9275	5397	6346
Percentage of Company's contribution	70	56	45	47	22

The Government stated (October 1996) that the demand and supply of certified seeds was determined by various factors by Agro-climatic conditions and farmer's preference etc.

The reply is not tenable as the total sale in the state showed increasing trend in the case of wheat and paddy up to 1994-95 and during 1995-96 in the case of cotton.



p. 61

(Paragraph 2A.9.2)

2A.10 Purchase and sale of Hybrid Sunflower seed for Zaid Rabi 1992-93

Based on the programme for procurement of hybrid sunflower seed for Zaid Rabi 1992-93, the Company placed purchase orders for ten different varieties (3050 quintals) on various firms. In this connection following points were noticed:

(a) On the basis of single offer and negotiations, a purchase order for supply of 2000 quintals at Rs.140.80 per kg. was placed (November 1992) on a firm of New Delhi. The purchase order did not provide for pre-inspection, germination tests before acceptance. The firm supplied (December 1992) 1909.18 quintals of seed of the two varieties against the said order. The Company worked out the sale price at Rs.156 per kg after adding its own handling expenses and after allowing a subsidy of Rs.39 (25 *per cent on sale price*) by the State Government, the sale rate for farmers in the State was fixed at Rs.117 per kg. Out of 1909.18 quintals, the Company could sell only 592.38 quintals during 1992-93.

Procurement of two varieties of sun flower seed which could not be sold due to higher sale prices even after allowing subsidy at 25 per cent resulted in loss of Rs.46.99 lakhs on its disposal as grain

While reviewing (January 1993) the stock and sale position of the seed, the concerned field officers pointed out that the farmers were reluctant to purchase seed due to higher sale prices as the same variety of hybrid sunflower seed of the same firm was being sold by private agencies at cheaper rates; further the seed was coated with black coloured chemical to cover white streaks on the seed and low germination etc.

In a meeting (29 September 1993) with the representative of the firm it was decided that the firm would take back unsold stock and the Company would purchase 500 quintal fresh hybrid sunflower seed at the same rates and terms and conditions.

Accordingly, the firm took back 1306.36 quintals of available unsold seed leaving a shortage of 10.44 quintals (costing Rs.1.47 lakhs) which was stated to be under reconciliation (January 1996) and the Company issued (January 1994) a fresh purchase order on the firm for supply of 500 quintals of sunflower seed. The firm supplied 463.86 quintals of seed during January and February 1994 against the above purchase order.

Out of 463.86 quintals of seed, 93.16 quintals was rejected and returned to the firm and only 134.77 quintals could be sold during 1993-94 and 1994-95 as certified seed. 233.09 quintals (including 12.30 quintals certified seed) was sold as grain at a loss of Rs.30.65 lakhs as 220.79 quintal of seed failed to meet the required germination test. There was also a shortage of 2.84 quintals (valued at Rs. 0.40 lakh) for which no investigation was made.

The Government stated (October 1996) that the responsibility for losses and shortage was being fixed.

(b) In a similar case the Company purchased (December 1992 to January 1993) 399.88 quintals of hybrid sunflower seed (AH-3425) from a firm of New Delhi at a negotiated rate of Rs.135 per Kg. The sale rate of the seed after accounting for handling and other departmental charges worked out to Rs.151 per kg. After allowing a subsidy of Rs.38

(25 *per cent* on sale price) by the State Government, the sale rate for farmers in the State was fixed at Rs.113 per Kg.

While reviewing (27 January 1993) the stock and sale position of the seed, the concerned field officers pointed out that the same seed was available in plenty in the open market and being sold by private dealers at the rates ranging from Rs.105 to 110 per Kg. The Company could sell only 26.83 quintals of seed during Zaid Rabi 1992-93 and the remaining 373.05 quintal seed could not be sold mainly due to sale of the same variety of seed of the same firm by private dealers at lower rates. On request of the Company the firm replaced (January 1994) 368.84 quintals with fresh stocks (leaving a shortage of 4.21 quintals which was stated (January 1996) to be under reconciliation). Out of this new stock the Company sold 205.36 quintals of seed during Zaid Rabi 1993-94. After revalidation of the balance seed (163.48 quintals.) during 1994-95, the Company sold only 31.26 quintals. Though the remaining 119.80 quintals of seeds (excluding 12.09 quintals) were passed as certified seeds, yet the whole seeds were disposed of as grain at rates ranging from Rs.10.50 to Rs.11.80 per kg. against the purchase rate of Rs.135 per kg. The loss due to this disposal worked out to Rs.16.34 lakhs as subsidy was not available on the seed remaining unsold.

The Board took a serious view (March 1995) of not distributing the seed which passed in the test and desired the Company to examine the reasons for selling the seed as grain. The Board also desired to fix responsibility which is yet to be fixed (October 1996).

(c) Unfruitful expenditure

After the Zaid Rabi 1993-94 season was over, the Company was having a stock of 487 quintals of hybrid sunflower seed. Accordingly, the Company (May 1994) decided to store unsold hybrid sunflower seed under air-conditioned environment to maintain its viability.

A Committee consisting of Executive Engineer and Quality Control Officer visited (7 June 1994) seed processing plant Kotkapura, a unit of Punjab State Seeds Corporation Limited (PSSC) which stored hybrid sunflower seed during 1992-93 under air-conditioned environment and retained the viability of the entire seed. The Committee, after studying the system adopted by PSSC among other things recommended:

- the right time for storage of sunflower seed in air conditioned stores should have been from the end of March and in no case it should exceed 15 April;
- the temperature of the seed store should be maintained between 20 to 25 degree Celsius and humidity between 50 to 60 *per cent*; and
- for storage of about 600 quintals of sunflower seed, air conditioners of 12 tonnes capacity should be provided.

Although the appropriate time for storage of seed in air conditioned store had since started from March, the Company installed 4 air conditioner each of 1.5 tonnes capacity (Rs.1.14 lakhs) voltage stabilizers (Rs.0.17 lakh and dehumidifier (Rs.0.69 lakh) between 25 June and 15 July 1994 at a total cost of Rs.2 lakhs. Because of installation of low capacity air conditioners, the temperature could not be brought in the range of 20-25 degree Celsius. Resultantly 249 quintals of seed was rejected and had to be sold as grain at a total loss of Rs.32.14 lakhs. The equipments were lying unutilised since November 1994 for which the Government stated (October 1996) that the same would be utilised as and when required.

2A.11 Inter-unit transfers

While discussing para number 2.1.12.5 in the Report of the Comptroller and Auditor General of India for the year 1987-88 (Commercial) - Government of Haryana regarding avoidable expenditure of transportation on inter-unit transfers of seeds, the COPU observed that the inter-unit transfer of seeds was much on higher side and felt that the expenditure on inter-unit transportation of seeds could have been reduced by proper planning of production of seed ensuring trend of the demand of the growers.

During the scrutiny of records it was noticed that the percentage of seed transferred inter-se units to total seed sold within the state during the five years up to 1995-96 was 22.6, 25.9, 38.6, 34.5 and 57.20 and the Company had incurred an expenditure of Rs.6.87 lakhs, Rs.9.33 lakhs, Rs.17.79 lakhs, Rs.27.31 lakhs and Rs.25.71 lakhs, respectively, on inter-unit transportation of seeds. The increasing trend in inter unit transfers was due to non assessment of production programme properly which resulted in not only incurring avoidable expenditure but also failure of the Company to comply with the recommendations of COPU.

The Government stated (October 1996) that the efforts were being made to avoid unnecessary expenditure on inter-unit transfer of seeds.

2A.12 Other topics of interest

(i) Central sector scheme

Under the central sector scheme "Production of fruits and vegetables" during the year 1992-93, the Government of India decided to distribute 7000 minikits containing vegetable seeds to the small and marginal farmers and scheduled caste/scheduled tribe farmers of Haryana State. The programme in the State was to be executed through the State Government and an amount of Rs.5.25 lakhs for 7000 minikits was released by the Government of India. Accordingly, the Director of Horticulture Haryana informed (August 1992) the Company to supply 7000 minikits of vegetable seeds for Rs.5.25 lakhs.

The Company purchased 10.36 quintals of different varieties of vegetable seeds for Rs.3.10 lakhs and 7000 minikits were packed and supplied to Horticulture Department for distribution to farmers.

Thus, against an expenditure of Rs.3.10 lakhs, the Company retained Rs.2.15 lakhs on account of service charges and packing charges which was about 41 *per cent* of total payment received.

As the scheme was for very small and marginal farmers and SC/ST farmers, the benefit given by the Government should have reached in optimum quantity of vegetable seeds and for that the Company instead of retaining huge margin (41 *per cent*) should have retained the reasonable service charges (8 *per cent* charged by the Company in case of sale of other seeds) by increasing the quantity of vegetable seeds in minikits or providing minikits to more farmers.

(ii) Irregular payment of house rent allowance

The Company was following rules of the State Government applicable to Haryana Government employees so far as the pay and allowances are concerned. The Company set up a processing plant in April 1980 at Haily Mandi which did not qualify for grant of house rent allowance (HRA). The Board of Directors of the Company, however, allowed (September 1980) HRA to the employees posted at Haily Mandi w.e.f. 29 September 1980. This action of the Board was objected to (May 1983) by the Finance Department.

The Finance Department finally did not agree (February 1988) and Administrative Department also rejected (July 1988) the case for grant of HRA but the Company continued to pay HRA up to March 1989. The Company paid Rs.1.38 lakhs as HRA irregularly to the employees posted at Haily Mandi. The case for regularisation of HRA was repeatedly referred to the State Government who turned down the proposal in November 1993, September 1994 and finally in August 1995 and asked the Company to recover the amount of HRA paid against the rules.

Decision to pay HRA in contravention of the Rules/Government instructions resulted in irregular payment of Rs.1.38 lakhs to the employees.

The Government stated (October 1996) that the recovery could not be effected as the aggrieved officials have obtained stay for recovery from the court.

Conclusion

The Company was formed with a view to provide better quality of seeds at reasonable prices to the farmers of the State. It would, however, be seen from the foregoing paragraphs that due to abnormal overheads (67 to 78 *per cent*) the price of seeds was high as compared to the neighbouring States. Farmers diverted to the private parties for their requirement of seeds despite providing subsidy by the State Government with the result the company's percentage contribution towards the demand of the State was reducing every year. In view of such position there is urgent need to review the pricing policy of the company and to bring down cost of seed by bringing cost effectiveness in the production and passing the cost benefit to the farmers of the State.

2B HARYANA TOURISM CORPORATION LIMITED

Highlights

- **The Haryana Tourism Corporation Limited was incorporated in May 1974 with the main objective to promote tourism in the State.**

  (Paragraph 2B.1)

- **Income of Rs.319.25 lakhs from leasing of shops and sites involving meagre recurring expenditure constituted 80 *per cent* of total profits of Rs.396.88 lakhs during the five years.**

  (Paragraph 2B.6(b))

- **Ten tourist Complexes had been consistently running in losses which accumulated to Rs.92.77 lakhs during the five years up to 1995-96.**

  (Paragraph 2B.7)

- **The occupancy of 34 to 50 *per cent* units was below the accepted norms resulting in shortfall of revenue amounting to Rs.103.80 lakhs.**

  (Paragraph 2B.8)

- **The actual food/fuel cost in excess of norms resulted in excess expenditure of Rs.54.44 lakhs during the three years up to March 1996.**

  2B.11.2
  (Paragraphs 2B.11.1 and 2B.11.3)

- **The deployment of manpower in excess of norms entailed extra expenditure of Rs.199.96 lakhs during the five years up to 1995-96.**

  (Paragraph 2B.12)

- **The extension of irregular credit by wholesale liquor depots to private parties resulted in doubtful recovery of Rs.15.81 lakhs.**

  (Paragraph 2B.14.1)

2B.1 Introduction

Haryana Tourism Corporation Limited was incorporated on 1 May 1974 with a view to promote tourism in the State.

At the time of formation of the Company, the State Government transferred 27 commercial (restaurants, bars, petrol pumps and liquor shops, etc.) and 13 non-commercial (rest houses, hotels and huts etc.) units to the Company to make it directly responsible for running and maintenance of the commercial units and to work as an agent of the State Government for non-commercial units.

2B.2 Objects

The main objects of the Company are :

- to purchase, acquire and administer restaurants, bars, liquor vends, bonded warehouses, cafeterias, petrol pumps, emporia, tourist bungalows and other places of tourist interest in the State and else-where;
- to provide entertainment by way of cultural shows, excursions, sight seeing trips and tours etc. for tourists; and
- to promote establishments, undertakings and enterprises connected with activities of tourist interest.

Pursuant to the above objectives the Company had undertaken the following activities :

- operating a chain of tourist complexes with catering and accommodation facilities;
- organising tourist trade fairs and melas;
- running of wholesale and retail liquor vends;

- undertaking construction and consultancy activities;
- organising adventure tourism; and
- running of taxi service.

2B.3 Scope of audit

The working of the Company was reviewed in the Report of the Comptroller and Auditor General of India for the year 1979-80 (Civil)- Government of Haryana. The recommendations of the Committee on Public Undertakings (COPU) thereon are contained in their 17th Report presented to the State Legislature in March 1985. The cases where the recommendations of COPU have not been complied with by the Company are discussed in paragraph numbers 2B.7, 2B.8 and 2B.12. The present review covers the performance of the Company during five years up to 1995-96.

2B.4 Organisational set-up

The Management of the Company is vested in a Board of Directors consisting of not less than two and not more than 11 including a Chairman and a Managing Director, appointed by the State Government. The Managing Director is the Chief executive of the Company and is assisted in day to day work by two General Managers, Chief Engineer and a Chief Accounts Officer. As on 31 March 1996, there were 10 Directors.

2B.5 Capital structure

The Company was registered with an authorised share capital of Rs.5 crores which was increased to Rs.10 crores (1987-88) and further increased (December 1993) to Rs.15 crores. Against the authorised capital, the paid up capital of the Company as on 31 March 1996 was Rs.10.88 crores wholly subscribed by the State Government.

2B.6 Financial position and working results

The financial position of the Company for the five years up to 1995-96 are given below :

(a) Financial position

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
	(Rupees in lakhs)				
A Liabilities					
Paid-up Capital (including share capital adjustment account).	829.91	897.02	947.02	1021.84	1087.84
Reserves and Surplus	208.17	254.76	330.97	432.53	575.59
Trade dues and other current liabilities	1806.44	2095.00	2431.86	2646.39	3080.86
Total	**2844.52**	**3246.78**	**3709.85**	**4100.76**	**4744.29**
B Assets					
Gross block	713.73	866.77	948.55	1148.27	1367.53
Less: Depreciation	188.91	252.38	318.44	399.01	494.85
Net fixed assets	524.82	614.39	630.11	749.26	872.68
Investments*	362.91	362.91	362.91	362.91	362.91
Current assets, loans and advances	1956.79	2269.48	2716.83	2988.59	3508.70
Total	**2844.52**	**3246.78**	**3709.85**	**4100.76**	**4744.29**
Capital employed**	**675.17**	**788.87**	**915.08**	**1091.46**	**1300.52**
Net worth***	1038.08	1151.78	1277.99	1454.37	1663.43

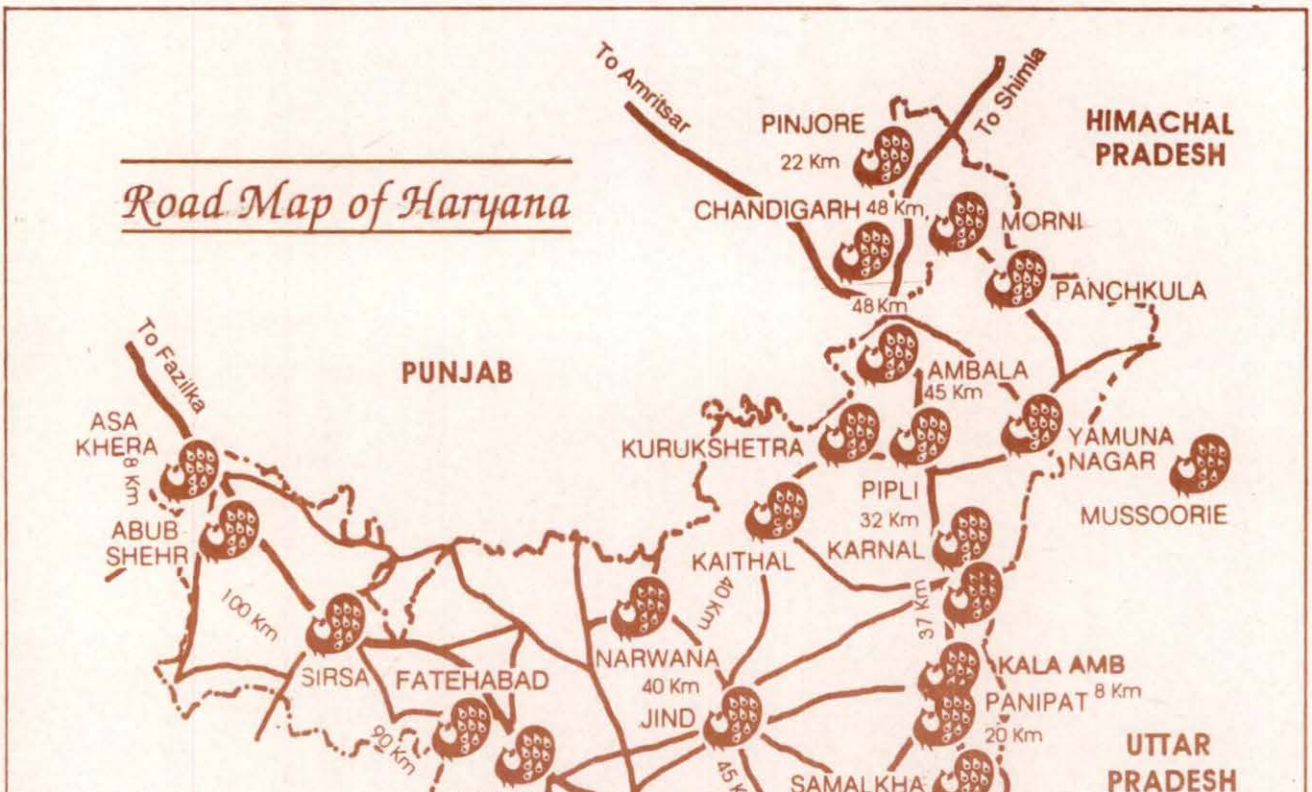
* This represents investments in wholly owned subsidiary Company (Haryana Hotels Limited Chandigarh).

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

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

(b) Working results

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
Income	(Rupees in lakhs)				
Wine & Minerals	721.81	871.77	1052.03	1102.19	1286.36
Food stuff	567.56	605.61	707.69	807.78	893.82
Petrol, Diesel and lubricants	783.83	1271.27	1888.80	2102.56	2392.97
Other sales	43.19	45.31	37.27	34.76	76.16
Income from Taxis	8.29	10.43	8.58	4.57	5.52
Lease activity	29.50	43.16	56.29	85.76	104.54
Consultancy fee	32.70	24.84	9.69	20.89	30.92
Other income	119.76	158.57	130.68	118.53	184.94
Total	**2306.64**	**3030.96**	**3891.03**	**4277.04**	**4975.23**
Expenditure					
Wine & Minerals	521.51	644.02	764.54	782.43	874.17
Food stuff	279.03	258.09	303.97	340.70	384.73
Petrol, Diesel and lubricants	776.57	1259.12	1861.44	2073.51	2364.45
Other purchases	39.62	43.79	35.45	33.43	72.80
Running & Maintenance of Taxis	5.99	5.03	5.10	6.42	2.77
Other expenditure (Admn.salaries, licence fee etc.)	591.39	710.36	771.98	855.12	1035.03
Depreciation	63.06	63.96	72.35	83.87	98.22
Profit	29.47	46.59	76.20	101.56	143.06
Total	**2306.64**	**3030.96**	**3891.03**	**4277.04**	**4975.23**



Road Map of Haryana
To Amritsar
To Shimla
HIMACHAL PRADESH
PINJORE
22 Km
CHANDIGARH 48 Km
MORNI
PANCHKULA
48 Km
To Fazilka
PUNJAB
AMBALA
45 Km
ASA KHERA
8 Km
ABUB SHEHR
KURUKSHETRA
PIPLI
32 Km
YAMUNA NAGAR
MUSSOORIE
KARNAL
KAITHAL
40 Km
100 Km
37 Km
NARWANA
40 Km
SIRSA
FATEHABAD
KALA AMB
PANIPAT 8 Km
JIND
20 Km
90 Km
UTTAR PRADESH
45 Km
HISAR
SAMALKHA
ROHTAK
28 Km
SONIPAT
HARYANA TOURISM
55 Km
45 Km
MEHAM
50 Km
NURSERY
ISBT DELHI
RAJASTHAN
BHIWANI
BAHADURGARH
25 Km
GURGAON
20 Km
SURAJ-KUND
100 Km
13 Km
HOTEL RAJ HANS
SULTANPUR
28 Km
55 Km
9 Km
DHARUHERA
BADKHAL
20 Km
DAMDAMA
FARIDABAD
ARAVALLI GOLF COURSE
NASIBPUR
10 Km
45 Km
54 Km
REWARI
SOHNA
60 Km
HODAL
To Jaipur
To Alwar
To Agra
TOURISM RESORTS
NATIONAL HIGHWAYS
STATE HIGHWAYS
(All distances from ISBT Delhi)

It would be seen from the above table that the main source of income was from lease activity which constituted 80 *per cent* of the profits earned during the five years. Incidentally, it may be mentioned that this activity does not require any huge recurring expenditure.

2B.7 Performance of tourist complexes

The State Government decided (April 1974) that the Company would be responsible for the running and maintenance of the commercial units (i.e. restaurants, bars, petrol pumps and liquor vends etc.) and manage non-commercial units (motels, bungalows, huts and rest houses etc.) as an agent of the State Government who would subsidise the losses, if any, and development/maintenance cost of infrastructure would continued to be borne by the State Government. However, the State Government decided (December 1987) to charge rent at Rs.45.50 lakhs per annum for the use of Government non-commercial complexes and continue to bear development/maintenance cost. The Company paid rent up to the year 1990-91. The State Government decided (January 1992) to revise the pattern of financing and charge nominal rent at the rate of rupee one per complex per annum for a period of 20 years with effect from 1 April 1991 and not to provide any assistance to the Company on maintenance, publicity or any other operational expenditure of these non-commercial units.

The Company had operated 36 to 40 tourist complexes during 1991-92 to 1995-96 of which 34 to 38 complexes were having both commercial and non-commercial activities. The Company closed two tourist complexes at Dadri and Hathnikund (February 1994 and September 1995) and opened six new complexes (Panchkula, Fatehabad, Jyotisar, Nasibpur, Kala Amb and Hisar) during the last five years up to 1995-96.

A review of loss making complexes revealed that ten complexes (Abubshehr, Hathnikund, Sirsa, Dadri, Meham, Morni, Narwana, Mussorie, Rewari and Bhiwani) came into operation during 1987-88 to 1990-91 had been (after allowing gestation period of three years) consistently running in losses which accumulated to Rs.92.77 lakhs during the five years period up to March 1996.

Consistent losses in ten complexes accumulated to Rs.92.77 lakhs

The Bureau of Enterprises while reviewing the performance of loss making complexes suggested (March 1993) that intensive efforts be made to turn the loss making complexes into profitable ones. An audit analysis of working of these complexes revealed that losses were attributed to low occupancy (Paragraph No. 2B.8), heavy burden of administrative overheads (Paragraph No. 2B.12), heavy food and fuel cost (Paragraph No. 2B.11) and lack of facilities such as package tours, sight seeing, recreation and picnic spots, etc. to attract tourists as recommended by COPU.

The Government stated (August 1996) that the main reason for increase in losses was non-reimbursement of infrastructure and horticulture expenditure by the State Government. The reply is not tenable as the expenditure on infrastructure and horticulture in respect of loss making complexes was negligible and the Company had not been paying any rent to the Government for the use of these complexes from April 1991.

2B.7.1 Improper selection of site

The Government of India suggested (June 1990) that a way-side catering facility at Charkhi Dadri for tourists travelling from Chandigarh to Jaipur be provided. The Company, however, decided

(December 1990) to open a complex in the city in a hired building though the General Manager of the Company had pointed out (June 1990) that there was not much traffic on the road on which this building was situated.

The Complex started functioning in January 1991 after incurring Rs.0.90 lakh on its renovation. The incharge of the complex intimated (July 1991) that the Complex was suffering losses due to its improper location and recommended its closure in the interest of the Company. No action was taken by the Company on the recommendation of the incharge up to January 1994. However, the Company closed down (February 1994) the complex when the loss had accumulated to Rs.8.36 lakhs.

The Government stated (August 1996) that the aim of the Company was not only to earn profits but also to give facilities to the highway tourists. The reply is not tenable as the object of providing way-side catering facility was never achieved as the complex was opened in the middle of the city.

2B.8 Occupancy ratio

The Company had neither fixed any targets for occupancy ratio nor worked out break-even point to run its tourist complexes. A summarised break-up of the occupancy ratio of the tourist complexes for the last five years ended March 1996 is given below :

Occupancy ratio	Number of tourist complexes				
	1991-92	1992-93	1993-94	1994-95	1995-96
Less than 20 *per cent*	1	1	1	2	2
Between 20 to 39	6	5	5	7	7
Between 40 to 59	10	7	6	6	7
Between 60 to 79	8	11	13	11	8
80 *per cent* and above	9	10	10	10	14
Total	**34**	**34**	**35**	**36**	**38**

It would be seen from the above table that occupancy in 34 to 50 *per cent* (12 to 17 complexes) of total units was below 60 *per cent* which is an acceptable norms in the hotel industry. The total shortfall of potential earnings in these complexes calculated by taking earning capacity at 60 *per cent* worked out to Rs.103.80 lakhs for the last five years ended March 1996. Out of 17 complexes, 6 complexes (Narwana, Morni, Meham, Mussorie, Dadri and Hathanikund) were opened during 1987-88 to 1990-91 by the Company without assessing their viability despite the fact that the COPU had recommended (March 1985) for setting up these complexes by exploring viability.

Low occupancy ratio resulted in shortfall of revenue amounting to Rs.103.80 lakhs.

The Company had not analysed the reasons for low occupancy. An audit analysis revealed that the low occupancy was attributed to :

- improper location of tourist complexes;
- unrealistic increase in the tariffs (1993-94 to 1994-95) in six complexes (Narwana, Hodel, Panipat, Morni, Yamuna Nagar and Mussorie) having low occupancy;
- lack of infrastructure facilities (sight seeing, package tours, recreation and picnic spots etc.) to attract tourists as recommended by the COPU; and
- lack of publicity.

The Government stated (August 1996) that two complexes i.e. Dadri and Hathnikund had been closed in February 1994 and September 1995, respectively and the efforts were being made to increase the occupancy ratio by putting more sideways hoardings, making more advertisement through newspapers and offering off-season discounts, lower rates for newly wedded couples, for group tours of students and for employees of State Government especially at Mussoorie complex.

2B.9 Dormitory accommodation

The Company constructed dormitory type budget accommodation (cheaper accommodation) to be made available at reasonable rates at nine tourist complexes (Ambala, Karnal, Faridabad, Rohtak, Hodal, Dharuhera, Bahadurgarh, Sultanpur and Damdama) at a total cost of Rs.56.91 lakhs (Rs.43.60 lakhs from Government of India, Rs.10.36 lakhs from the State Government and balance from its own sources) between December 1992 and November 1993.

A test check of five tourist complexes (Ambala, Karnal, Faridabad, Hodal and Damdama) completed between December 1992 and November 1993 revealed that budget accommodation in four complexes (Ambala, Karnal, Faridabad and Hodal) could not be opened for tourists up to September 1995 due to not fixing of the tariff, non-providing of requisite furniture etc.

Thus, even after more than two years of construction, the budgeted accommodation could not be made available to tourists due to inaction of the Company.

2B.10 Loss of potential revenue due to discontinuance of camper huts

The Company without working out the feasibility and assigning any reasons, converted (July 1994) nine camper huts at Badkhal Tourist Complex Faridabad (having occupancy ratio of 200 *per cent* during the last three years up to June 1994) into shops. Of these nine shops, two had been auctioned (March 1996) for Rs.4.80 lakhs for one year and the remaining seven were lying vacant since the date of conversion.

The conversion of camper huts into shops abruptly without working out feasibility had resulted in loss of potential revenue of

Rs.18 lakhs (worked out on the basis of the occupancy during the preceding 36 months) during August 1994 to September 1995.

The Government stated (August 1996) that these huts were discontinued due to their small size and improper location. The reply is not tenable as the occupancy ratio of these huts had consistently been more than 200 *per cent.*

2B.11 Catering

2B.11.1 Food cost in restaurants

The Company had been maintaining catering facilities at 34 to 38 tourist complexes during the last five years ended March 1996. The Company keeping in view the location and sale demarcated its complexes in two categories A and B. In order to watch the performance of the complexes and to have effective control on food cost, the Company fixed (May 1993) the percentage of food cost to its sale price at 35 for its `A' category tourist complexes and at 40 to 42 for `B' category tourist complexes. The balance was to cover salaries, wages, fuel and electricity charges, depreciation and margin of profit. Prior to May 1993, no norm of food consumption had been fixed. As against this the food cost norm in the Indian Tourism Development Corporation (ITDC) was *40 per cent.*

Food/fuel cost in excess of norms resulted in extra expenditure of Rs.54.44 lakhs

Based on the norms fixed in May 1993, it was noticed in audit that actual food cost was more than the norms in 22 complexes during 1993-94 ('A' category 8 and 'B' category 14), 18 complexes during 1994-95 ('A' category 11, 'B' category 7) and 18 complexes during 1995-96 ('A' category 6 and `B' category 12) and ranged between 43 and 66 *per cent.* The food cost ratio to turnover had consistently been in excess of norms in 5 complexes (Nasibpur, Sirsa, Meham, Bhiwani and Hisar).

The actual food cost in excess of norms during the three years up to March 1996 resulted in extra expenditure of Rs.25.62 lakhs.

It was, however, revealed that excess food cost was attributed to delay in the revision of food sale rates after a gap of more than two years, non-maintenance of daily consumption register to check the daily excess consumption with reference to the consumption norms as stressed by Board of Directors in May 1987 and purchase of food ingredients at higher rates at certain complexes.

The Government attributed (August 1996) the reasons for excess food cost to less sale of food items in some complexes. The reply is not tenable as the norms of food cost had been fixed based on the location and sale of its complexes.

2B.11.2 Food cost in parties

Though the Company had fixed the percentage of food cost to turnover in respect of food sold in its various complexes (May 1993), it did not fix norms for food cost in the case of group parties and the person incharge of the complex was given power to fix the rates. However, in May/June 1995, the food cost for parties was fixed at 30 *per cent* of the turnover.

A test-check of three complexes (Ambala, Faridabad and Karnal) for the period from May 1993 to March 1995, however, revealed that the percentage of food cost in group parties ranged between 34 and 44 at Ambala, 35 and 57 at Karnal and 31 and 43 at Faridabad.

Thus, the Company's failure to fix the norms of food cost and vesting the power with the Complex incharge for determining the rates for group parties resulted in short-realisation of Rs.2.63 lakhs from May 1993 to March 1995.

2B.11.3 Fuel cost

The percentage of fuel cost to turnover was fixed (May 1993) at 4 for 'A' category and 5 for 'B' category tourist complexes. As against this the fuel cost norms in the Orissa Tourism Development Corporation (OTDC) was 3 *per cent*.

It was noticed that actual fuel cost was more than the norms fixed by the Company at 33 complexes in 1993-94, 37 complexes in 1994-95 and 26 complexes in 1995-96 and ranged between 6 and 26 *per cent*. The fuel cost in excess of norms for the last three years up to March 1996 amounted to Rs.26.19 lakhs.

The Government attributed (August 1996) the reasons for excess fuel cost to less sale of food items in some complexes. The reply is not tenable as the norms of fuel cost had been fixed based on the location and sale of its complexes.

2B.12 Administrative overheads

The COPU recommended that the administrative expenses be kept under control and the Company in its reply stated that staff was being appointed on the basis of requirement of each complex. However, the Company had not evolved any system to conduct a comprehensive and scientific work study to assess the staff requirements. No categorywise norms have been fixed in this regard.

Manpower employed in excess of the norms resulted in extra expenditure of Rs.199.96 lakhs.

The Board of Directors desired (March 1989) that the salary cost should not exceed 20 to 25 *per cent* of the total turnover of the complex. It was, however, observed in audit that the percentage of salary cost to turnover was in excess of norms and ranged between 26 and 90 in 24 complexes during 1991-92, 27 and 114 in 26 complexes during 1992-93, 26 and 164 in 23 complexes during 1993-94, 26 and 145 in 25 complexes during 1994-95 and 27 and 121 in 26 complexes during 1995-96. The excessive salary cost as compared to above norms during the five years up to 1995-96 amounted to Rs.199.96 lakhs.

The Government stated (August 1996) that the case regarding fixation of revised norms of the staff requirement in the complexes was under consideration.

2B.13 Transport wing

(a) Operation of taxi service

Low utilisation and delayed repairs of vehicles resulted in loss of Rs.9.80 lakhs

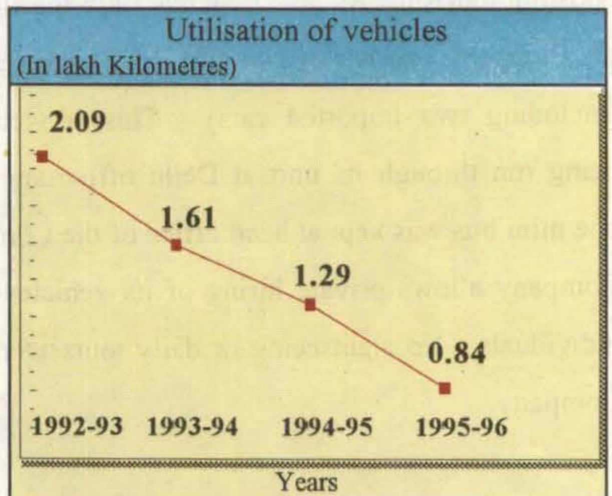
Tourist transport is very vital for boosting tourism. As on 31 March 1996 the fleet of the Company consists of two mini buses and six cars (including two imported cars). This service was being run through its unit at Delhi office and only one mini bus was kept at head office of the Company at Chandigarh. The Company allows private hiring of its vehicles by group of tourists and individuals. No sightseeing or daily tours were being conducted by the Company.

(b) Vehicle utilisation and working results

The table below indicates the extent of vehicles utilisation and working results for the four years up to 31 March 1996 :

Sl.No.	Particulars	1992-93	1993-94	1994-95	1995-96
1	Number of vehicles held	11	12	12	8*
2	Total kms. operated (In lakh kilometres)	2.09	1.61	1.29	0.84
3	Average Kms. operated per vehicle (In lakh kilometres)	0.19	0.13	0.11	0.10
4	Number of vehicles plied less than 0.10 lakh kms.per year	3	3	3	4
		(Rupees in lakhs)			
5	Total revenue	11.19	8.29	4.57	4.99
6	Total expenditure (without depreciation)	9.79	10.25	12.21	6.59
7	Profit(+)/Loss(-)	(+)1.40	(-)1.96	(-)7.64	(-)1.60
8	Profit/loss per km. (in rupees)	(+)0.67	(-)1.22	(-)5.93	(-)1.90

It would be seen from the above table that transport wing incurred loss during 1993-94 to 1995-96. The loss on operating the transport service for the year 1994-95 was 167 *per cent*.



Paragraph 2B.13 (b)

* Four vehicles were transferred to Haryana Hotels Limited (a wholly owned subsidiary) in June/July 1995.

of its total revenue. An analysis of the performance of taxi service revealed that loss was due to low utilisation of vehicles, heavy repairs, non-revision of tariff after October 1992 in the light of increase in running and maintenance expenditure and abnormal delay in repairing the vehicles.

It was noticed during audit :

(i) One ambassador taxi (HR 37(T) 154) remained under repairs for 87 days and 90 days during 1992-93 and 1993-94, respectively and another taxi (HR 37(T) 113) remained under repairs for 103 days during 1994-95.

(ii) One imported taxi (HR 37(T)0039) remained under repairs through out the year in 1993-94 and 300 days during 1994-95 and another imported taxi (HR 37(T) 100) remained under repairs for 300 days during 1994-95.

2B.13.1 Un-economic running of imported tourist taxis

The Company imported (September 1982) three taxis at a total cost of Rs.5.84 lakhs. These vehicles after obtaining all India permits continued operations up to 30 May 1989. The State Transport Department refused (August 1989) to renew the all India permits on the plea that vehicles had already covered the desired life of five years.

Instead of stopping the operation of these vehicles, the Company continued plying these cars as local taxis in Delhi (August 1996) and incurred an operational loss of Rs.6.42 lakhs (expenditure Rs.9.05 lakhs minus income : Rs.2.63 lakhs) during the five years up to 31 March 1996.

The Government stated (August 1996) that the matter was being pursued with the Government of India and State Transport

Commissioner for the disposal of these vehicles. The reply is not tenable as the Company could have avoided the operational loss by discontinuing the operation of these vehicles.

2B.14 Performance of liquor activities

The Company was having one wholesale depot (L-1) (three wholesale depots (L-1) up to 31 March 1995), 10 retail outlets (L-2) and 25 bars (L-4 and L-5) as on 31 March 1996. The wholesale depot, besides making direct sale to private parties, was also arranging liquor for sale at the retail outlets of the Company. The retail outlets were making direct sales to private customers and feeding bars being run by the Company at its various complexes.

The irregularities noticed in the working of liquor trade are discussed below :

2B.14.1 Irregular credit sale

Extension of irregular credit resulted in doubtful recovery of Rs.15.81 lakhs.

(i) The State Government auctions retail liquor shops to private parties on yearly basis and as such the continuity of a particular private liquor shop can not be ensured. In view of this, the private credit sale is highly risky and the Company had brought this fact to the notice of Board of Directors (June 1989). To avoid such risks, the Company modified (September 1991) the limit of credit for 21 days on sales to private parties up to Rs.50,000. Further credit was to be allowed after receiving previous payment. However, in contravention of these instructions, the wholesale liquor vend at Karnal allowed the credit facility to a firm of Faridabad since June 1993. There was a debit balance of Rs.4.92 lakhs as at the close of June 1993. The Company continued to allow the credit facility to the firm beyond 21 days for more than stipulated amount of Rs.0.50 lakh and there was closing debit balance of Rs.6.70 lakhs as on 31 March 1994 against the firm. The Company did not check this ongoing irregular credit facility while reviewing the quarterly accounts which resulted in the accumulation of the debit balance to Rs.18 lakhs as on 8 August 1994. Though six cheques amounting to Rs.10.19 lakhs received in August 1994 were dishonoured, the Company again accepted payment of Rs.6.09 lakhs through cheques in September 1994 which were again dishonoured. The firm deposited Rs.3.17 lakhs in cash from September 1994 to December 1994 and the balance outstanding as on 21 December 1994 amounted to Rs.14.86 lakhs.

The Government stated (August 1996) that the concerned official had been suspended and departmental enquiry was in progress. It had also filed a criminal case against the firm. The decision thereof was awaited.

(ii) Similarly the wholesale depot at Faridabad Division had also been allowing credit to the same firm and there was a debit balance of Rs.0.95 lakh as on 31 March 1995.

Thus, a sum of Rs.15.81 lakhs remained unrecovered due to irregular extension of credit.

2B.14.2 Brand registration fee

The suppliers of liquor (breweries/distilleries) were getting the benefit of wide publicity by selling its products through the Company's outlets and the Company had to make heavy payments on account of licence fee to the State Government to run its liquor outlets throughout the State. In order to collect some contribution from the suppliers whose brands were being sold, the Management constituted (June 1994) a committee to suggest rates to be adopted for introducing various brands of liquor at its outlets. The Committee submitted

(22 February 1995) its recommendations laying down the rates for one time brand registration fee for new brands at Rs.1 lakh for sales at wholesale depot, Rs.2 lakhs for sales at wholesale and retail shops and Rs.3 lakhs for sales at wholesale, retail shops and liquor bars effective from 1 April 1995. These rates were approved by the Board of Directors on 20 March 1995.

Following irregularities were noticed in the charging of brand registration fee.

(i) Firm `A' approached the Company on 20 February 1995 for introducing two brands of beer (Hayward 5000 and Royal Challenge) for sale at retail liquor shops and liquor bars. The firm apprehending the levy of brand registration fee from 24 February 1995, offered to pay Rs.2.50 lakhs for both the brands of beer. The Company accepted the bank draft on 21 February 1995 (just one day before the receipt of recommendation of the committee referred to above) and issued the registration letter on 6 March 1995.

(ii) Similarly in another case firm `B' approached the Company on 16 February 1995 for registration of two brands of beer (Sand Piper Gold and Turbo Super Strong) for sale at wholesale depots, retail shops and liquor bars. The firm after discussion with the Company deposited a bank draft for Rs.5.00 lakhs on 28 February 1995.

Thus, by accepting Rs.7.50 lakhs (Firm A : Rs.2.50 lakhs and Firm B : Rs.5 lakhs) instead of Rs.10 lakhs (Firm A : Rs.4 lakhs and Firm B : Rs.6 lakhs) the Company had lost a revenue of Rs.2.50 lakhs.

The Government stated (August 1996) that the Company accepted the amount in the absence of any precedent/policy prior to the approval of the Board of Directors. The reply is not tenable as the case of levy of registration fee was under consideration and the

Company should have deferred its decision to accept less registration fee or claimed the revised rates from these firms at a later date.

2B.15 Leasing of shops/sites

The Company had been leasing out sites/shops, through public auction, at its tourist complexes. The irregularities noticed in auction of shops/sites are discussed in the succeeding paragraphs :

2B.15.1 Loss due to non-acceptance of highest bids

(i) The Company had been running two ice-cream sites (inside and outside) at Pinjore Complex. By running these activities at its own, the Company earned a profit of Rs.1.80 lakhs during the year 1993-94. However, these sites were put to auction on 12 March 1994 for the period from 1 April 1994 to 31 March 1995. Reserve prices for these sites were not fixed. The highest bid of Rs.5.15 lakhs was rejected on the plea of its being on the lower side. The Company again rejected (December 1994) the highest bid of Rs.2.50 lakhs for the period from December 1994 to March 1995 on the same plea. The Company continued the operation of these sites at its own and earned a profit of Rs.2.21 lakhs during the year 1994-95. These sites were leased out (April 1995) at Rs.4.60 lakhs up to March 1996.

Thus, by rejecting the highest bid of Rs.5.15 lakhs without fixing the reserve price, the Company incurred a loss of revenue of Rs.2.94 lakhs (Rs.5.15 lakhs minus Rs.2.21 lakhs) during the period April 1994 to March 1995.

(ii) The Company put to auction (19 March 1995) at Badkhal Tourist Complex cold drinks and ice cream site for the period from 1 April 1995 to 31 March 1996. The highest offer of Rs.3.19 lakhs (previous year Rs.3.19 lakhs) for cold drinks site and Rs.2.50 lakhs (previous year Rs.3.46 lakhs) for ice cream site were rejected by the committee on the plea that bids were lower in comparison with those of the previous year. These sites were again put to auction on 15 April 1995 and the highest bids of Rs.3 lakhs for cold drinks site and Rs.2.60 lakhs for ice cream site were again rejected considering the same to be on lower side. The auction was again held for these shops on 28 May 1995 but no party turned up.

The Company, after a gap of two and a half months, reconducted the auction on 2 July 1995 (after the peak summer was over) and leased out cold drinks site for Rs.1.85 lakhs and ice cream site for Rs.2.10 lakhs for the period July 1995 to March 1996.

Thus, rejection of the offers received in 2nd auction particularly in view of peak summer season resulted in an avoidable loss of Rs.1.65 lakhs to the Company.

2B.16 Construction activities

The Company has its own construction wing headed by a Chief Engineer. It undertakes construction work of tourist complexes on behalf of State tourism department. It also undertakes deposit works of other Government organisations from time to time.

The Company submitted, through the State Government, 102 project schemes of various tourist complexes to the Government of India of which 52 schemes were approved from 1990-91 to 1995-96. Out of these, 25 projects had been completed, 13 were in progress and construction in respect of remaining 14 projects could not started due to non-finalisation of drawings/sites (September 1996).

Important points noticed during test check of records of construction wing are discussed in the succeeding paragraphs.

2B.16.1 Infructuous expenditure

Contemplating acute shortage of water in tourist complex at Damdama, the Company decided (June 1993), in consultation with Public Health Department, to install a tubewell on the land belonging to Fisheries Department. The Company, accordingly, got drilled (July-October 1993) a tubewell without prior permission of Fisheries Department. The work of laying pipelines from the tubewell to its complex was completed by the Company departmentally at a total cost of Rs.3 lakhs. The Fisheries Department refused to allow the Company to energise the tubewell.

The Company decided (January 1995) to hand over the tubewell to Fisheries Department and recover the cost thereof. However, there has been no response from the Fisheries Department so far (September 1996).

Thus, installing a tubewell, without concurrence of the Fisheries Department which refused to energise it resulted in unfruitful expenditure of Rs.3.00 lakhs.

The Government stated (August 1996) that the necessary persuasion to recover the amount was being made or alternatively it was being explored to take water from that tubewell. The reply is not tenable as the Fisheries Department neither allowed to energise the tubewell nor paid the cost incurred by the Company so far (September 1996).

2B.16.2 Extra expenditure due to non-invitation of tenders

The work of construction of tourist complex, Hisar at ground floor level (viz. Bar, Conference Hall, Porch & Kitchen court yard) was awarded (November 1992) to the lowest tenderer (M/s M.K. Jain, Jind) at an estimated cost of Rs.40 lakhs at 21.9 *per cent* above prevailing (November 1991) *Haryana schedule of rates (HSR)*. The work was to be completed within 15 months i.e. by January 1994.

The Company decided (May-October 1993) to construct restaurant and lobby etc. (estimated cost Rs.23 lakhs) from the same contractor at the rates of the contract awarded in November 1992 without calling for fresh tenders and enhanced the amount of work to Rs.63 lakhs. Thereafter, the Company invited (November 1993) tenders for construction of six rooms at first floor and allotted (April 1994) the work to the lowest tenderer (M/s Abey Kumar Jain, Hisar) at an estimated cost of Rs.14 lakhs at the rate of 5.5 *per cent* above revised (February 1993) HSR. An audit analysis revealed that the new rates of M/s Abhey Kumar Jain were lower by 7.16 *per cent* than the rates at which the work was allotted to the first contractor.

The Government stated (August 1996) that lower rates were obtained in the tenders of six rooms due to slump in the rates in the market. The reply is not tenable as the Company could have obtained the benefit of lower rates through tenders for the construction of lobby and restaurant as well. Failure of the Company to invite tenders for construction of lobby and restaurant resulted in extra expenditure of Rs.1.65 lakhs.

2B.17 Adventure club

The Company started an adventure club in November, 1991 for promotion of various adventure activities such as Rock Climbing, Mountaineering, Parasailing, Trekking, Cycling and Water Sports. The Company was receiving funds from Government of India for promotion of various adventure activities. Funds amounting to Rs.49.26 lakhs against sanctioned amount of Rs.94.19 lakhs for 9 such schemes were received from Government of India during 1990-91 to

1993-94. The Company had incurred Rs.55.91 lakhs on these schemes up to March 1994. Thereafter, no other scheme was approved (September 1996).

Activities test checked during audit are discussed below :

2B.17.1 Purchase of rafts

The Company without assessing the commercial viability submitted a proposal (February 1992) to Government of India for purchase of eight rafts costing Rs.10 lakhs for rafting at Yamuna river. However, the Company without approval from the Government imported (December 1992) two 14 feet self bailing white water river rafts from U.K. at a cost of Rs.5 lakhs.

The rafts were not put to operation till April 1993 when the Company decided to organise river camps at Pirdi (Kulu-Himachal Pradesh) in Beas river and appointed (May 1993) two river rafting guides on contract basis. The rafting camp remained in operation from 3 May 1993 to 7 July 1993. No further camps were organised and the rafts were lying idle since 8 July 1993. However, the services of the two guides were continued up to March 1995 and February 1996.

The Government stated (August 1996) that these rafts were being used on Yamuna river. The reply is not tenable as there was a negligible income of Rs.0.15 lakh from these rafts during the two years up to 1995-96 and effective steps to popularise the rafting activity was not taken.

2B.17.2 Funds obtained without any viable scheme

The Company without identifying the site sent a proposal (March 1991) to Government of India for introducing manual hang glider type sports (aero sports) at Sohna at an estimated cost of Rs.8.19 lakhs.

The Government of India while according approval for Rs.6.44 lakhs in March 1991 released Rs.2 lakhs with the condition that the balance amount would be released on production of bills/receipts. The Company decided (March 1995) to drop the scheme as aerosports was not possible anywhere in Haryana and refunded the amount.

The Company also sent in January 1992 a proposal for Rs.11 lakhs for similar type of activity at Pinjore. The Government of India while according approval for Rs.9.32 lakhs released Rs.5 lakhs as first instalment in March 1992.

The Company could not identify the site and proposed (November 1992) to purchase two powered hang gliders out of funds provided for manual hang gliders. The Government of India did not agree to the proposal and sought for immediate surrender of unutilised funds. The Company surrendered Rs.5 lakhs in October 1993.

Thus, selection of the scheme without conducting proper survey of site resulted in surrender of funds besides non-achievement of the objective of introducing adventure games in the State.

2B.18 Purchases

A test check of purchase records revealed following irregularities:

2B.18.1 Purchase of fibre glass speed boats

A purchase order for two fibre glass speed boats was placed on a Gujrat based firm through the Director Supplies and Disposal, Haryana. After inspection on 31 July 1989 at factory site, boats were received on 4 September 1989 at Badkhal complex and payment of Rs.3.60 lakhs

Faulty inspection resulted in unfruitful expenditure of Rs.6.80 lakhs.

was released (September 1989). The boats, however, could only be operated intermittently due to certain manufacturing defects. Operation of one boat was discontinued after one month and second boat remained in operation intermittently for about five months.

The engine of the second boat was got repaired (September 1992). The defects persisted even after incurring an expenditure of Rs.0.50 lakh on repairs. Both the boats were lying unutilised (September 1996).

Thus, defective inspection of boats resulted in unfruitful expenditure of Rs.4.10 lakhs to the Company. No responsibility for the lapse had been fixed (November 1996).

The Government stated (August 1996) that for recovery of amount spent on repairs of defective engines, Rs.0.39 lakh (balance payment : Rs.0.19 lakh and security : Rs.0.20 lakh) was lying pending.

2B.18.2 Unfruitful expenditure

The Company placed (September 1992 and June 1993) two orders for purchase of five aluminium rowing boats and ten peddle boats for operation in its complexes at Badkhal, Damdama and Karnal lake on Kleghan & Company Calcutta at a cost of Rs.2.70 lakhs. The rowing boats were inspected in March 1993 and peddle boats in January 1994 by the boat advisor of the Company. The boats were found as per specifications given in the supply order. However, on receipt of boats (rowing boats : July 1993 and peddle boats : January 1994) it was observed that these could not be put to use due to manufacturing defects and all the boats were lying idle (September 1996) since their receipt. Thus, due to faulty inspection, the expenditure of Rs.2.70 lakhs proved to be unfruitful. No responsibility for the lapse had been fixed (November 1996)

The Government stated (August 1996) that it had decided to take legal action against the party after taking legal opinion.

2B.19 Other topics of interest

2B.19.1 Loss due to unauthorised extension of load

Hodal tourist complex got sanctioned an electric load of 70.400 KW. The complex operated additional load without completing necessary formalities viz., submission of test report, requisite fee etc. to get extension of load from Haryana State Electricity Board (HSEB). The premises of the complex was checked by HSEB in September 1993 and July 1994 when an unauthorised load of 159.568 KW was detected. Accordingly, a surcharge of Rs.1.80 lakhs was imposed by HSEB. The Company deposited the payment in January 1995.

The unauthorised extension of load without complying with the necessary formalities had, thus, resulted in payment of surcharge of Rs.1.80 lakhs to the Company. No responsibility for the lapse has been fixed (September 1996).

Conclusion

The Company was incorporated to promote tourism in the State. Out of 40 tourist complexes 10 had been consistently running in losses despite providing infrastructure of complexes by the State Government at notional rent (Rupee one per complex per annum) Instances were noticed that tourist complexes were opened without assessing their viability. The Company is required to devise means to improve the occupancy ratio and take effective steps to control the administrative, food and fuel costs particularly at complexes which had been consistently running in losses.

Chapter - III

Reviews relating to Statutory Corporations		
Paragraph	***Particulars***	*Page (s)*
3	**Transmission and Distribution Losses**	99
	Highlights	99
3.1	Introduction	101
3.2	Scope of audit	102
3.3	Transmission and distribution losses	103
3.4	Technical losses	105
3.5	Inadequate Distribution system	112
3.6	Commercial losses	122
3.7	Energy audit	125
3.8	Loss due to delay in fixation of minimum charges for consumers of metered agriculture Pumpsets (AP)	129
	Conclusion	130

Reviews relating to Statutory Corporations

Section-3

3 Review relating to a Statutory corporation

This chapter contains a review on 'Transmission and Distribution losses' of Haryana State Electricity Board.

Transmission and Distribution losses

Highlights

- **Transmission and Distribution system is an important and essential link between the power generating source and the ultimate consumption. A power system is made up of components of generation, transformation, transmission and distribution. A part of the energy carried from generating stations to the consumers is lost on account of technical losses due to inherent characteristics of the equipment and on account of commercial losses due to pilferage, defective meters etc. These losses are called transmission and distribution losses or system losses.**

(Paragraph 3.1)

- **The transmission and distribution losses in HSEB ranged between 25.38 to 31.41 *per cent* as against norm of 15.5 *per cent* prescribed by Central Electricity Authority (CEA) which resulted in loss of Rs.688.21 crores for five years up to 1995-96.**

(Paragraph 3.3.1)

- **Short-billing due to non-installation of adequate metering equipment at 132 KV sub-station Pinjore costed the Board Rs.18.06 crores.**

(Paragraph 3.4.2)

- **Double transformation resulted in avoidable transformation losses of Rs.239.64 lakhs during 1992-93 to 1995-96 and extra expenditure of Rs.141.69 lakhs**

(Paragraph 3.4.5)

- **Shortfall in installation of capacitor banks resulted in transmission losses of Rs.20.85 crores for five years up to 1995-96.**

(Paragraph 3.4.6)

- **Failure of distribution transformers in excess of norms resulted in extra expenditure of Rs.41.74 crores on repairs for five years up to 1995-96.**

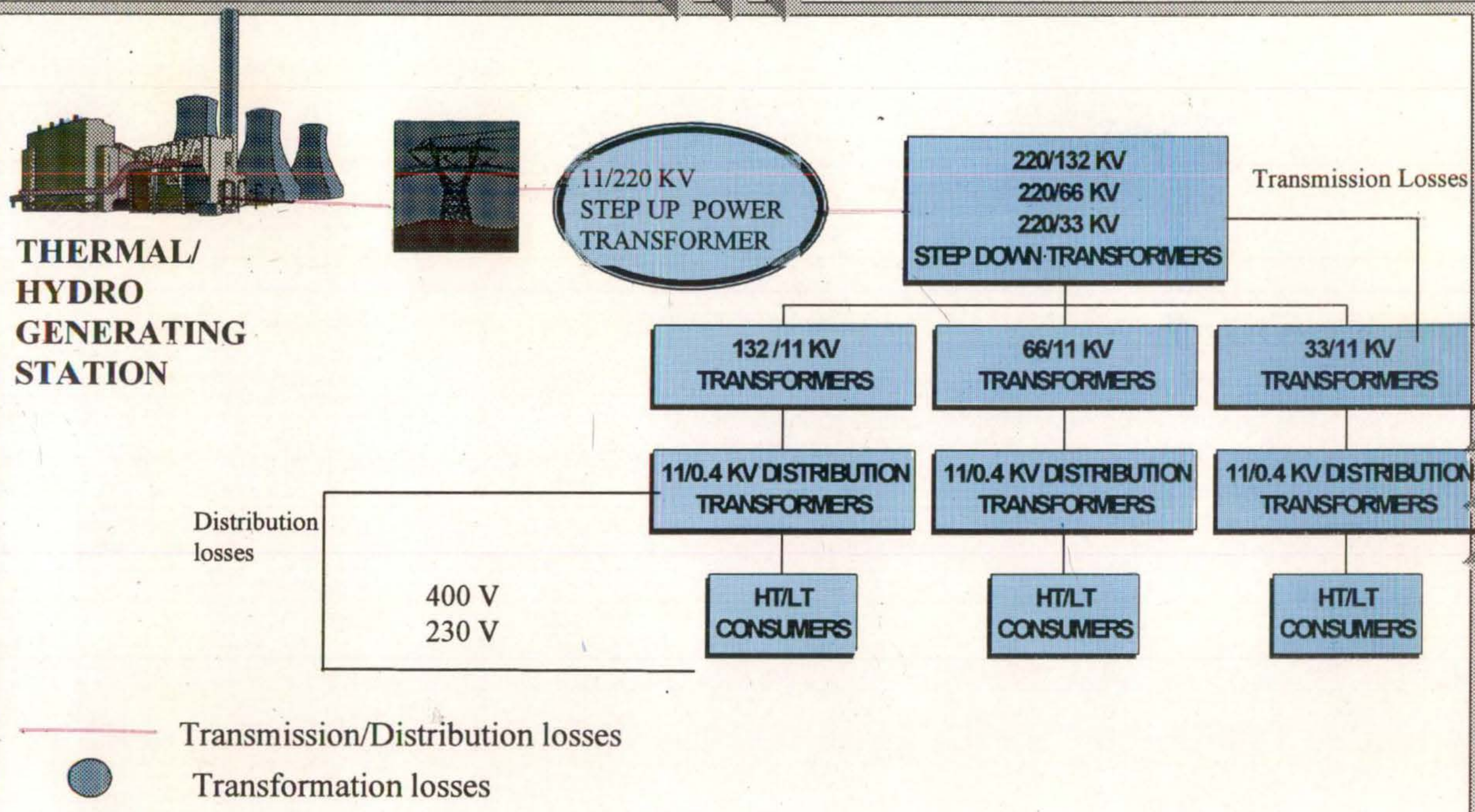
(Paragraph 3.5.1 (iv))

- **None of the six schemes taken up for minimisation of system losses and improvement of system in urban areas scheduled to be completed up to 1994-95 had been completed so far. Out of 40 similar schemes approved for rural areas, 26 schemes are yet to be completed.**

(Paragraphs 3.5.2.1 & 3.5.2.2)

- **Non-replacement of defective meters and non-fixing of seals on meters contributed to high incidence of controllable distribution losses.**

(Paragraphs 3.6.2 and 3.6.3)



Line Diagram showing transformation, transmission and Distribution losses
(Paragraph 3.1)

3.1 Introduction

Transmission and Distribution system is an important and essential link between the power generating source and the ultimate consumer. The optimum utilisation of the generated power will not be possible without paying adequate attention to the transmission and distribution system.

The power supply system of the HSEB (Board) is made up of the components of generation, transformation, transmission and distribution. Electricity is generated at the generating stations at 11 KV (11,000 Volts) and then stepped up by power transformers to 220 KV or 132 KV for transmission to sub transmission and distribution sub-stations where it is stepped down to 66 KV, 33 KV and 11 KV. The power is supplied through primary and secondary feeders at 132 KV, 66 KV, 33 KV or 11 KV to high tension (HT) consumers and at 400/230 Volts to Low tension (LT) consumers after step down through distribution transformers.

While energy is carried from the generating stations to the consumers through the process of transmission and distribution network, some energy is lost which is termed as Transmission and Distribution (T & D) or system losses. Losses occurring at various stages of power transformation and transmission system at 220 KV, 132 KV are known as transmission losses; at 66 KV, 33 KV as sub-transmission losses; and at 11 KV and below as distribution losses. Losses occur mainly on two counts viz. technical losses and commercial losses.

3.1.1 Technical losses

Transmission losses and transformation losses are known as technical losses which occur due to inherent characteristic(s) of the conductor and equipment used for transmitting and distributing power.

Transmission losses occur due to resistance in conductors through which the energy passes from one place to another. Transformation losses include copper losses (load losses) which are dependent upon the quantum of power being transformed and iron losses (no load losses) are due to design characteristics of the transformer and are constant irrespective of whether there is load on it or not.

3.1.2 Commercial losses

Commercial or unaccounted losses are caused by pilferage of energy, meter reading errors, defective meters, drawl of un-metered supply etc. While it may be difficult to accurately segregate this loss in various elements, such losses can be eliminated by initiating remedial action.

3.2 Scope of audit

A mention was made in paragraph 7.8.4 of the Report of the Comptroller and Auditor General of India for the year 1982-83 (Civil) about the "System losses" of the Board during the period from 1978-79 to 1982-83. The review was discussed by Committee on Public Undertakings and its recommendations contained in its 31st Report were presented to the Legislative Assembly on 15 March 1991. The Committee viewed with concern the shortfall in checking of the meters by the officers of Board at different levels which not only led to malpractices but also affected the revenue of the Board.

The present review covers T & D losses of the Board and measures taken to reduce such losses during the years 1991-92 to 1995-96.

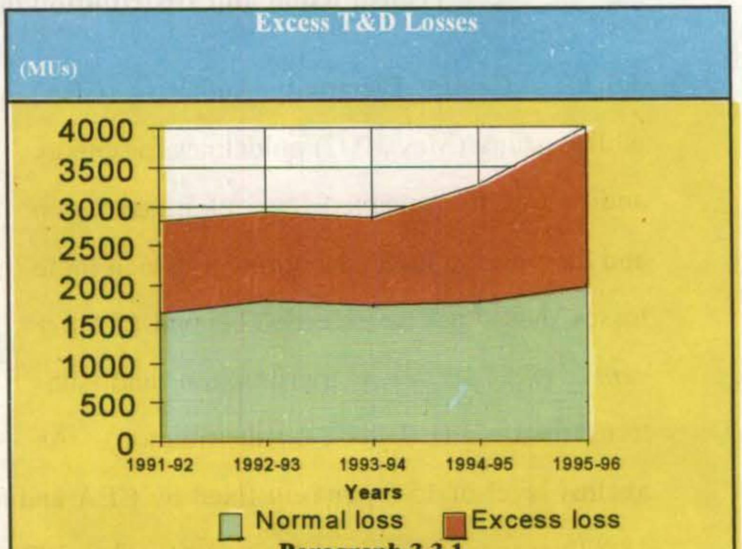
3.3 Transmission and Distribution losses

3.3.1 Central Electricity Authority (CEA) while issuing (May 1992) guidelines for energy audit fixed the accepted level of transmission and distribution losses according to which these losses should not be exceeded beyond 15.5 *per cent* (8.5 *per cent* transmission and sub-transmission and 7 *per cent* distribution). As against level of 15.5 *per cent* fixed by CEA and actual losses of 18.16 to 18.87 *per cent* prevailing during 1991-92 to 1994-95 in adjoining State of Punjab and all India average losses of 22.83 and 21.80 *per cent* during 1991-92 and 1992-93, the T & D losses computed by the Board ranged between 25.38 and 31.41 *per cent* during the five years up to 1995-96 as detailed below:

Transmission and distribution losses in excess of norms resulted in loss of Rs.688.21 crores during five years up to 1995-96

Particulars		1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
(a)	Units available for sale (MUs)	10553	11558	11168	11472	12705
(b)	Units sold (MUs)	7741	8625	8316	8202	8714
(c)	Units loss (MUs)	2812	2933	2852	3270	3991
(d)	Percentage of losses	26.64	25.38	25.54	28.50	31.41
(e)	Loss beyond norm of 15.5% (MUs)	1176	1142	1121	1492	2022
(f)	Value (Rupees in crores)	77.77	82.84	93.42	164.79	269.39

Reckoned with reference to the CEA norm of 15.5 *per cent*, the excess T&D losses during 1991-92 to 1995-96 worked out to 6953 MUs (sale price Rs.688.21 crores):



Paragraph 3.3.1

3.3.2 Incorrect computation of T & D losses

Board is computing the overall loss on the basis of difference between total power available for sale and the power sold. The transmission losses in respect of power sold to other States and common pool consumers are borne by the purchasers who are billed for gross supply. Thus, the power sold to other States and common pool supply consumers should have been excluded while working out transmission losses. However, for the computation of annual T & D losses, such sale of power was not excluded which resulted in understatement of T & D losses by 1.62, 1.23, 1.01, 0.98 and 0.92 *per cent* during 5 years ended 1995-96 as detailed below:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
1	Total power available for sale (MUs)	10553	11558	11168	11472	12705
2	Power sold outside the State (MUs)	191	125	40	60	34
3	Supply to Common Pool Consumers (MUs)	411	409	388	318	327

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
4	Power available for sale within the State (1-2-3) (MUs)	9951	11024	10740	11094	12344
5	T&D losses (MUs)	2812	2933	2852	3270	3991
6	Percentage of T&D losses (5÷4)	28.26	26.61	26.55	29.48	32.33
7	Percentage of T&D losses as worked out by the Board	26.64	25.38	25.54	28.50	31.41
8	Percentage of T&D losses understated	1.62	1.23	1.01	0.98	0.92

Thus, actual T&D losses during 1991-92 to 1995-96 ranged between 26.55 and 32.33 *per cent* as against 25.38 to 31.41 *per cent* worked out by the Board and under statement of losses worked out to 356 MUs valued at Rs.31.54 crores.

3.4 Technical losses

3.4.1 Transmission losses

For assessment of the transmission losses and sub-transmission losses occurring at various stages of power transmission system at 220 KV, 132 KV, 66 KV and 33 KV, the Board has not installed adequate metering equipment. In the absence of adequate metering equipment on the transmission system, the Board could not monitor losses at each stage of the transmission network and review these losses periodically to plan system improvement measures.

3.4.2 Short accountal of energy due to non installation of metering system on transmission lines

During test check it was observed that energy supplied from 132/66 KV sub-station at Pinjore included sale of energy to Union

Territory (UT) Chandigarh through two circuits (I & II) of 66 KV line from Pinjore to Chandigarh. Though the energy was being sold since January 1972/March 1978, metering equipment was installed on the two circuits of the line only in November 1988 (Circuit II) and March 1989 (Circuit I) which were not got tested/calibrated in the Board's laboratory till March 1990 (Circuit I) and till June 1990 (Circuit II). Further proper sealing arrangement on the meters were not made till June 1990.

In the absence of proper metering equipment up to June 1990, the Board had been lodging claims for energy received by the sub-station at Chandigarh. The vigilance wing of the Board reported (November 1990) that UT Chandigarh had short accounted for energy to the extent of 157.60 MUs valued at Rs.18.06 crores (including interest:Rs.6.98 crores) on the basis of net energy received and sold to other consumers where the meters had been installed, and recommended for filing an additional claim of Rs.18.06 crores. Final decision of the Board regarding lodging of the claim was not available on record (September 1996).

3.4.3 Growth in transmission system and generating capacity

(i) For efficient evacuation of power, the transmission system is required to keep pace with the generating capacity so as to ensure proper voltage, minimisation of losses, reliability of the system as a whole and to avoid overloading. Adequate transmission system should be based on detailed techno-economical study so as to ensure cost effectiveness and desired benefits.

Table given below highlights the trend of growth of generating capacity *vis-a-vis* power transformers capacity and transmission lines for 5 years ending March 1996:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
1	Generating capacity including share from joint and central sector project (MW)	2234	2268	2292	2400	2347
2	Power transformers capacity (MVA)	8931	9476	9862	10463	11054
3	Transmission lines (circuit Kms.)	8328	8521	8625	8674	8841
4	Transformers capacity per MW of generating capacity (MVA) (2÷1)	4.00	4.18	4.30	4.36	4.71
5	Transmission lines per MW of generating capacity (circuit Kms.)(3÷1)	3.73	3.76	3.76	3.61	3.77
6	Transmission losses (*per cent*)	11.72	8.04	8.33	8.40	10.04

It was observed in audit that despite continuous investment in T&D system to augment transmission capacity, which should have helped in reduction of T&D losses, transmission losses increased from 8.04 *per cent* in 1992-93 to 10.04 *per cent* in 1995-96. It was further observed in audit that increase in transmission system was due to non removal of double transformation stages by rationalising load of 11 KV feeders directly on 132 KV or 66 KV sub-stations and non-utilisation of 66 KV sub-transmission system as against the existing 33 KV sub-transmission system as discussed in succeeding paragraph: 3.4.5.

3.4.4 Transmission lines and sub-stations

(i) Shortfall in achievement

System losses could be reduced by addition of new sub-stations and strengthening of existing transmission system which helps in maintaining proper voltage and power factor. Though the Board had formulated plans for addition to transmission network every year, the actual achievement remained far short of targets. It was observed in audit that during the period from 1991-92 to 1995-96, the Board planned augmentation of the transmission system by 3356 circuit Kms. transmission lines with 6861 MVA capacity sub-station. The achievement was, however, only 790 circuit Kms. transmission lines and 2944 MVA capacity sub-stations. Failure to achieve the planned addition resulted in non-reduction of energy losses.

(ii) Delay in energisation of Sub-stations

11 KV feeders are required to be planned and erected in advance before commissioning of the sub-station. It was seen in audit that the Board had energised 266 transformers of various capacities during 1990-91 to 1994-95 without erection of 11 KV feeders. A study of the load on these transformers revealed that 39 transformers remained energised on "no load" for a period ranging from 1 to 3 months (19 Nos.), 3 to 6 months (14 Nos.) and 6 to 12 months (6 Nos.) which increased the transmission loss by 0.84 MUs (value: Rs.6.67 lakhs).

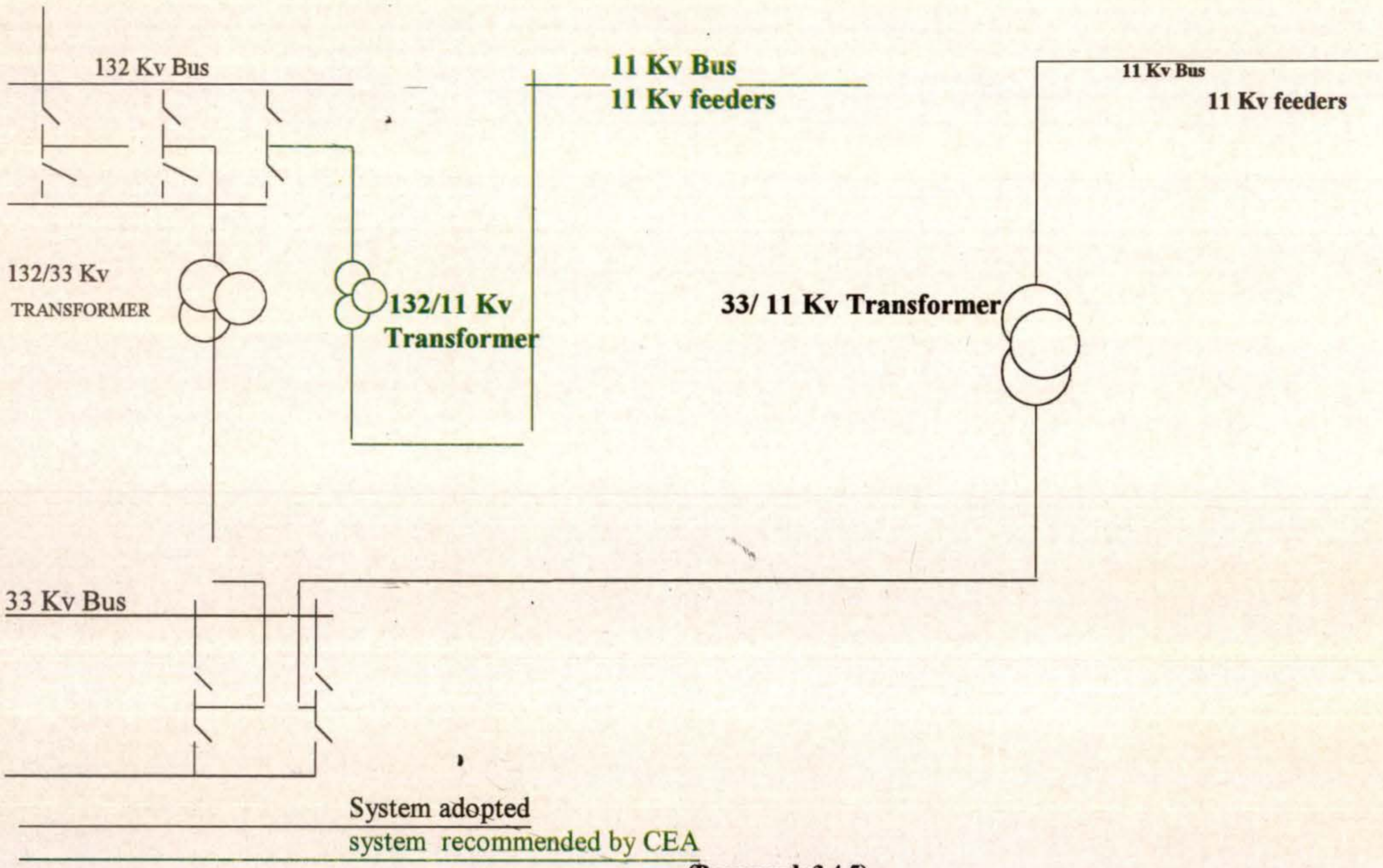
It was observed in audit that the transformers remained on "no load" as 11 KV feeder outlets which were required to be planned in advance and kept in position before commissioning of the transformers had not been erected.

3.4.5 Avoidable transformation losses due to non-removal of double transformation stages

Double transformation stages not removed to minimise transmission losses

Power is transmitted from grid to sub-stations through a network of 220/132/66/33 KV lines and from there to the consumers through 11KV feeders. In its

DIAGRAM OF 132 KV SUB-STATION



(Paragraph 3.4.5)

guidelines (July 1991) for reduction of system (T&D) losses, the CEA recommended *inter-alia* that many transformation stages should be removed as these result in higher component of transformation losses.

A review of transmission system revealed that at 10 sub-stations of 132 KV and 3 sub-stations of 66 KV, 11 KV feeders were fed from lower voltage power transformers of 33 KV after stepping down the voltage firstly from 132 KV and 66 KV power transformers to 33 KV and then from 33 KV to 11 KV despite the fact that load of 11 KV feeders could be fed directly from higher voltage power transformers of 132 KV and 66 KV and losses due to double transformation could be avoided. Non-removal of double transformation stages at 13 sub-stations resulted in avoidable transformation losses of 23.99 MUs valued at Rs.239.64 lakhs during 1992-93 to 1995-96 besides non-availing of saving in transformation capacity of 82.4 MVA valued at Rs.141.69 lakhs.

It was further noticed in audit that:

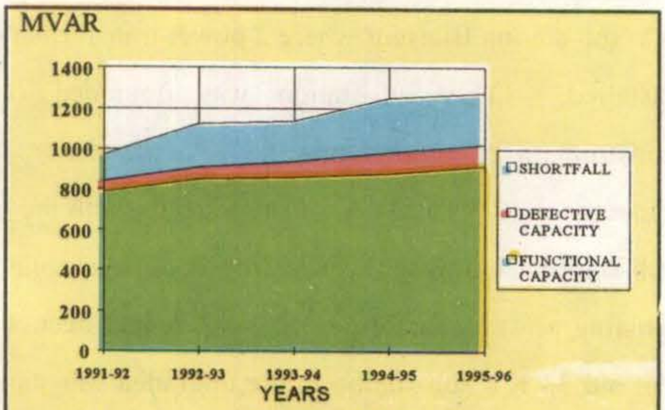
(i) Area of Bilaspur (District Ambala) was being fed from 33 KV sub-station Bilaspur where 2 power transformers of 4 MVA each were installed. This sub-station was upgraded (November 1991) by construction of another new 66 KV sub-station having transformation capacity of 12.5/16 MVA. Consequently both the transformers of 33 KV sub-station alongwith 33 KV line became surplus. While load of one existing power transformer of 4 MVA had been shifted (1991-92) from the old 33 KV sub-station to the upgraded sub-station of 66 KV, load of the second power transformer of 4 MVA had not been shifted (March 1996). Non-shifting of load from 33 KV sub-station to 66 KV sub-station resulted in avoidable system losses of 1.21 MUs valued at Rs.12.08 lakhs during 1992-93 to 1995-96 besides superfluous investment in 33 KV transformers and 33 KV line valued at Rs.33.10 lakhs.

(ii) At 66 KV sub-station Gurgaon, a power transformer of 10/12.5 MVA capacity was being fed from power transformer of 8 MVA capacity. Since the installed capacity of feeding transformer was only 8 MVA, the installed capacity of 10/12.5 MVA power transformer remained under-utilised by 2/4.5 MVA which increased the system losses by 0.19 MUs valued at Rs.1.82 lakhs during 1992-93 to 1995-96.

(iii) The Board decided as long back as in 1981 for gradual elimination of the use of 33 KV sub-transmission system from the area of 66 KV belt as per recommendations of CEA. During audit it has been observed that despite the lapse of a period of over 14 years, the use of 33 KV sub-transmission system were still in vogue (September 1996) at 10 sub-stations of 66 KV belt. Non-elimination of 33 KV sub-transmission system at these sub-stations increased the system losses by 41 MUs valued at Rs.3.82 crores during 1991-92 to 1995-96.

3.4.6 Shortfall in installation of capacitor banks

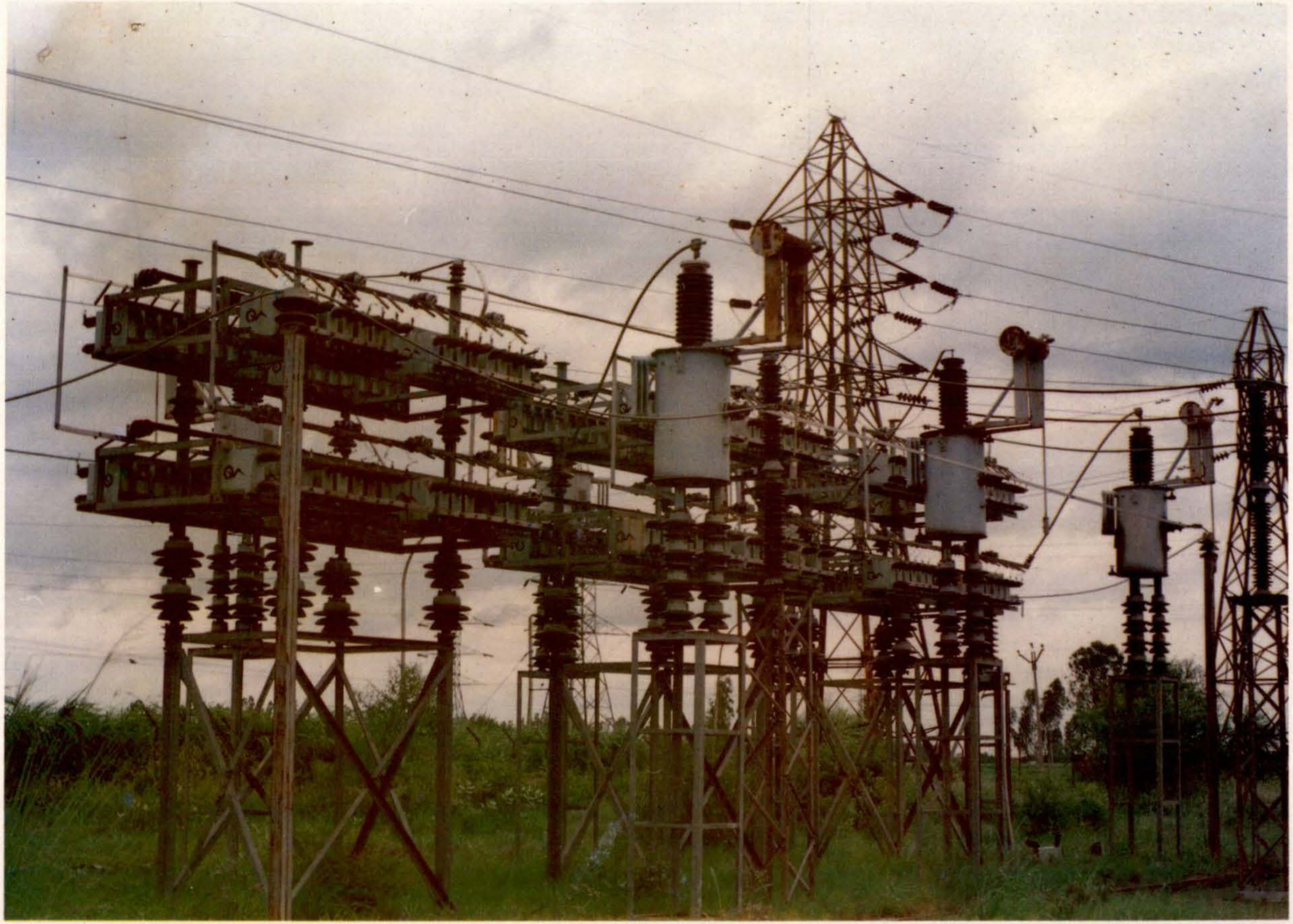
During paddy season and peak hours, voltage of 220 KV system in certain areas dips down to as low as 142 KV and the voltage on 11 KV system to as low as 9 KV. Due to low voltage conditions,



Paragraph 3.4.6

the actual current flow from the generating stations was much more than the required flow. The excessive flow of current over transmission lines and power transformer results in:

excessive transmission and distribution losses;



CAPACITOR BANKS

- low voltage conditions; and
- lower power factor of the power system.

To overcome the problems, capacitor banks of various ratings are installed at sub-stations. The table below indicates details of capacitor banks planned as advised by Northern Regional Electricity Board (NREB), actually installed, lying defective and shortfall at the end of each of the 5 years up to 1995-96:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
		(Capacity in MVAR)				
1	Required capacity of Capacitor banks	970	1120	1135	1250	1275
2	Installed capacity	839	908	937	980	1018
3	Defective capacity	53	62	79	103	103
4	Functional capacity	786	846	858	877	915
5	Short fall	184	274	277	373	360

The shortfall in the achievement of planned capacitor banks resulted in non-reduction of transmission losses to the extent of 213.55 MUs (based on 0.21462 MU per MVAR per annum as provided in project report for 1994-95) valued at Rs.20.85 crores during the 5 years ending March 1996. The Board had not analysed the reasons for shortfall in the installation of capacitor banks.

It was observed in audit that delay in the execution of the related schemes for installation of capacitor banks and non-replacement of defective capacitor banks were the main reasons for shortfall in installation of capacitor banks as discussed below:

(i) During the period 1988-89 to 1990-91, the Board formulated 3 schemes (estimated cost Rs.15.03 crores) for installation of 510 MVAR capacitors for targeted reduction in transmission losses of 94.92 MUs (value Rs.7.90 crores) per annum on their completion during 1989-90 to 1991-92. Out of the capacitors of 510 MVAR against the 3 schemes completed up to 1993-94, installation of 237 MVAR capacitors were delayed for a period ranging between 1 and 22 months which resulted in non-reduction of transmission losses by 22.23 MUs (value Rs.1.53 crores).

(ii) The Board had not taken any effective steps to repair/replace the defective capacitors which had registered upward increase from 53 MVAR in 1991-92 to 103 MVAR in 1995-96 and contributed the transmission losses of 59.70 MUs (value Rs. 6.32 crores) during 1992-93 to 1995-96.

The savings in energy losses through installation of capacitor banks at sub-stations were not evaluated so far (November 1996).

3.5 Sub-transmission and distribution losses

While the sub-transmission losses were included in transmission losses, the overall distribution losses as worked out by the Board, were 15.55, 17.18, 16.21, 19.80 and 21.43 *per cent* during the five years up to 1995-96, respectively, as against the norm of 7 *per cent* recommended by the CEA.

A review of distribution network of the Board revealed the following:

3.5.1 Inadequate distribution system

CEA observed in July 1991 that the extension to the distribution system were not made in a planned manner on a long term basis. Consequently, the system were characterised by high energy losses and low standards of quality and reliability of power supply.

The table below indicates the growth of distribution system *vis-a-vis* growth of generating capacity during the 5 years up to March 1996:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
1	Generating capacity including share from joint and Central Sector projects(MW)	2234	2268	2292	2400	2347
2	HT (11 KV) lines (circuit Kms.)	49738	51276	51818	52815	53159
3	LT lines(circuit Kms.)	98958	100332	101151	101892	102639
4	HT (11 KV) lines per MW of generating capacity (circuit Kms.)	22.26	22.61	22.61	22.00	22.65
5	LT lines per MW of generating capacity (circuit Kms.)	44.30	44.24	44.13	42.46	43.73
6	Ratio of LT/HT lines	1.99:1	1.96:1	1.95:1	1.93:1	1.93:1

In this connection following points were noticed:

(i) Higher ratio of LT to HT lines leading to higher energy loss

LT/HT ratio not reduced to minimise the distribution losses

As distribution of energy at lower voltage results in higher energy losses, National Council of Power Utilities observed (July 1987) that with a view to reducing the energy losses by about 2 *per cent* there is necessity to reduce the LT/HT line length ratio from about 2:1 to 1:1.

During audit it was observed that the overall LT/HT ratio of the Board ranged between 1.93:1 and 1.99:1 as compared to the suggestive norms of 1:1 during five years ending March 1996. The Board had not taken any effective steps to reduce the LT/HT line ratio. This contributed to increase in distribution losses of 785.90 MUs valued at Rs.73.87 crores (calculated at 2 *per cent* of the energy sold).

(ii) Overloading on 11 KV feeders

The Board observed (1994-95) that by bifurcation of overloaded 325 feeders, the distribution losses could be reduced by over 2 *per cent*. The Board, however, did not prepare any schemes for bifurcation of load of these feeders which resulted in excessive distribution loss of 24.69 MUs (valued at Rs.3.29 crores) during 1995-96.

(iii) During the yearsfrom 1991-92 to 1995-96 the thermal plant generating capacity remained underutilised to the extent of 1167.990 MUs (due to backing down of units) which was attributed by the Board to lack of demand of power. However, load awaiting energisation during the above period ranged between 602 MW and 729 MW for want of requisite distribution system. Thus, due to inadequate distribution system the

Board could not utilise generating capacity of 1167.99 MUs valued at Rs.88.80 crores.

(iv) Excessive damage to distribution transformers

During 1991-92 to 1995-96 the rate of damage to distribution transformers ranged between 22.44 and 30.23 *per cent* as detailed below:

Year	Average number of transformers installed during the year	Number of transformers damaged	Percentage
1991-92	71961	16939	23.54
1992-93	78080	17521	22.44
1993-94	83029	21923	26.40
1994-95	87214	24713	28.34
1995-96	91186	27567	30.23

Damage of distribution transformers in excess of norms resulted in extra expenditure of Rs.41.74 crores during 1991-92 to 1995-96

It would be seen from the above table that rate of damage to distribution transformers increased from 23.54 *per cent* in 1991-92 to 30.23 *per cent* in 1995-96 with marginal decrease in 1992-93. Reckoned with the norm of 10 *per cent* fixed by the Board, the Board had to incur an avoidable expenditure of Rs.41.74 crores on the repairs of distribution transformers during five years up to March 1996. The Board had not analysed the reasons for excessive rate of damage and taken remedial steps to check the excessive damage rate. The Board's Chief Engineer (Technical audit and Monitoring) observed in March 1995 that in order to check the rate of damage, there was need for preventive maintenance; balancing of load on all the three phases of the transformer where load on the three phases was different; augmentation of capacity of transformers as the transformers were over-loaded due to release of connections and extention of load without verification of the actual load on transformers.

3.5.2 System improvement schemes

The CEA issued in February 1986 detailed guidelines for reducing the sub-transmission and distribution losses. The guidelines envisaged, among others, the formulation and implementation of system improvement schemes and introduction of energy audit. The CEA further recommended the proper maintenance of equipment, conducting surprise checks at consumer's premises to detect pilferage, periodical testing of meters and replacement of defective meters etc.

3.5.2.1. Urban schemes

All the six urban improvement schemes scheduled to be completed by 1994-95 remained incomplete

(i) There is a high incidence of T & D losses in the Urban areas due to higher density of load and these could be brought down by strengthening and revamping the transmission and distribution system. In order to improve upon the existing transmission and distribution system and to plan expansion thereof during the next five years, the Board formulated (1990-91) system improvement schemes for 6 towns namely Karnal, Ambala Cantt, Rohtak, Jagadhri, Yamunanagar and Gurgaon. The estimated cost involved in these schemes was Rs.25.38 crores out of which the PFC was to finance Rs.11.86 crores. These schemes were to be completed by March 1995. The main objectives of the schemes were the reduction in T & D losses of 51.80 MUs per annum and additional sale of energy of 325.72 MUs per annum by the above period.

Though the PFC released funds to the tune of Rs.10.17 crores up to March 1995 against the sanctions of Rs.11.86 crores, the schemes had not been completed (September 1996). An expenditure of

Rs.14.03 crores had been incurred up to March 1996 against estimates for Rs.25.38 crores. Table below indicates the works to be executed, work actually executed and shortfall in respect of the above schemes at the end of March 1996.

Particulars of work	Works to be executed	Actually executed	Short fall	Percentage of shortfall
Sub-stations (Number)	15	11	4	27
Transmission lines (Kms.)	62	57	5	8
Distribution lines (Kms.)				
(i) 11 KV lines	728	153	575	79
(ii) LT lines	896	227	656	75
Distribution Transformers (Number)				
(i) Indoor	39	15	24	62
(ii) Outdoor	874	629	245	28

It would be seen from the above table that the shortfall was more in construction of distribution lines and erection of distribution transformers as a result of which loads on the existing feeders were not re-routed/re-distributed by the operation wing of the Board. Thus, due to delay in execution of schemes, besides time and cost overrun, major objective of reduction in T & D losses could not be achieved as distribution losses during April 1995 in the areas covered under the schemes ranged between 11 and 54 *per cent* as against the norm of 7 *per cent*. The Board has not analysed the reasons for slow pace in the implementation of these schemes.

(ii) The PFC sanctioned (March 1991) a loan of Rs.2.54 crores towards the scheme (estimated cost:Rs.5.09 crores) for strengthening and improvement of urban distribution system of Ambala city. However, the amount of sanctioned loan could not be availed of by the Board till March 1994 for want of State Government guarantee/undertaking for execution of loan documents. The scheme was shelved (March 1994) and PFC cancelled (May 1994) its sanction. Non-implementation of the scheme resulted in persistent distribution losses which ranged between 17.69 and 24.10 *per cent* in March 1995.

(iii) Similarly 5 schemes involving estimated cost of Rs.21.82 crores formulated (1991-92) by the Board for strengthening and improvement of urban distribution system of Panipat, Sonepat, Kaithal, Sirsa and Hisar could not be implemented because the PFC did not consider the same for financial assistance as the Board was not generating the minimum 3 *per cent* return on its capital base as required under the Indian Electricity (supply) Act, 1948. This had resulted in persistent distribution losses which ranged between 19.12 and 61.04 *per cent* in March 1995.

(iv) Similar schemes for Bhiwani and Jind formulated (1992-93) by the Board could not be implemented for reasons not found on the records. The distribution losses in these towns ranged between 28.5 and 52.6 *per cent* in March 1995.

(v) The percentage of distribution losses in March 1995 ranged between 14.83 and 54.74 in Hansi, Rewari and Faridabad for which the Board did not prepare any scheme for strengthening and improvement of urban distribution system so far (September 1996).

3.5.2.2 Rural schemes

Out of 40 rural system improvement schemes, 26 schemes are yet to be completed. Evaluation report in respect of 14 completed schemes have not been prepared

With a view to bring the voltage regulation within permissible limit, to reduce the line losses and to facilitate load growth during the next 5-6 years in rural areas, the Board got sanctioned 40 schemes (estimated cost: Rs.3253.73 lakhs) during 1987-88 to 1992-93 from the Rural Electrification Corporation (REC). The schemes were expected to result in annual saving of T & D losses of 23.25 MUs and additional sale of 150.12 MUs. The REC released Rs. 2258.61 lakhs up to March 1995 out of total committed loan of Rs.3200.72 lakhs.

A review of schemes revealed the following:

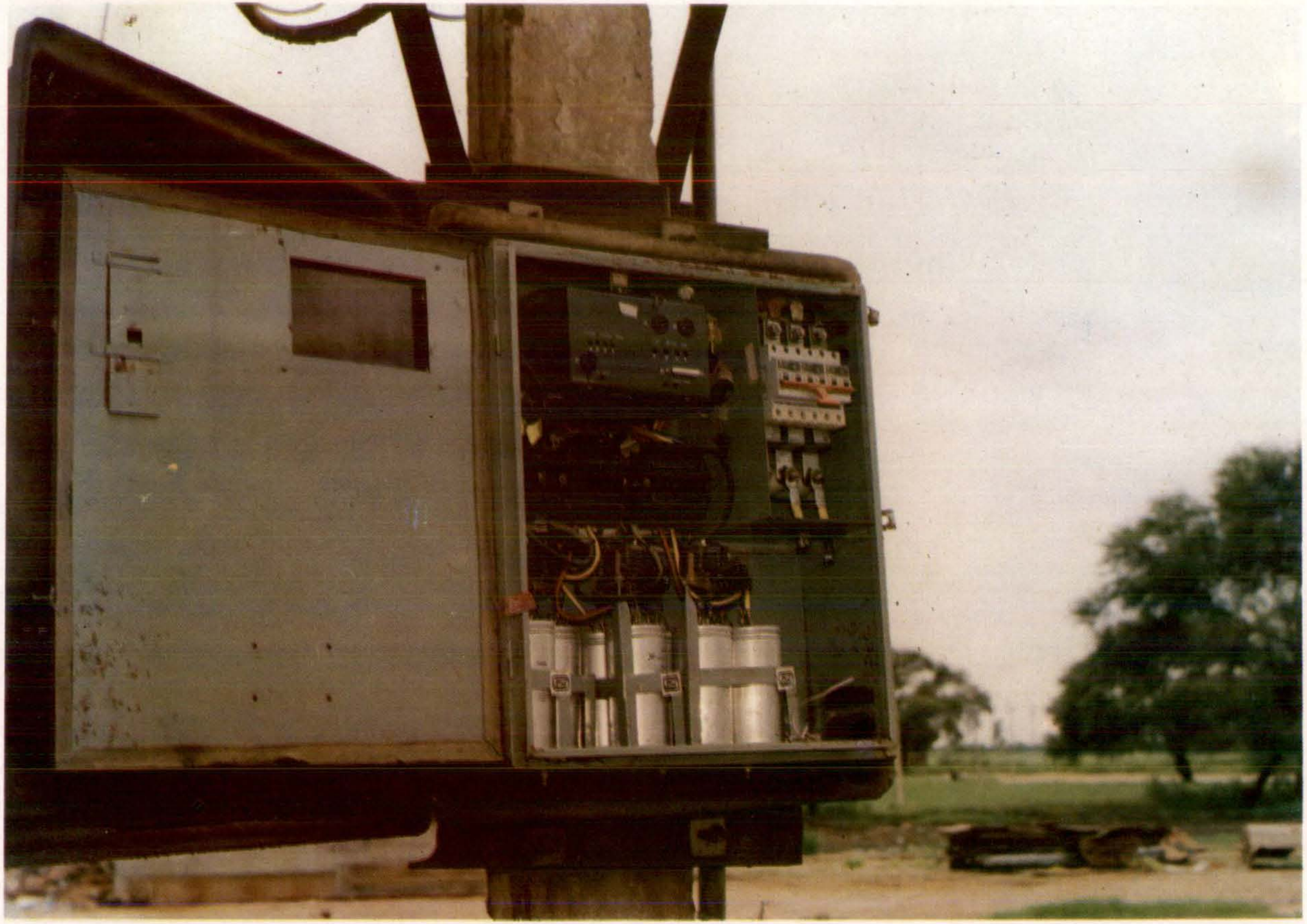
(a) In respect of 14 schemes completed during 1988-89 to 1994-95 (estimated cost : Rs.642.98 lakhs), the Board has not evaluated the savings in energy after execution of these schemes. It was seen in audit that system losses at the sub-stations covered under these completed schemes ranged between 13.64 and 43.53 *per cent* during April/May 1995 against the norms of 7 *per cent*. Out of 14 completed schemes, 5 schemes (estimated cost : Rs.229.72 lakhs) envisaging annual saving of 2.94 MUs were completed in 1993-94 and 1994-95 against completion schedule of 1990-91 and 1992-93. Delay in completion of these schemes resulted in postponement of benefit of saving in T & D losses by 8.78 MUs.

(b) The scheme for Sadhaura sub-station (estimated cost: Rs.26.32 lakhs) sanctioned (1988-89) by REC was due for completion up to March 1992. The scheme envisaged augmentation of 66 KV sub-station and construction/ augmentation of 23.6 Kms. HT lines. Though augmentation of 66 KV sub-station was completed (May 1990) by the Board at a total cost of Rs.26.17 lakhs from its own funds, the construction/augmentation of requisite HT lines had not been done by operation wing. Due to non-execution of the scheme up to March 1992, the REC cancelled (September 1994) the scheme. The Board is yet to revive this scheme (September 1996). Non execution of the work of HT lines deprived the Board of the loan assistance as well as saving in T & D losses of 0.27 MUs per annum as envisaged in the scheme. The expenditure of Rs.26.17 lakhs on augmentation of sub-station remained unfruitful.

(c) Four schemes for Barwala, Shazadpur, Kundli and Bilaspur (estimated cost of Rs.270.74 lakhs) contemplating an annual saving of 15.70 MUs and sanctioned in 1987-88 to 1989-90 were due for completion during 1990-91 and 1991-92. Though REC had released Rs.37.66 lakhs up to 1991-92, these schemes were not taken up for implementation by the Board. After the schemes were closed by REC, these schemes were prepared afresh and got sanctioned during 1991-92 and 1992-93 at a revised cost of Rs.743.06 lakhs (covering additional items of work for Rs. 385.73 lakhs) having schedule date of completion in 1993-94 and 1994-95. The delay (24 to 48 months) in execution of these schemes resulted in cost overrun of Rs.86.59 lakhs besides continuance of energy losses of 15.70 MUs per annum. An expenditure of Rs.521.90 lakhs was incurred by the Board up to March 1995 and the work was still in progress (September 1996).

(d) The scheme for Bahu sub-station sanctioned in 1988-89 (estimated cost Rs.49.07 lakhs) contemplating an annual saving of T & D losses by 0.72 MUs and additional sale of 1.86 MUs was due for completion in 1992-93. Although REC sanctioned Rs.29.81 lakhs in March 1989 for the scheme and released Rs.11.92 lakhs in March 1990 the scheme could not be started so far (September 1996)

(e) The remaining twenty schemes (estimated cost Rs.2264.62 lakhs) sanctioned during 1988-89 to 1992-93 were expected to result in annual saving of T & D losses by 15.73 MUs after completion of the schemes. All these schemes were still in progress (September 1996) though completion schedule expired in 1990-91 (4 schemes) 1992-93 (2 schemes), 1993-94 (8 schemes) and 1994-95 (6 schemes). These schemes had envisaged erection of 19 new sub-stations, augmentation of



11 existing sub-stations, construction of 179 Kms. transmission lines and construction/augmentation of 793 Kms. HT lines. It was, however, observed in audit that an expenditure of Rs.1441.86 lakhs was incurred up to March 1995 on erection of 17 new sub-stations and augmentation of 2 existing sub-stations, construction of 177.2 Kms. transmission lines and construction/augmentation of 180 Kms. HT lines. Though erection of 17 new sub-stations and augmentation of 2 existing sub-stations was completed during January 1989 to February 1995, load of all the existing feeders from the sub-stations could not re-routed/re-distributed by operation wing of the Board as required 410 Kms. HT lines had not been erected. The extent of benefits, if any, derived out of the partly completed schemes had not been evaluated by the Board.

3.5.2.3 Capacitors schemes

The Board got sanctioned (February 1991), two schemes for installation of 13410 KVAR capacitor banks having a rating capacity of 9 KVAR (165), 30 KVAR (276) and 45 KVAR (81) on LT side of distribution transformers fed through 11 KV feeders emanating from 33 KV sub-station Malikpur, 132 KV sub-station Thana and 33 KV sub-station Mathana (Kurukshetra) at an estimated cost of Rs.55.41 lakhs from the REC for 100 *per cent* financial assistance by way of loan. The schemes scheduled to be completed up to March 1993 were expected to save T & D losses by 1.732 MUs per annum.

Against these schemes, the whole Time Members of the Board decided (February 1992) to procure full quantity of 9 KVAR capacitors and half the quantity of 30 and 45 KVAR capacitors. Accordingly, 7425 KVAR capacitors of the rating of 9 KVAR (165), 30 KVAR (138) and 45 KVAR (40) were procured (November 1992) at a cost of Rs.23.63 lakhs. Though installation of the capacitors depends on the LT cable, the Board neither made any provision in the schemes nor took any action to procure the required quantity of cable. Consequently the installation of capacitors was delayed. The Board could install only 471 KVAR capacitors up to March 1993. Balance 6954 KVAR capacitors were installed in December 1993 to May 1995. The delay in the installation of these capacitors ranged between 9 and 26 months. Member (Technical) observed (December 1994) that installation of capacitors was not of much use as the installed capacitors were being stolen/disconnected from the transformers and these should not be installed in future. Instead of taking administrative measures to overcome the problem of theft/disconnection of the capacitors, the Board decided (January 1995) not to procure/install the remaining 5985 KVAR capacitors under these schemes. The Board did not evaluate saving, if any, in the energy derived from the partially completed schemes (November 1996).

Thus, the injudicious planning and execution of schemes without foreseeing the consequences resulted in an unfruitful expenditure of Rs.23.63 lakhs.

3.6 Commercial losses

Pilferage/theft of energy, defective meters etc. were the major factors for high distribution losses. The action taken by the Board to detect the pilferage and theft, replacement of defective meters are discussed below:

3.6.1 Periodical checking of connections

Periodical checking of connections was not carried out according to norms. Against the recoverable amount of Rs. 1944.77 lakhs during five years up to 1995-96, only Rs.845.41 lakhs recovered.

(a) One of the reasons for the increased distribution losses is the pilferage/theft of energy by consumers which was facilitated due to non-observance of periodic checks prescribed for various officers/

officials of the Board as per Board's Sales Manual. The table below indicates the connections other than domestic and non-domestic due for checking as per norms, connections actually checked, percentage of shortfall in checking of connections and additional revenue realisable during 5 years up to 1995-96:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
No. of connections required to be checked as per norms	860191	891934	912101	921749	920983
No. of connections actually checked	142179	212022	349818	820768	513738
Percentage of shortfall	83	76	62	11	44
Cases in which theft/ wrong metering was detected	10641	15790	17336	27495	8467
Amount involved (Rs. in lakhs)	257.47	301.19	365.78	669.65	350.68

It would be seen from the above table that there was shortfall in checking the connections to the extent of 11 to 83 *per cent* for which reasons though called for were not intimated (October 1996). As amount involved in the cases of theft/wrong metering detected increased year after year and amounted to Rs.1944.77 lakhs during 5 years up to 1995-96, the Board should have resorted to checking as per norms.

It was further noticed in audit that the Board could recover a sum of Rs.845.41 lakhs from the consumers on account of theft/wrong metering cases detected during the five years ending 31 March 1996 as against the recoverable amount of Rs.1944.77 lakhs. The Board has not maintained any consolidated record to indicate the reasons of non recovery of the balance amount of the respective years aggregating to Rs.1099.36 lakhs.

(b) In addition to above an Enforcement Directorate of the Board had also been checking connections at random. It was observed that no norms have been fixed by the Board for checking of connections.

Based on checking of connections which ranged between 0.25 and 0.43 *per cent* of total connections, revenue realisable during five years up to 1995-96 worked out to Rs.3193.21 lakhs which indicated that there was wide scope for detection of pilferage/theft of energy. It was observed in audit that copies of monthly energy loss statements highlighting the feeders/areas indicating abnormally high energy losses and also the areas where pilferage of energy was apprehended by energy audit wing were not being supplied to the vigilance wing. Consequently, non-technical losses due to pilferage/theft remained undetected on 1226 feeders where distribution losses worked out by the Board during 1994-95 were more than 15 *per cent* against the norm of 7 *per cent*.

It was also noticed in audit that the Enforcement Directorate has not maintained any record to indicate the recoveries made as a result of their checking and there was no system to monitor the recoveries actually effected from the defaulting consumers to assess the effectiveness of the checking.

3.6.2 Non-replacement of defective meters

Existence of large number of defective meters at consumer's premises is one of the reasons for the high incidence of controllable distribution losses. Table given below indicates the number of defective meters awaiting replacement in the beginning of the year, reported additions and replacement during the year and balance of defective meters at the close of the year :

Year	Number of defective meters at the beginning of the year	Addition	Replaced	Number of defective meters at the close of the year	Average period taken in replacement of meters (Months)
1991-92	85611	158745	152164	92192	7
1992-93	92192	179536	158423	113305	9
1993-94	113305	176472	154475	135302	11
1994-95	135302	168636	170382	133656	9
1995-96	133656	156963	147602	143017	11

Number of defective meters pending replacement increased from 0.92 lakh in 1991-92 to 1.43 lakh in 1995-96. Average time taken for replacement of defective meters ranged between 7 and 11 months. The Board had not taken any effective steps to reduce the quantum of defective meters and to reduce the period taken in replacement of meters.

3.6.3 Non-sealing of meter terminal covers

As per Sale Manual of the Board, affixing of seals on the metering equipment was to be ensured by the operational staff to prevent theft of energy by tampering of energy meters by consumers. As unsealed meters were prone to theft of energy, the Board issued instructions on 28 October 1991 that a special campaign be launched to affix seals. It was observed in audit that no such campaign was launched to achieve this objective. As per sample study carried out by the Board in April/May 1995, on 4 feeders one each under Operation Divisions of Narwana, Gurgaon, Yamunanagar and Palwal, the percentage of unsealed meters ranged between 24.8 and 75. Thus, non-affixing of seals on meters contributed to high incidence of controllable distribution losses.

3.7 Energy audit

3.7.1 The energy audit aims at accounting for the energy flowing in various elements of the system. The CEA recommended (February 1986) the introduction of energy audit of power received and sold, fixation of annual targets for reducing loss and monitoring the actual loss against the targets.

Energy audit introduced by the Board in January 1990 is conducted by Chief Engineer (Technical Audit and Monitoring) who is assisted by one Director and three Deputy Directors under the over all administrative control of member Technical (operation). Energy audit wing is responsible for maintaining complete accounts of energy received by the Board from various sources, energy ultimately consumed by the end-consumers; highlight areas/feeders indicating abnormally high energy losses and to report areas where apprehension of pilferage /theft of energy existed for probing by Vigilance wing of the Board.

During audit it was noticed that :

(i) Energy audit was not being conducted in a scientific and systematic manner as adequate meters were not installed at various levels of transformation. In the absence of adequate metering the Board had not been able to locate the areas where technical and non-technical losses were on the higher side. Consequently, losses could not be controlled by initiating remedial/preventive measures.

(ii) Areas/feeders where apprehension of pilferage of energy existed were required to be reported to vigilance wing for probe but such information had never been supplied for probing since the creation of energy audit cell, though feeders indicating distribution losses in excess of 15 *per cent* increased from 621 feeders in 1992-93 to 1226 feeders in 1994-95 and in excess of 30 *per cent* increased from 44 feeders in 1992-93 to 255 feeders in 1994-95.

(iii) Member Technical (Operation) of the Board decided in May 1992 to choose one mixed feeder from each Operation Division as a pilot project for identifying the technical and non-technical losses and reduction of line losses after augmentation and bifurcation of lengthy feeders and change of all the defective meters of the consumers. After completion of the pilot feeder scheme, the Board was to adopt similar schemes for the remaining feeders requiring augmentation/bifurcation of the lengthy feeders. Accordingly, a pilot feeder scheme for augmentation/ improvement of 46 feeders by selecting one feeder from each Operation Division was prepared in December 1992 which was estimated to cost

Rs.5 crores and contemplated a saving of 34 MUs (valuing Rs.3.40 crores) per annum. The scheme had not been approved for its implementation.

(iv) The Board's Chairman directed on 22 November 1993 that in respect of feeders where losses were more than 25 *per cent*, Executive Engineer of the Operation Divisions would prepare and submit a report alongwith the feederwise energy audit statement, indicating the detailed reasons and action taken to reduce the distribution losses. It was noticed in audit that although number of feeders having losses more than 30 *per cent* were 255 in March 1995, yet no specific reasons and actions taken to control such high losses were indicated in the monthly energy audit statements.

(v) To monitor the losses and to identify the feeders and areas where the losses were abnormal, the Board at Head Office is receiving energy returns from the operation divisions each month. The Director (Energy Audit) observed (August 1994) *inter alia* the following:

- feederwise ledgers had not been maintained in more than 80 *per cent* cases in the absence of which it is not possible to work out feederwise line losses correctly;.
- the total of units billed as per ledger did not tally with the units billed as shown in the energy returns;
- for keeping the losses within limits, arbitrary units per connection were being assumed; and
- for assessment of realistic consumption of energy by unmetered agricultural tubewells, representative meters for every 50 flat rate tubewells in the sub-divisions were required to be installed. Such representative meters had either not been mostly installed or where installed these had been made inoperative. Adequate number of meters were not being checked by the SDOs/JEs and necessary records were not also being maintained properly.

A test check in audit revealed that :

(a) The figures of units sold through the feeders and reported to head office for working out feederwise losses were not verified with energy units billed to know whether all the units sold were billed. During 1994-95, the figure of units sold as reported by the divisional offices to energy audit wing for working out feederwise losses was on higher side at 7832.69 MUs against 7824.33 MUs reported for incorporation in the Board's annual accounts. The latter figure was also on higher side as in 7 (out of 49) Divisions test checked in audit, figures of units sold were reported at 192.99 MUs against 172.74 MUs actually billed in consumers ledgers.

(b) In two sub-divisions (Sub-urban Karnal and Nissing) and one sub-office (Badopal) consumption of unmetered agriculture pumpset connections was accounted for on adhoc basis without any theoretical calculations as representative meters were either not installed or were defective. In Badopal sub-office consumption for average load of 463 KW from November 1992 to December 1994 was booked at 13.84 MUs which was not justified as based on connected load and units sold, average power supply worked out to 38 hours per day which was not possible.

It could, thus, be seen that energy returns were not prepared correctly resulting in incorrect computation of losses.

3.7.2 Avoidable bus bar losses

The term bus bar losses at the sub-station represents difference between energy received and energy supplied on 11 KV feeders at the sub-stations.

Though no energy was being sold to the consumers from the two outgoing feeders emanating from the 33 KV sub-station Stud

Farm Hissar, the Board transmitted 0.30 MUs energy (sale price: Rs.2.40 lakhs) at the incoming side of the 11 KV feeders during the period from July 1992 to June 1994. All the energy received at the sub-station was treated as bus bar loss.

Reasons for transmitting energy when there was no sale from the sub-station though called for (October 1995) had not been intimated (November 1996).

3.8 Loss due to delay in fixation of minimum charges for consumers of metered Agricultural Pumpsets (AP)

As per schedule of tariff, the AP consumers had to opt either for metered supply or un-metered supply. In the case of metered AP supply, minimum charges per HP had not been fixed though such charges were being levied in the adjoining States of Punjab (August 1991) and Rajasthan (November 1989). Member (Technical Operation) observed (September 1991) that charges recovered from the metered AP consumers were less than 50 *per cent* of the charges recovered from un-metered AP consumers. Though the tariff for AP consumers was revised (5 June 1992) from 30 to 50 paise per unit for metered supply and from Rs.25 to Rs.35 per BHP per month for un-metered supply, the Board did not consider fixation of minimum charges in respect of metered supply consumers. However, the Board levied (October 1993) annual minimum charges at Rs.384 per BHP from 1 November 1993.

Delay in fixation of the minimum charges for metered AP consumers resulted in commercial loss of 307.07 MUs valued at Rs.1535.33 lakhs during July 1992 to October 1993.

The matter was reported to the Board and the Government; their reply had not been received (November 1996).

Conclusion

The Board is having transmission and distribution losses which increased from 26.64 *per cent* in 1991-92 to 31.41 *per cent* in 1995-96 against the norms of 15.5 *per cent* recommended by CEA. The Board should assess and identify the areas of abnormal losses and take effective steps for reducing the same. Commercial losses due to existence of defective meters and pilferage/theft of energy should be minimised by replacement of defective meters and controlling pilferage/theft of energy by taking effective administrative measures.

Chapter-IV

Miscellaneous topics of interest

Miscellaneous topics of interest

Chapter - IV

Miscellaneous topics of interest		
Paragraph	*Particulars*	*Page (s)*
4B	**STATUTORY CORPORATIONS**	150
4.7	**Haryana State Electricity Board**	150
4.7.1	Avoidable expenditure	150
4.7.2	Avoidable surcharge on Railway freight	152
4.7.3	Avoidable loss	153
4.7.4	Extra expenditure due to delay in finalisation of tenders	155
4.7.5	Non-commissioning of WSX-100 Telephone Switching equipment	157
4.7.6	Robbery of cash	159
4.7.7	Avoidable expenditure	161
4.7.8	Loss of cash	163
4.7.9	Nugatory expenditure	166
4.8	**Haryana Financial Corporation**	167
4.8.1	Avoidable loss	167

Section- 4

Miscellaneous topics of interest relating to Government companies and Statutory corporations

4.A GOVERNMENT COMPANIES

4.1 Haryana Concast Limited

4.1.1 Unfruitful expenditure on the conversion of an Arc Furnace into Ladle Refining Furnace (LRF)

Lack of proper planning in conversion of furnace resulted in unfruitful expenditure of Rs. 32.40 lakhs.

Hithertofore, the Company had been using its two arc furnaces (A&B) of the conventional type wherein melting and refining processes took place in the same vessel for production of mild steel low carbon. With a view to produce quality high carbon and alloy steel, the Company decided (February 1992) to convert one of the arc furnaces adopting the latest available technology of Ladle Refining Furnace (LRF) at a cost of Rs.13.41 lakhs. Under the new system two processes were to be carried in separate vessels. The new system was stated to have *inter alia* the following advantages over the conventional process:

- reduction in heat time from 4 hours 15 minutes to 3 hours 10 minutes leading to reduction in consumption of power, electrodes and other consumables leading to direct savings;
- production of better quality steel which would fetch higher prices; and
- increase in recovery of alloys from the existing 85 *per cent* to 95 *per cent* thereby reducing cost of ferro alloys.

Accordingly, arc furnace (B) was converted into LRF at a cost of Rs.32.40 lakhs (conversion cost : Rs.13.41 lakhs, civil works: Rs.4.35 lakhs and allied machinery Rs.14.64 lakhs) which was commissioned in June 1993. The Company, however, did not prepare the estimates for civil works and allied machinery required for conversion of arc furnace into LRF and the expenditure incurred on these items was also not brought to the notice of the Board at the time of placing the initial proposal to the Board.

The Company could use the LRF only for eight months (from June 1993 to 7 March 1994) to refine 1526.140 MTs of liquid metal of different grades which was only 8.34 *per cent* of the total production of billets of 18290 MTs (finished product) from furnace (A) for the year 1993-94. The Company, however, suspended (7 March 1994) the process due to following reasons:

- the LRF is normally installed in combination with ultra high power arc furnace whereas the existing furnace (A) is nominally powered arc furnace requiring modification and thus could not deliver the anticipated results in combination with LRF; and

- the returns on the finished products processed through LRF could not cover extra cost incurred in LRF.

Thus, the Company failed to envisage that in the absence of ultra high power arc furnace, the LRF would not deliver the anticipated results and its operations would be uneconomical. The conversion of the arc furnace (B) into LRF without considering the required modification of furnace (A) resulted in unfruitful expenditure of Rs.32.40 lakhs.

The Management stated (April 1996) that the conversion of ultra high power arc furnace is being considered in their rehabilitation scheme which is being made by the Board for Industrial and Financial Reconstruction (BIFR). The reply of the Company was not tenable as this aspect should have been envisaged prior to the conversion of arc furnace (B) into LRF. The LRF is still lying idle (July 1996).

The matter was reported to the Government in March 1996; the reply had not been received (November 1996).

4.1.2 Unfruitful expenditure

Failure to assess the requirement of inputs and market viability of products resulted in unfruitful expenditure of Rs.20.48 lakhs

The scrap department of the Company located (July 1992) six sets of stands of 8" Rolling Mill in the scrap received at its premises. The Company envisaged that with little extra investment of Rs.1 lakh on a smaller 25 feet reheating furnace for rerollable scrap and shed, the mill could be used for making Cold Twisted Deformed (CTD) bars, pressed patra 6 mm plain round and grill material for which there was a good demand. The Company in its proposal stated that sufficient rerollable scrap was available from Haryana State Electricity Board, Sugar Mills and self generated misrolls for producing the above products. It was also stated that alongwith the existing 16" mill there would be a bonus 8" mill, which would improve the returns of a rerollable scrap and boost its profitability.

The Company without ensuring the availability of rerollable material and market viability of products installed the 8" Rolling mill (April 1993) at a cost of Rs.20.48 lakhs (Rs.7.16 lakhs on civil works and Rs.13.32 lakhs on furnace and machinery) against the estimated cost of Rs. 1 lakh. The Company also did not prepare any detailed techno-economic feasibility report, estimates for civil works, plant and machinery and furnace etc. required for the commissioning of the mill. Besides approval of the Board was also not obtained.

The mill remained in operation intermittently from 15 April 1993 to 16 September 1994 and rerolled 440.789 MTs material by operating the mill for 48 days only. The operation of the mill remained closed till date from September 1994 onwards, the reasons for which were attributed (April 1996) to :

- shortage of rerollable material in the local market;
- increase in the prices of rerollable material available from shipyards at Gujrat and Maharashtra; and
- increase in cost of production due to rise in rates of consumables and sluggish market without matching increase in prices of finished products.

Thus, due to the failure of the Company in not assessing the availability of rerollable material at affordable prices and market trends through proper feasibility and techno-economical report, the expenditure of Rs.20.48 lakhs on installation of 8" mill had proved to be unfruitful.

The matter was reported to the Government in April 1996; the reply had not been received (November 1996).

4.1.3 Unfruitful expenditure on steel foundry

Commissioning of foundry without assessing viability resulted in unfruitful expenditure of Rs.9.21 lakhs

The Company decided (May 1993) to start a foundry with an investment of Rs.4.86 lakhs since it had the requisite technical knowledge, technical infrastructure and liquid metal. It was estimated that production of 2400 MTs of steel/alloy castings, could be achieved per annum at an estimated return of Rs.10 to 12 lakhs per month. At the time of the proposal, the Board was informed that there was a ready market for steel casting in the thermal plants, cement plants, sugar mills and railways etc. for which marketing tie up with the railways and other public sector undertakings was considered possible and viable. The Company, however, did not conduct a detailed market-cum-economic viability survey before putting up the proposal.

The Company commissioned (December 1993) the foundry at a cost of Rs.9.21 lakhs. During the period from December 1993 and April 1995 (17 months), only 36.292 MTs of castings were produced against the targeted production of 3400 MTs, out of which only 1.105 MTs were sold and balance shown as self consumed. Thereafter, no castings were made by the Company.

The Management stated (October 1995/April 1996) that the castings require huge investment due to long production process and long credits, which the Company was unable to afford. The Board was, however, not apprised of such position at the time of approval of the project. The foundry is not in operation since April 1995.

Thus, the commissioning of steel foundry without assessing the market-cum-economic viability had resulted in unfruitful expenditure of Rs.9.21 lakhs.

The matter was reported to the Government in March 1996; the reply had not been received (November 1996).

4.1.4 Idle investment

With a view to avoid recurring expenditure on unloading of scrap in open scrap yard through contractor's labour, the Company decided (October 1993) to purchase one 10 MT Electrical Overhead Travelling (E.O.T.) crane. The cost of such type of new crane was estimated at Rs.14 lakhs. Keeping in view the acute shortage of funds, the Company after having inspected (15/16 October 1993) and found a second hand crane in good condition and participated (17 October 1993) in the auction at Batala and purchased 10 MT capacity floor operated E.O.T. crane (November 1993) at Rs.1.98 lakhs.

The E.O.T. crane had been lying idle (July 1996) since its purchase due to non-extension of the present shed. The Company stated (November 1995/March 1996) that extension of present shed at an estimated cost Rs.15 lakhs could not be undertaken due to shortage of funds. Extension of present shed for its installation was never projected prior to its purchase. Moreover, the expenditure on unloading of scrap decreased from Rs.0.71 lakh in 1992-93 to Rs.0.27 lakh in 1993-94, Rs.0.18 lakh in 1994-95 and Rs.0.04 lakh in 1995-96. The Company did not assess the workload of unloading of scrap and requirement of the crane *vis-a-vis* cost involved including installation before going in for its purchase.

Thus, the purchase of a second hand 10 MT E.O.T. crane without assessing its requirement and cost of its installation resulted in infructuous investment of funds of the Company to the tune of Rs.1.98 lakhs with consequent loss of interest amounting to Rs.0.79 lakh during the period from November 1993 to June 1996.

The matter was reported to the Government in March 1996; the reply had not been received (November 1996).

4.2 Haryana State Minor Irrigation and Tubewells Corporation Limited

4.2.1 Idle wages to excess workers

The company continues to incur huge expenditure on idle wages due to excess deployment of staff

Due to transfer of Direct Irrigation Tubewells to Public Health Department/ beneficiaries/auction thereof etc. and reduction of workload in its Karnal workshop, the Company identified (October 1991) 348 employees as surplus since June 1988. In May 1992, the Company estimated annual wage bill of 345 employees at Rs.0.80 crore against the assessed retrenchment compensation amounting to Rs.1.60 crores. In August 1992, due to further decrease in workload, the strength of surplus work-charged employees swelled to 990 involving an annual wage bill of Rs.2.31 crores. An amount of Rs.6.35 crores was assessed as compensation and terminal benefits payable to the employees on termination of their services. In the meantime, the number of surplus employees further swelled to 1530 as on 31 July 1995 involving an annual burden of Rs.4.85 crores and Rs.9.87 crores assessed as compensation and terminal benefits.

Up to November 1995, the Company paid idle wages worth Rs.12.24 crores to the surplus employees. Had all the employees been retrenched on their having been identified surplus, the Company would have paid about Rs.9.87 crores as compensation and terminal benefits. Even on their adjustment in other Departments/Corporations, the Company is bound to pay Rs.5.68 crores being payment of gratuity and leave encashment. Till March 1996 mere 50 workers were adjusted in other Government Departments/Corporations/Boards of Haryana State. The Company had been incurring huge losses (accumulated loss up to 1981-82: Rs.1.55 crores rose to Rs.39.94 crores in 1990-91). Had the Company acted as a professionally commercial organisation and retrenched the identified surplus work-charged employees, there would have been an extra expenditure of Rs.4.19 crores only as against the idle wages paid worth Rs.12.24 crores up to November 1995. The Company is still paying idle wages. Another loss making Company viz: Haryana Agro Industries had, however, successfully retrenched its surplus staff.

As a result of failure to retrench the surplus work-charged employees or adjust them in other Departments/Boards/Corporations of Haryana State, the Company is saddled with identified surplus staff involving avoidable payment of recurring idle wages. The incidence of compensation benefits would increase on account of delay in termination of services of surplus staff.

The matter was reported to the Company and Government in April 1996; the reply had not been received (November 1996).

4.2.2 Avoidable loss of interest

In response to State Government's enquiry (December 1987) to all Boards/Corporations for the construction of houses at Panchkula for its employees through Haryana Housing Board (HHB) with the help of loan from Housing and Urban Development Corporation (HUDCO) to the extent of 70 *per cent* of the cost involved, the Company intimated (April 1988) its requirement for 180 houses of various categories involving a total cost of Rs.330.82 lakhs. The Company was to pay Rs.70.90 lakhs as advance and balance in nine yearly instalments of Rs.28.88 lakhs each. The Company also made commitment (April 1988) that the amount to be spent over and above HUDCO loan would be made available on demand and the instalments repayable to HUDCO towards loan would be provided in its budgets for the succeeding years. However, the Government asked (May 1989) the Company if it had since made arrangement for payment of instalments to HUDCO and had provided Rs.70 lakhs for advance payment in its budget for the year 1989-90 to which the Company intimated (June 1989) its inability and requested the Government to provide Rs.70 lakhs and adjust the same against the recovery of lining of

Locking up of scarce funds resulted in loss of interest of Rs. 9.17 lakhs

water courses waived off by the Government. However, the Government did not agree to the proposal.

Considering funds constraints, the Company intimated (July 1990) to the HHB its reduced requirement of 88 houses entailing estimated cost of Rs.1.78 crores (Rs.0.46 crore for cost of land and Rs.1.32 crores for cost of construction) excluding interest by arranging funds out of its own resources. A sum of Rs.16.37 lakhs (Rs.13.87 lakhs (44,040 Sq. feet @ Rs.105 per Sq. feet) being 30 *per cent* down payment for cost of land and Rs.2.50 lakhs interest for delayed payment) was deposited by the Company in June 1991. Due to poor financial position, the Company could not pay subsequent instalments due in June 1992 and September 1992 and decided (March 1993) to withdraw the amount already deposited with the HHB. Though the Company requested for refund with interest (June 1993), the HHB refunded (July 1995) Rs.16.37 lakhs without interest due to withdrawal from the scheme by the Company itself.

The Company had been incurring huge losses (accumulated loss up to 1981-82: Rs.1.55 crores rose to Rs.39.94 crores in 1990-91), had heavy outstanding loans taken from State Government and banks (up to 1990-91: Rs.184.43 crores). In the wake of pre-known poor ways and means position, it was not justified to make advance payment of Rs.16.37 lakhs in June 1991.

Injudicious decision to finance the cost of houses from internal resources despite poor financial position resulted in avoidable locking up of Rs.16.37 lakhs with HHB with consequent loss of interest amounting to Rs.9.17 lakhs calculated @ 14 *per cent* per annum (at which the Company obtained loans from banks) from July 1991 to June 1995.

The matter was reported to the Company and the Government in March 1996; their replies had not been received (November 1996).

4.2.3 Nugatory expenditure

Section 49 (1) of the Factories Act, 1948 provides that in every factory wherein five hundred or more workers are ordinarily employed, the occupier shall employ in the factory such number of welfare officers as may be prescribed. The Company created (September 1983) a post of a Labour Welfare Officer (LWO) under the Factories Act, 1948 and appointed (February 1984) a LWO with his headquarters at Karnal. According to the clause 7 of terms and conditions of appointment, he was to look after the labour problems of the Company as a whole.

Abolishing the statutory post arbitrarily resulted in nugatory expenditure of Rs.6.33 lakhs

As per Rule 6 of the Punjab Welfare Officer Recruitment and conditions of Service Rules, 1952 the Management can impose punishment (including dismissal and termination of service in any other manner) on the Welfare Officer provided he has been informed of the grounds on which it is proposed to take action and given a reasonable opportunity of defending himself against the action proposed to be taken against him. It further provides that the punishment other than censure shall not be imposed except with the previous concurrence of the Labour Commissioner.

The Company abolished (September 1988) the post of LWO at Karnal workshop as a measure of economy as its continuation was considered not legally obligatory under Factories Act and the post had not served the purpose for which it was created. Accordingly, the services of LWO were dispensed with (September 1988) by paying him three months' salary *in lieu of* notice as per terms of his appointment without giving a reasonable opportunity of defending himself.

The officer filed (October 1988) a case in the court of Additional Senior Sub Judge, Karnal praying that the resolution of the Company to abolish the post of LWO was illegal and he was entitled to continue in service since the post held by him was statutory in character and the total number of workers employed by the Company was more than 4,000. The Court decreed (November 1991) the suit and held that the resolution of the Company (September 1988) abolishing the post of LWO was illegal, void and unwarranted and he was entitled to continue to hold the post of LWO in the Company with all benefits and to recover all the arrears/emoluments from the date of his termination together with interest at 18 *per cent* per annum.

The Company filed (December 1991) an appeal in the Court of Additional District Judge, Karnal against the order of Additional Senior Sub Judge, Karnal mainly on the grounds that the post was abolished due to financial stringency and that the strength of employees in the Factory of the Company at Karnal workshop was less than 500. The appeal was dismissed (March 1995) because workers employed in the Company were more than 2000 and the post of Labour Welfare Officer was mandatory and could not be abolished by the Company.

In compliance to the decision of the Court, the Company took back (21 August 1995) the LWO in the service of the Company and pay and allowances amounting to Rs.6.33 lakhs (including interest of Rs.2.54 lakhs) paid (January 1996) to him without gainful employment.

Thus, failure of compliance of provisions of Factories Act, 1948 and Rules made thereunder by the State Government in dispensing the services of Labour Welfare Officer by abolishing the statutory post arbitrarily, the Company had to incur nugatory expenditure of Rs.6.33 lakhs.

The matter was reported to the Government in March 1996; the reply had not been received (November 1996).

4.3 Haryana Agro Industries Corporation Limited

4.3.1 Avoidable loss

The Company had been procuring wheat on behalf of the State Government for onward sale and delivery to Food Corporation of India (FCI) either on the same day or in any case within 48 hours. If, however, the delivery of wheat to FCI is not feasible within the stipulated time then the stocks are stored by the Company itself. The Company is reimbursed the cost of wheat alongwith incidental charges by the FCI at rates fixed by the Government of India.

Improper storage of wheat resulted in avoidable loss of Rs. 17.87 lakhs

The mandi supervisors, store keepers of the Company were responsible for proper stocking and in case of default they were liable for strict disciplinary action besides compensating the Company for any loss caused due to violation of instructions (April 1992).

The Company had a stock of 11853 wheat bags (March 1993) at Pundri pertaining to wheat purchases during 1992-93. At the time of annual physical verification of wheat stock as on 31 March 1993, 22 wheat bags valued at Rs.0.10 lakh were found short and the mandi supervisor was placed under suspension in October 1993. A committee of officers during an inspection of stocks in December 1993 found 11625 wheat bags damaged due to improper storage. Out of these, 737 wheat bags were delivered to FCI after reconditioning/upgradation (March 1994) at an expenditure of Rs.0.14 lakh and the balance 10888 wheat bags valued at Rs.50.42 lakhs rejected by FCI due to deplorable condition of stock with excessive percentage of spoiled grains. The damaged wheat was auctioned (April 1994) at reduced rates for Rs.33.61 lakhs. Another 206 wheat bags valued at Rs.0.96 lakh were found short in December 1993.

The Management placed store keeper concerned under suspension in December 1993, and a FIR lodged against him in January 1994 with police for shortage of 228 wheat bags. However, action to recover the loss for damaged stock (10888 wheat bags) against the officials at fault as per instructions issued by the Company in April 1992 had not been taken (November 1996).

Thus, failure on the part of the Company to ensure safe storage of 10888 wheat bags and shortage of 228 wheat bags resulted in avoidable loss of Rs.17.87 lakhs.

The matter was reported to the Company and the Government in March 1996; their replies had not been received (November 1996).

4.4 Haryana State Small Industries and Export Corporation Limited

4.4.1 Nugatory expenditure

Rule 6.4 of Employees Service bye-laws of the Company provide that no major penalty shall be passed against an employee unless he/she had been given a reasonable opportunity to defend against the action proposed to be taken against him/her.

Due to unauthorised leave, wilful absence from duty etc., a show cause notice dated 30 January 1990 was issued to a sales girl of the Company asking her to make representation, if any, in writing by 16 February 1990 against the proposed action of removal from the service. However, this notice could be served only on 5 March 1990 by that time the period of making representation had already been expired. Since no representation was received from her, she was removed (April 1990) from the service of the Company retrospectively from 30 November 1989 the date from which she was further absenting herself from duty. Her appeal (April 1990) against the said order was dismissed only in January 1991 that too without any speaking order.

Termination of services without giving the opportunity of making any representation resulted in nugatory expenditure of Rs.2.11 lakhs

The employee filed (23 April 1991) a civil writ petition in the Court of Sub-Judge, Chandigarh against her termination.

The Court declared (June 1994) the impunged orders illegal and void on the grounds that no enquiry had been held before passing the termination order and she was denied even the opportunity of making any representation in writing. The Company did not go in for appeal due to insufficient grounds. Accordingly, she was reinstated (July 1994) with full back wages and was paid (October 1994) Rs.2.11 lakhs for the intervening period of December 1989 to July 1994 without gainful employment.

Thus, due to failure of the Company to ensure that show cause notice is served in time which is essential in such delicate matters, the Company incurred nugatory expenditure of Rs.2.11 lakhs.

The matter was reported to the Company and the Government in March 1996; their replies had not been received (November 1996).

4.5 Haryana Land Reclamation and Development Corporation Limited

4.5.1 Extra expenditure

The Company entered (February 1994) into an agreement with a transporter for transportation of 35000 tonnes of Gypsum packed in HDPE bags from Hanumangarh (Rajasthan) to various places in the State from 1 February 1994 to 31 January 1995. The agreement, *inter alia,* provided that the transporter would transport entire quantity failing which the Company would be at liberty to impose penalty on the left over untransported material at the rate of Rs.5 per tonne and have right to forfeit the entire security amount of the transporter without any notice. Besides this, his supply order might also be cancelled and awarded to any other transporter at his risk and cost.

Extra expenditure of Rs.2.40 lakhs not recovered in terms of risk and cost clause of the agreement.

The transporter transported 31720 tonnes of gypsum during the period from 1 February 1994 to 12 January 1995 against agreed quantity of 35000 tonnes leaving a shortfall of 3280 tonnes. The Company got transported this quantity in January 1995 through railway rakes by incurring extra expenditure of Rs.2.40 lakhs. The Company levied/recovered (August 1995) a penalty of Rs.0.16 lakh from the security deposit of the transport contractor but did not recover the additional expenditure of Rs.2.40 lakhs on transportation of 3280 tonnes on the plea that decision to transport the Gypsum in January 1995 through railway rakes had been taken to create buffer stock for the next reclamation season.

The above decision of the Company lacked justification because it involved an extra expenditure and could be recovered from the transporter in terms of the risk and cost clause of the agreement.

Thus, failure to invoke risk and cost clause resulted in an extra expenditure of Rs.2.40 lakhs incurred during the currency of agreement by the Company on transportation of 3280 tonnes of gypsum through Railways.

The matter was reported to the Government in May 1996; the reply had not been received (November 1996).

4.6 Haryana State Handloom and Handicrafts Corporation Limited

4.6.1 Avoidable payment of compensation

The Company took up two projects namely the Export Production Project, Panipat (EPP) and the Intensive Development Project, Bhiwani (IDP) during the year 1976-78 for large scale production of handloom products. The workers on these projects were engaged on piece rate basis. As per the agreement (August 1989) between the Management and the workers, the workers were to be paid minimum wages against a fixed minimum return of production.

Due to high cost of production, the projects became unviable. The Company stopped the production from April 1993 and started paying lay-off compensation to the workers from the same date without ensuring entitlement of piece rate workers for any compensation. The Company sought (September 1993) legal advice from an Advocate/Management consultant on issues relating to payment of bonus and quantum of lay-off compensation who opined that bonus was not payable and quantum of lay-off compensation was to be 50 *per cent* of minimum wages. The opinion whether piece rate workers were entitled for lay-off compensation was, however, not sought.

The Company decided (September 1993) to wind up both the projects to effect economy in expenditure. It, however, continued to pay lay-off compensation till September 1994 when opinion of an advocate was sought for on the issue of liability to make payment of retrenchment compensation to laid-off piece rate workers. The advocate opined that since piece rated weavers were not engaged against any sanctioned post and were engaged on contract basis, it would be termination of contract only and as such they were not entitled for any retrenchment compensation because they were not workers under Industrial Disputes Act and either party (Corporation or weavers) could terminate the contract without service of any notice or compensation. There was also no need to pay any lay-off compensation.

Accordingly, the Company decided (September 1994) to terminate the contract with workers engaged on piece rate basis at these projects.

Thus, by not obtaining the timely opinion of an advocate regarding eligibility for lay-off compensation, the Company had to make an avoidable payment of Rs.3.43 lakhs from April 1993 to September 1994 towards the same.

The Management stated (July 1996) that the workers have filed a writ petition in the High court, final outcome of which is still awaited.

The matter was reported to the Government in April 1996; the reply had not been received (November 1996).

4.B STATUTORY CORPORATIONS

4.7 Haryana State Electricity Board

4.7.1 Avoidable expenditure

Failure to open the "letter of credit" during the currency of the agreement with the supplier resulted in extra expenditure of Rs.87.32 lakhs

The Board placed (October 1994) a supply order on Indian Aluminium Cables Limited, New Delhi for supply of 642 Kms. of ACSR Zebra Conductor at firm ex-factory rate of US $ 2938 per Km. as per international competitive bidding to be supplied by 7 March 1995 at a total cost of $18,86,196 (equivalent rupee value: Rs.595.09 lakhs) as part of the `power utilities efficiency improvement project' under World Bank Loan scheme financed through Power Finance Corporation (PFC) costing Rs.36.70 crores. Thirty *per cent* of the cost of project was to be met by the Board from its own sources. The terms of supply order required that ten *per cent* of the contract price (Rs.595.09 lakhs) was to be paid as an interest free advance within 30 days of signing the contract against bank guarantee for equivalent amount and ninety *per cent* was to be paid through irrevocable letter of credit (LOC) established in favour of supplier's bank on submission of documents.

Interest free advance of Rs.59.51 lakhs was released (December 1994) prior to execution of loan agreement with PFC. Though the PFC had sanctioned loans for Rs.19.20 crores and Rs.6.40 crores in August and October 1994, respectively, the loan agreement with PFC could be signed on 22 March 1995 after the lapse of the schedule for delivery of material (7 March 1995). The delay in execution of loan agreement was non-observance of terms and conditions of loans in time viz. establishment of escrow account and furnishing state Government guarantee or bank guarantee for the loan. The Board could furnish the bank guarantee (for 50 *per cent* loan) and State Government guarantee (for balance 50 *per cent* loan) only on 16 March 1995. Since the Board had defaulted in opening the irrevocable LOC during the currency of the agreement, the supplier refused to execute the supplies at the old rates due to price escalation. During negotiations with the supplier the Board had to agree (8 September 1995) to purchase the material at the revised average rate of US $ 3286.59 per Km. from the same supplier and the firm was to pay interest at 12 *per cent* on advance (Rs.59.51 lakhs) already paid less cost of 22.202 kms. conductor (supplied in April 1995) from 1 April 1995 to the date of revalidation/issue of fresh bank guarantee against advance. The Board had to spent Rs.87.32 lakhs (inclusive of Rs.42.36 lakhs being exchange rate fluctuations) on 408.773 kms. material received at revised average rates up to 9 March 1996.

The Board stated (December 1995) that it was not in position to arrange funds from its own but to wait for the start of disbursement of loan by PFC. The reply is, however, not tenable as the Board assured (March 1995) the supplier that the payment will be released immediately on receipt of material in the absence of LOC.

Thus, non compliance of terms and conditions of loans in time and non opening of LOC even from its own sources as per financing scheme with the PFC, resulted in extra expenditure of Rs.87.32 lakhs in the purchase of ACSR Zebra conductor.

The matter was reported to the Board and Government in May 1996; their replies had not been received (November 1996).

4.7.2 Avoidable surcharge on Railway freight

The Central Railway intimated (September 1991) the Thermal Plant Faridabad that as per directive of the Ministry of Railways, coal consignments booked to Faridabad Power House would be accepted for transportation on pre-payment of freight charges at the booking point w.e.f. 10 October 1991. The Railway Board, however, decided (October 1992) to introduce the system of pre-payment of Railway freight effective from 1 December 1992. Accordingly, the plant used to deposit the payment of freight charges in advance in the office of Chief Commercial Manager (Eastern Railway) Calcutta. The Central Railways further notified (March 1993), *inter alia*, the levy of 10 *per cent* surcharge on coal when booked on "To pay" basis effective from 1 April 1993.

Delayed remittance of freight at the booking point resulted in avoidable expenditure of Rs.26.39 lakhs as surcharge

During the months of May, July, September and October 1993 the pre-payment of freight were delayed for the period ranging between 1 day and 42 days on 27 consignments of coal booked with the result the Railways charged Rs.26.39 lakhs as surcharge on the freight as per notification of March 1993. The Board, however, claimed (March, April 1994) the withdrawal of surcharge which was rejected (September 1994) by the Railways on the ground of late payment of freight.

Thus, due to delay in remittance of freight at the booking point in time the Board had to incur avoidable expenditure of Rs.26.39 lakhs as surcharge.

The matter was referred to the Board and Government in May 1996; their replies had not been received (November 1996).

4.7.3 Avoidable loss

Placing the purchase order without ensuring the actual requirement and required finance resulted in avoidable loss of interest of Rs.24.50 lakhs

The Board approved (June 1991) construction of two 220 KV Sub-stations at Palla and Ash Dump Faridabad. A tender enquiry for the purchase of two Power Transformers of 100 MVA 220/66 KV for these Sub-stations was floated in October 1991 and a purchase order was placed (October 1993) on Crompton Greaves Limited, Bombay (CGL) for the supply of two units Power Transformers at the firm's ex-works price of Rs. 2.39 crores per unit (excluding Excise duty, CST and Freight) subject to price variation clause. According to the purchase order, the Board was to provide interest free advance equivalent to 20 *per cent* of the ordered value against Bank guarantee and the firm was to deliver the first unit within 15 months and second unit within 17 months from the date of release of advance payment.

Despite the fact that the work on these Sub-stations was not taken in hand due to shortage of funds and in one case even the land had not been acquired, the Board released an advance of Rs.90 lakhs (Rs. 45 lakhs each in January and February 1994). The effective contractual delivery of these two transformers, accordingly, fell due on 25 April 1995 and 21 July 1995, respectively.

Considering the fact that due to financial constraints, no work could be initiated on these Sub-stations and the transformers ordered would not be gainfully utilised in the next 2 to 3 years, the Member Technical (OP) after discussion with Chief Engineer (Planning) proposed (April 1994) to reschedule the delivery of these transformers. The Store Purchase Committee (June 1994) reviewed the position with regard to the progress of works vis-a-vis availability of funds and recommended that the delivery of both the transformers be deferred up to March 1996. The Whole Time Members (WTMs) considered (November 1994) the question of rescheduling the delivery of these transformers followed by discussions with the representative of the firm. It was mutually agreed (February 1995) to extend the delivery schedule to September 1996 and charge 12 *per cent* interest from CGL on the advance given by the Board for the period to be counted from the next day of contractual delivery period up to the deferred delivery period i.e. September 1996.

In January 1996 the Board decided that it was not in urgent need of these transformers and, therefore, Rs.40.43 lakhs be adjusted on 30 January 1996 against other supply orders (July 1995/January 1996) and balance Rs.49.57 lakhs be adjusted on pro-rata basis against future supply of five transformers subject to recovery of 12 *per cent* interest on the outstanding amount.

The hasty action in placing the order without ensuring its actual requirement and the required finance for construction of Sub-station resulted in avoidable loss of interest amounting to Rs. 24.50 lakhs (calculated from the date of payment of interest free advance during contractual delivery period i.e. up to 25 April 1995 and 21 July 1995, respectively, at full rate and at concessional rate thereafter up to 29 January 1996). The loss would increase further as the balance advance of Rs.49.57 lakhs would be adjusted on pro-rata basis in due course resulting in interest loss at the rate of 6.25 *per cent* being the difference in cash credit interest rate and 12 *per cent* interest rate recoverable from the firm.

The matter was referred to the Government in March 1996; the reply had not been received (November 1996).

4.7.4 Extra expenditure due to delay in finalisation of tenders

The Board floated (April 1991) a tender enquiry for the purchase of 6 Nos. 10/16 MVA, 132/11 KV Power Transformers to be opened on 10 December 1991. The offers given by the firms were valid up to 19 September 1992.

Failure to place the order on the lowest firm and splitting the order resulted in an extra expenditure of Rs.24.42 lakhs

While evaluating the tender it was found that ECE Industry, New Delhi (ECE) had quoted *ex-works* price of Rs.27.75 lakhs per transformer with base date 1 November 1991 but after adding the freight and transit insurance of Rs.0.40 lakh the *f.o.r* destination transformer price was wrongly given as Rs.38.15 lakhs instead of Rs.28.15 lakhs. Although the Store Purchase Committee (SPC) and Whole Time Members (WTMs) were aware of the fact that there was totalling mistake in the rates quoted by ECE as these were unrealistic as compared to the second, third and fourth bidders in the merit position, the Board placed telegraphic purchase order (12 October 1992) on ECE for 6 Nos. transformers at their quoted *ex-works* rate of Rs.27.75 lakhs per transformer instead of obtaining clarification with regard to rates from the firm.

On receipt of telegraphic purchase order, ECE represented (29 October 1992) that an error had occurred in the offer copy submitted to the Board while writing the price and requested to place the order at *ex-works* price of Rs. 37.75 lakhs excluding Rs.0.40 lakh on account of freight and insurance. The ECE was, however, the lowest in the comparative-cum-merit position, for the supply of all six transformers, on both of these ***f.o.r*** destination rates of Rs. 28.15 lakhs and Rs 38.15 lakhs per transformer. The General Electric Company of India (GEC), who had quoted an *ex-works* rate of Rs.44 lakhs for first two tranformers and Rs.48.03 lakhs for the next four tranformers as per their original tender with a base date of 1 October 1991, revised their offer with base date as 1 July 1991 while extending the validity of its offer beyond 19 September 1992.

At the instance of the WTMs (9 November 1992) the negotiating committee consisting of Member Technical (operation) and Member Finance, Accounts & Commercial held negotiations (16 November 1992) with four firms in the order of merit viz ECE, GEC, Bharat Bijlee and NGEF. On the basis of negotiations the WTMs in their inhouse meeting (9 December 1992) revised the requirement from six to nine transformers and decided to place order for 3 Nos. transformers on ECE at ***f.o.r*** rate of Rs.40.01 lakhs with base date 1 November 1991. (*ex-works* price: Rs.37.75 lakhs, freight & transit insurance : Rs.0.40 lakh, extra transformer oil: Rs.0.36 lakh and dry col breather: Rs.1.50 lakhs) on the grounds that backlog of eight transformers was already there with the firm. The balance requirement was divided equally between GEC at Rs.47.73 lakhs (including Rs.3.73 lakhs due to change of base date from 1 October 91 to 1 July 1991) and Bharat Bijlee at Rs.48.15 lakhs with base date as on 1 November 1991.

It was noticed in audit that ECE was found technically competent to supply all the six transformers as the Board had placed order for the entire quantity at its *ex-works* rate of Rs.27.75 lakhs. The placement of purchase order for only three transformers subsequently on ECE at ***f.o.r*** rate of Rs.40.01 lakhs and meeting out the balance requirement of three transformers by placing order on GEC at its revised rate of Rs.47.73 lakhs was not justified as it resulted in extra expenditure of Rs.23.16 lakhs. The additional requirement of three transformers could have also been met by placing order on GEC in place of Bharat Bijlee, the third bidder in the merit position and an extra expenditure of Rs.1.26 lakhs avoided.

Thus, placing the order after being aware that the rate quoted by ECE contained arithmetical mistake, taking time in revising the order which took the Board beyond validity period in respect of the second lowest and again splitting the order, resulted in an extra expenditure of Rs.24.42 lakhs.

The matter was reported to the Board and Government in March 1996; their replies had not been received (November 1996).

4.7.5 Non-commissioning of WSX-100 Telephone Switching equipment

The Board placed (February 1990) a purchase order for supply of 9 Nos. 8 port WSX-100 inter dialling telephone switching equipment alongwith other Power Line Carrier Communication (PLCC) items on W.S. Industries India Limited, Madras and again placed (December 1990) another purchase order for supply of 9 Nos. 8 port and 2 Nos. 16 port WSX-100 inter dialling telephone switching equipment alongwith the other PLCC items. These WSX-100 telephone switching equipments were proposed to be purchased for strengthening the carrier communication network of the 220 KV sub-stations. The terms of supply orders, *inter alia*, provided as under :

(i) The material was to be supplied within 10 months and 8 months of purchase orders of February 1990 and December 1990, respectively, on the inspection of the equipment at the manufacturer's premises before their despatch.

(ii) The supplier was liable to replace free of cost the equipments found defective in quality within twelve months from the date of its erection or eighteen months from the date of despatch whichever is earlier.

Against the supply of 20 switching equipments the firm supplied 14 Nos. equipments (4 Nos. in November 1990 and 10 Nos. in January 1994) costing Rs.14.19 lakhs (including price variation) for which full payments were made by the Board on the receipt of material. The Board, however waived (February 1994) the inspection of 10 Nos. equipments on the basis of test certificates found generally in order (including 5 Nos. of supply order of February 1990) before their despatch. Four equipments (cost: Rs.2.62 lakhs) received in November 1990 could not be fully commissioned and 10 equipments (cost : Rs.11.57 lakhs) received in January 1994 could not be commissioned at all by the Board till date (March 1996) due to design inadequacy/manufacturing defect. The remaining 6 Nos. equipments have not been supplied (March 1996).

Acceptance of defective equipment resulted in locking up of Rs.14.19 lakhs

The Board did not pursue the supplier to supply the material within delivery schedule of 10 months from the date of purchase order as 5 Nos. equipments of first supply order were received after the lapse of a period over three years from the purchase order.

The Board accepted 10 Nos. equipments in January 1994 by waiving the pre-inspection requirement knowing well the fate of 4 Nos. equipments (received in November 1990) which could not be fully commissioned due to design/ manufacturing defects. The Board also could not claim replacement of 14 Nos. equipments within the warranty period of 18 months from the date of supply as it took cognisance of the design/ manufacturing defects first time in October 1995 when the warranty period had already elapsed.

Thus, accepting of defective equipment by waiving the pre-inspection clause and non-enforcement of warranty clause resulted in locking up of funds of Rs.14.19 lakhs for a period ranging from about 2 to 5 years.

The matter was reported to the Board and Government in May 1996; their replies had not been received (November 1996).

4.7.6 Robbery of cash

The Board prescribed (May and July 1973) safety measures required to be taken while carrying cash from/to bank so as to minimise the chances of robbery. These were reiterated in June 1985 and March 1994 which provided for provision of Board's vehicle, police escort to the cashier for accompanying him to/from the bank if the amount exceeds Rs.50,000. There were no instructions to insure loss of cash in transit.

(i) A test-check of records of Superintending Engineer, Operation circle, Karnal revealed that on 1 March 1994, Cashier/Lower Division Clerk of Assandh Sub division had drawn a sum of Rs.4,96,345.06 from State Bank of Patiala, Panipat for disbursement of salary for the month of February 1994 to the staff. The Cashier, however, disbursed Rs.11,699.30 to the staff at Panipat. The balance cash (Rs.4,84,645 76) which was being carried in Board's vehicle, without the police escort was looted on the way to Assandh by four armed miscreants. First information report (FIR) of the robbery was lodged (1 March 1994) with the police but the police investigation report was awaited (July 1996).

(ii) Similarly in the Operation division, Ballabhgarh on 16 March 1995 the Assistant Executive Engineer, City Operation Sub division, Ballabhgarh had deputed a lineman alongwith the cashier to deposit cash amounting to Rs.2.55 lakhs in the bank. On the way to the bank two persons armed with country made weapons (Kattas) approached the officials and took away the cash box after gunning down the lineman on the spot. The first information report (FIR) of the robbery was lodged on 16 March 1995 with the police, the results of which were awaited (July 1996). A compensation of Rs.1.67 lakhs was paid to the heirs of the late lineman. Though police guard was available on payment basis, the same was not provided to the cashier for accompanying him to the bank.

Thus, due to failure on the part of field offices to observe the instructions of the Board in providing police escort in both the cases had resulted in a loss of Rs.9.07 lakhs. Inspite of the robbery cases, no standing arrangements has been made with the police for providing police escort till date. The Board while admitting the lapse on the part of field offices stated (February 1996 and July 1996) that the explanation of the concerned officer who failed to arrange police guard was being called for, the results of which were awaited (August 1996).

The matter was reported to the Board and the Government in April 1996; their replies had not been received (November 1996).

4.7.7 Avoidable expenditure

The Board placed (November 1981) a purchase order for 10 units power transformers of 10/16 MVA 132/11 KV capacity on Bharat Bijlee Limited, New Delhi at ex-works rate of Rs.12.50 lakhs per unit subject to price variation as per "Indian Electrical & Electronics Manufacturers Association (IEEMA) formula", without any ceilings with base date of price as 1 April 1981. The purchase order was however, not subjected to standard terms relating to 'risk purchase', 'set off' and 'supplier default liability'. As per delivery schedule the firm was required to supply first two transformers by September 1982 and balance to be completed at two transformers each month by January 1983. Full payment including price variation alongwith taxes was to be made against despatch documents through bank. The firm supplied only six transformers; i.e. two and four transformers in April 1983 and January 1984 and payment was made in May 1983 and payment was made April 1984, respectively.

In order to meet the immediate requirement of transformers, the Board telegraphically asked (June 1984) the firm to offer three units transformers for inspection to which the firm intimated (June 1984) telegraphically that the transformers could be supplied after five/six months only provided full payment including price variation through Bank against despatch documents were assured and contracted delivery period amended. The Whole Time Members (WTMs) decided (October 1984) to extend the delivery period of balance four transformers up to 30 June 1985 without any penalty besides regularising the delay of earlier supplies on the recommendation (September 1984) of Store Purchase Committee (SPC) as the inspection and despatch authorisation was delayed due to financial constraints of the Board. While conveying the decision (November 1984) for extension of the delivery period, the firm was requested to arrange delivery of at least one transformer up to March 1985. The firm did not accept the revised delivery schedule and desired confirmation of the Board to release full payment through letter of credit on presentation of documents. The firm during discussion (February 1985) reiterated their demand and also desired 18 *per cent* interest per annum, in case documents are not released within ten days, but the same was not accepted (May 1985) by the Board and advised (May 1985) the firm to supply the transformers up to the extended delivery period.

The firm stated (July 1985) that they were hesitant to manufacture and supply the remaining four transformers unless the Board gave specific assurance with regard to speedy inspection, despatch clearance and release of payment etc. Discussions with the firm were again held in June 1987 but no such assurance was given. The case was, thereafter, not pursued from July 1987 to September 1992. However, the Board purchased eight transformers from Crompton & Greaves Limited valued at Rs.152.78 lakhs on 29 February 1988 at comparatively higher rates i.e. Rs.19.10 lakhs per transformer as against updated rates of Rs.17.41 lakhs payable to the firm.

Since no legal action could be initiated against the firm to effect either risk purchase or to recover liquidated damages in view of deletion of these clauses from the purchase order, the Board, had to cancel (September 1994) the said purchase order as there was no other alternative to effect the supply from the firm at updated rates.

Non inclusion of standard punitive clauses in the purchase order to safeguard Board's interest, failure to take recourse to the Arbitration clause and assure the firm about the timely inspection, despatch instructions and full payment against documents especially when such transformers were required and had been purchased at comparatively higher rates, the Board had to incur an extra expenditure of Rs.8.08 lakhs (cost Rs.6.76 lakhs and ED/CST Rs.1.32 lakhs).

The matter was reported to the Board and the Government in April 1996; their replies had not been received (November 1996).

4.7.8 Loss of cash

Failure to deposit the cash collection in the bank as per prescribed procedure and not taking the prescribed safety measures resulted in avoidable loss of cash Rs.6.80 lakhs

According to the instructions issued (June 1982) by the Board, Sub-Divisional Officer (SDO) shall act as custodian of cash chest, be responsible for correct and prompt remittance of all cash collections into the Bank on the same day and wherever it is not possible, in the morning of the next working day. Board's instructions (March 1990) further provided that cash chest be kept under proper security arrangements duly embedded in the walls with reinforced concrete structure and provided with iron gate, proper watch by chowkidars ensured and surprise inspections on chowkidars be carried out. Following cases pertaining to loss of cash due to non-observing of the prescribed procedure were noticed :

(i) The S.D.O. (Sub-urban sub-division) Kaithal reported (11 April 1994) to the Executive Engineer (Operational division), Kaithal the theft of cash amounting to Rs.2,21,656.85 from his cash chest on the night of 10 April 1994. The chowkidar was also reported to be absent from duty on that night. The amount comprised of collection of 7 & 8 April 1994; Rs.1,09,645 and Rs.1,05,970.85, respectively and general cash; Rs.6041. An FIR was lodged with the police on 11 April

1994. The Executive Engineer (Operational division), Kaithal who conducted the investigation into the case held the chowkidar responsible for his serious negligence and placed (11 April 1994) him under suspension.

The Board stated (August 1995) that cash collected on 7 April 1994 could not be deposited on the same day due to rush of work. There was a strike in the bank on 8 April 1994, and 9 & 10 April 1994 were holidays in the office being Saturday and Sunday. However, the bank strike on 8 April and holidays on 9 & 10 April 1994 was known in advance to the division. The SDO neither took appropriate steps for safeguarding the heavy cash balance by arranging police guard nor was arrangement made to deposit the cash on 9 April (Saturday) when the bank was open.

(ii) The SDO (Operation Sub-division) Chhajpur reported (20 June 1994) to the Executive Engineer (city division) Panipat the theft of the office chest containing cash and cheques worth Rs.2,77,861 on the night of 19 June 1994. The amount comprised of cash collection of 17 June 1994 (Rs.2,60,946); undisbursed staff payment (Rs.13602) and cheques (Rs.3313). The cash chest embedded in the wall was reported to be missing. The regular chowkidar was absent since 17 June 1994 and another chowkidar who was required to lookafter both the office and the Sub-station did not perform duty in the office. An FIR was lodged with the police on 20 June 1994.

The Superintending Engineer (Operation circle), Karnal who conducted the investigation into the case held that the SDO should have taken remedial measures to ensure proper security of the office and taken steps to deposit the heavy amount of cash in the chest with the Bank on the next day i.e. Saturday. He proposed deterrant punishment for the chowkidar and suitable punishment for the Cashier and SDO. The action taken has not been intimated.

(iii) The SDO ('OP' Sub-division No.1), Kaithal reported (25 January 1995) to the Executive Engineer (Operation division), Kaithal the theft of cash amounting to Rs.1,84,244.68 from his cash chest on the night of 24 January 1995. The amount comprised of the cash collection and BA 16 receipt of 24 January 1995 (Rs.1,73,986) and unpaid wages etc. (Rs. 10,258.68). The chowkidar was reported to have been overpowered by the thieves. The chowkidar of the adjoining 'OP' Sub division No. 2 remained absent from duty on that night and was placed under suspension on 25 January 1995 for his gross negligence. An FIR was lodged with the police on the same day.

The Executive Engineer (Operation division) Kaithal who conducted the investigation into the case , *inter alia* held the SDO and Cashier responsible for not depositing the money in the Bank in lump sum despite his instructions dated 18 April 1994 and also for not taking extra precautions by way of additional police help.

Thus, in all the above cases the Management failed to ensure proper safety of public money. Lack of proper system to ensure deposit of cash collection on the same day or the next day and requisitioning special safety measures by the S.D.Os as and when the cash balances went up resulted in avoidable loss of Rs.6.80 lakhs. The action taken against the delinquent officials have not been intimated.

The theft cases relating to Sub-divisions, Chhajpur and Kaithal were filed in the court by the Police in February 1996 and January 1996, respectively and case relating to sub-urban Sub-division Kaithal was still under investigation (April 1996).

The above matters were reported to the Board and Government in March 1996; their replies had not been received (November 1996).

4.7.9 Nugatory expenditure

Section 25(F) of Industrial Disputes Act, 1947, *inter alia*, lays down that no workman who has been in continuous service for not less than one year under an employer shall be retrenched until he has been given one month's notice in writing indicating the reasons for retrenchment and after expiring of notice period or the workman has been paid wages *in lieu* of such notice.

The Board circulated (November 1973 and December 1976) to all its field functionaries the provisions relating to Section 25 (F) of the Industrial Disputes Act, 1947 for strict compliance. The Board while reiterating (June 1981) all references issued in this behalf from time to time to all subordinate functionaries, brought out the salient points which must be kept in view by field offices while affecting retrenchment and also decided to recover the amount of compensation involved in illegal retrenchment from the officer found negligent in this regard.

In February 1984, the name of a workman employed (August 1981) on daily wages in the office of the Executive Engineer, Western Yamuna Canal Hydro Electric Project, Bhudkalan (Yamunanagar) who did not turn up for job, was deleted from the muster roll tantamounting to retrenchment without following the aforesaid statutory provisions.

On representation (16 October 1984) from the workman to reinstate him with continuity of service with full back wages and all other benefits, the State Government referred (May 1985) the dispute to the

Labour Court Ambala for adjudication. The Labour Court held (July 1993) the termination illegal and observed that the workman was entitled to reinstatement with continuity in services and full back period wages as the Management failed to produce any documentary evidence to show that the workman had not completed 240 days of continuous service in the period preceding twelve months to his termination. The workman was reinstated in March 1994 after dismissal of the Board's civil writ petition of November 1993 by the Punjab and Haryana High Court, and paid (August 1994) Rs.1.27 lakhs as arrear of back period wages for 1 February 1984 to 24 March 1994 without utilisation of the services of the workman.

Thus, the Board's action in terminating the services of workman without following the procedure laid down resulted in a wasteful expenditure of Rs.1.27 lakhs. Further, the Board had not initiated any action to recover the amount of compensation involved in illegal retrenchment from the officer concerned found negligent in this regard.

The matter was reported to the Board and Government in January 1996; their replies had not been received (November 1996).

4.8 Haryana Financial Corporation

4.8.1 Avoidable loss

Non-verification of assets of the party before sanction/ payment of loan resulted in loss of Rs.50.29 lakhs

The Corporation disburses loans to the entrepreneurs for promotion of industry in the State. Section 25(2) of the State Financial Corporation Act 1951, restricts granting of loans unless it is sufficiently secured by pledge, mortgage, hypothecation or assignment of movable, immovable or other tangible assets of loanee in the manner prescribed by regulations. The regulations framed by the Corporation require appraisal of loan cases by the inspecting officers before their sanction which further, *inter alia,* provide for obtaining of the following particulars and documents:

- bio-data and full details of the means of the sole proprietor/partners/directors (as the case may be) both movable and immovable, copy/copies of their latest wealth tax assessment order; and
- the means of the promoters to be supported by reasonable documentary evidence.

The Corporation disbursed two loans amounting to Rs.11.60 lakhs (Rs.8.50 lakhs in September 1983 and Rs.3.10 lakhs in February 1984) for purchase of land, construcrtion of building, purchase of machinery and for contingencies for manufacture of chemicals (Menthol with D.Menthol oil) to a partnership firm without ascertaining the exact location/address of the loanees in order to safeguard the interest of the Corporation. Due to consistent default in repayment, entire loan amounting to Rs.16.25 lakhs as on 31 August 1988 was recalled (February 1989) by the Corporation.

The firm failed to return the entire loan and as such, under section 29 of the Act *ibid.*, the possession of the unit was taken over (October 1989) by the Corporation which auctioned (February 1992) the unit for Rs.4.24 lakhs. To recover the shortfall amount recovery certificates were issued to the collectors Delhi, Ghaziabad and Meerut alongwith a list of properties of the partners of the firm, which were returned back for want of specific details of immovable properties such as exact location and number etc. The Corporation could not thereafter provide the details of properties to the collectors in the absence thereof. Resultantly it could not recover the balance loan of Rs.50.29 lakhs (stood as on 29 February 1996) including principal of Rs.10.30 lakhs so far (May 1996). In reply, the Management stated (January 1996) that the Corporation has now started taking affidavit from the borrowers regarding their means and collateral security in certain cases.

Thus, due to lapse on the part of the Corporation in sanctioning loan without verifying assets of the promoters duly supported by documentary evidence had resulted in non-recovery of Rs.50.29 lakhs. No responsibility for the lapse has been fixed by the Corporation.

The matter was reported to the Government in April 1996; the reply had not been received (November 1996).

M. D.

Chandigarh **(M.DEENA DAYALAN)**
Dated: 22 JAN 1997 **Accountant General(Audit), Haryana**

Countersigned

V. K. Shunglu

New Delhi **(V.K. SHUNGLU)**
Dated: 24 JAN 1997 **Comptroller and Auditor General of India**

ANNEXURES

ANNEXURE-1

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

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

Sl. No.	Name of company	Total investment up to 1995-96
		(Rupees in lakhs)
1	Sehgal Paper Limited, Dharuhera	25.00
2	Victor Cables Limited, Dharuhera	12.75
3	Hind Protective Coating Limited, Dharuhera	20.00
4	Rama Fibres Limited, Hisar	19.50
	Total	**77.25**

ANNEXURE-2

Statement showing particulars of up-to date capital, Budgetary outgo, loans given out from Budget and outstanding loans as on 31 March 1996

(Referred to in paragraph 1.2.2)

Sl.No.	Name of the Department/company	Paid-up capital as at the end of 1995-96					Loans given out of Budget during the year	Loans outstanding
		State Government	Central Government	Holding Companies	Others	Total		
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
		(Rupees in lakhs)						
(A)	**Agriculture Department**							
1	Haryana Agro Industries Corporation Limited	253.83 (NIL)	160.21	-	-	414.04 (NIL)	-	304.63
2	Haryana Land Reclamation and Development Corporation Limited	136.64 (NIL)	-	-	19.66	156.30 (NIL)	-	-
3	Haryana Seeds Development Corporation Limited	275.87 (NIL)	111.50	-	70.54	457.91 (NIL)	-	158.50
(B)	**Animal Husbandry Department**							
4	Haryana Dairy Development Corporation Limited	557.48 (NIL)	-	-	-	557.48 (NIL)	-	234.23
(C)	**Forest Department**							
5	Haryana Forest Development Corporation Limited	60.46 (20.25)	-	-	-	60.46 (20.25)	-	-
(D)	**Home Department**							
6	Haryana Police Housing Corporation Limited	1405.00 (495.00)	-	-		1405.00 (495.00)		1140.00

Sl.No.	Name of the Department/company	Paid-up capital as at the end of 1995-96					Loans given out of Budget during the year	Loans outstanding
(E)	**Industries Department**							
7	Haryana State Industrial Development Corporation Limited	5541.49 (1470.00)	-	-		5541.49 (1470.00)		10237.65
8	Haryana State Electronics Development Corporation Limited	564.76 (100.00)	-	-		564.76 (100.00)		20.00
9	Haryana State Small Industries and Export Corporation Limited	118.67 (6.72)	10.00	-	-	128.67 (6.72)	-	100.00
10	Haryana State Handloom and Handicrafts Corporation Limited	248.00 (NIL)	10.00	-	-	258.00 (NIL)	-	122.50
11	Haryana Tanneries Limited	117.15 (NIL)	-	-	18.00	135.15 (NIL)	-	569.34
12	Punjab State Irons Limited	16.52 (NIL)	-	-	-	16.52 (NIL)	-	-
	Subsidiaries							
13	Haryana Matches Limited	-	-	12.50	-	12.50	-	-
14	Haryana Minerals Limited	-	-	24.04	-	24.04	-	-
15	Haryana Concast Limited	290.00 (NIL)	-	340.51	54.99	685.50 (NIL)	-	386.90
(F)	**Irrigation Department**							
16	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10 (NIL)	-	-	-	1089.10 (NIL)	-	1551.00
(G)	**Social Welfare Department**							
17	Haryana Harijan Kalyan Nigam Limited	2160.39 (194.00)	-	-	-	2160.39 (194.00)	5.00	500.65

Sl.No.	Name of the Department/company	Paid-up capital as at the end of 1995-96					Loans given out of Budget during the year	Loans outstand-ing
		State Government	Central Government	Holding Companies	Others	Total		
18	Haryana Backward Classes and Weaker Sections Kalyan Nigam Limited	624.99 (55.00)	-	-	-	624.99 (55.00)	-	572.26
19	Haryana Women Development Corporation Limited	259.72 (70.00)	109.98	-	-	369.70 (70.00)	-	-
(H)	**Tourism Department**							
20	Haryana Tourism Corporation Limited	1087.84 (80.82)	-	-	-	1087.84 (80.82)	-	-
	Subsidiary							
21	Hayana Hotels Limited	-	-	362.91	-	362.91	-	-
(I)	**Transport Department**							
22	Haryana Roadways Engineer-ing Corporation Limited	200.00 (NIL)	-	-	-	200.00 (NIL)	-	6242.13
	Total	**15007.91** **(2491.79)**	**401.69**	**739.96**	**163.19**	**16312.75** **(2491.79)**	**5.00**	**22139.79**

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

ANNEXURE-3

Summarised financial results of Government companies for the latest year for which accounts were finalised
(Referred to in paragraph 1.2.2 and 1.2.4)

Sl. No.	Name of the Company	Date of Incorpo-ration	Period of accounts	Year in which fina-lised	Profit (+)/ Loss (-)	Paid up Capital	Accumu-lated profit (+)/ Loss (-)	Capital invested	Capital employed	Return on Capital invested	Return on Capital employed	Percentage of total return on	
												Capital invested	Capital employed
1.	2.	3.	4.	5.	6.	7.	8.	9. A	10 B.	11.	12.	13 (a)	13(b)
	(Figures in Columns 6 to 12 are in lakhs of Rupees)												
A	**Agriculture Department**												
1	Haryana Agro Industries Corporation Limited	30 March 1967	1995-96	1996	(-)656.80	414.04	(+)39.50	750.17	6341.57	(-)547.30	1555.47	-	24.53
2	Haryana Land Reclamation and Devleopment Corporation Limited	27 March 1974	1994-95	1995	(+) 134.22	156.30	(+)443.04	599.34	600.48	134.36	134.72	22.42	22.44
3	Haryana Seeds Development Corporation Limited	12 September 1974	1995-96	1996	(+)116.49	457.91	(+)58.34	674.75	1578.35	143.81	208.48	21.31	13.21
(B)	**Animal Husbandry Department**												
4	Haryana Dairy Development Corporation Limited	3 November 1969	1994-95	1995	(+)204.35	557.48	(-)695.72	74.70	192.97	227.18	227.18	304.12	117.73
(C)	**Forest Department**												
5	Haryana Forest Development Corporation Limited	7 December 1989	1990-91 (December 1990 to March 1991)	1993	(-)0.81	20.00	(-)0.81	19.19	19.28	(-)0.81	(-)0.81	-	-
(D)	**Home Department**												
6	Haryana Police Housing Corporation Limited	29 December 1989	1994-95	1995	-	910.00	-	910.00	1414.91	-	23.66	-	1.67
(E)	**Industries Department**												
7	Haryana State Industrial Development Corporation Limited	8 March 1967	1995-96	1996	(+)606.06	5541.49	(+)169.82	15948.96	15802.55 C	1946.18	1946.18	12.20	12.32
8	Haryana State Electronics Development Corporation Limited	15 May 1982	1994-95	1995	(+)213.35	464.76	(+)150.72	661.22	601.77	241.70	241.70	36.55	40.16
9	Haryana State Small Industries and Export Corporation Limited	19 July 1967	1994-95	1995	(+)20.74	121.95	(-)34.79	230.91	731.92	40.15	89.17	17.39	12.18
10	Haryana State Handloom and Handicrafts Corporation Limited	20 February 1976	1993-94	1996	(-)25.47	254.00	(-)260.15	116.35	139.84	(-)15.13	(-)15.13	-	-
11	Haryana Tanneries Limited	12 September 1972	1994-95	1996	(+)4.03	135.15	(-)705.25	(-)1.53	11.91	4.66	4.66	-	(-)39.13

Sl. No.	Name of the Company	Date of Incorporation	Period of accounts	1	Profit (+)/ Loss (-)	Paid up Capital	Accumulated profit (+)/ Loss (-)	Capital invested	Capital employed	Return on Capital invested	Return on Capital employed	Percentage of total return on	
												Capital invested	Capital employed
1.	2.	3.	4.	5.	6.	7.	8.	9. A	10 B.	11.	12.	13 (a)	13(b)
	(Figures in Columns 6 to 12 are in lakhs of Rupees)												
12	Punjab State Irons Limited	1 July 1965	1990-91	1996	(+)0.03	16.52	-	16.52	13.85	0.03	0.03	0.18	0.22
	Subsidiaries												
13	Haryana Matches Limited	17 November 1970	1993-94	1995	(-)0.02	12.50	(-)12.50	-	-	(-)0.02	(-)0.02	-	-
14	Haryana Minerals Limited	2 December 1972	1994-95	1995	(+)79.00	24.04	(+)233.94	257.98	274.05	79.00	79.10	30.62	28.86
15	Haryana Concast Limited	29 November 1973	1994-95	1995	(-)375.29	685.50	(-)1037.91	(-)20.21	2425.13	(-)329.78	(-)139.37	-	-
(F)	**Irrigation Department**												
16	Haryana State Minor Irrigation and Tubewells Corporation Limited	9 January 1970	1990-91	1995	(-)616.04	1089.10	(-)3993.80	9310.47	15502.37	391.62	391.62	4.21	2.53
(G)	**Social Welfare Department**												
17	Haryana Harijan Kalyan Nigam Limited	2 January 1971	1987-88 1988-89	1996 1996	(-)43.02 (-)30.12	986.50 1049.95	(-)528.36 (-)558.48	576.09 612.93	671.57 614.21	(-)41.16 (-)28.05	(-)41.16 (-)28.05	- -	- -
18	Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited	10 December 1980	1991-92	1996	(-)13.28	484.99	(-)158.33	326.66	326.65	(-)13.28	(-)13.28	-	-
19	Haryana Women Development Corporation Limited	31 March 1982	1989-90	1996	(+)2.65	174.72	(-)117.98	56.74	78.68	2.65	2.65	4.67	3.37
(H)	**Tourism Department**												
20	Haryana Tourism Corporation Limited	1 May 1974	1994-95	1996	(+)104.82	1021.84	(+)333.76	1355.60	1109.46	104.82	104.82	7.73	9.45
	Subsidiary												
21	Haryana Hotels Limited	11 April 1983	1994-95	1996	(+)92.01	362.91	(+)255.32	618.23	618.23	92.01	92.01	14 88	14.88
(I)	**Transport Department**												
22	Haryana Roadways Engineering Corporation Limited	27 November 1987	1989-90	1996	(+)6.54	200.00	(+)9.99	2336.90	2423.69	287.32	287.32	12.29	11.85

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

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

(C) Represents mean capital employed i.e. means of aggregate of opening and closing balances of (i) paid-up capital, (ii) reserves and surplus and (iii) borrowings.

Sl. No.	Name of the Company	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year			
		Central	State	Others	Total	Cash credit from State Bank of India and other nationalised banks	Loans from other sources	Letters of credits opened by S.B.I. in respect of imports	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repayments written off	Interest waived	Penal interest waived	Repayment of loans on which Moratorium allowed
		(Figures in brackets indicate subsidy unutilised)				(Figures in brackets indicate guarantees outstanding)								
1	2.	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)
1	Haryana Agro Industries Corporation Limited	-	-	-	-	1500.00 (1500.00)	-	-	-	1500.00 (1500.00)	-	-	-	-
2	Haryana Land Reclamation and Development	238.27 (Nil)	157.00 (Nil)	-	395.27 (Nil)	-	-	-	-	-	-	-	-	-
3	Haryana Seeds Development Corporation Limited	-	256.00 (Nil)	-	256.00 (Nil)	900.00 (Nil)	87.64 (25.61)	-	-	987.64 (25.61)	-	-	28.67	-
4	Haryana Dairy Development Corporation Limited	-	-	-	-	-	- (236.00)	-	-	- (236.00)	-	227.00	-	-
5	Haryana Forest Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Haryana Police Housing Corporation Limited	-	-	-	-	-	782.00 (1140.00)	-	-	782.00 (1140.00)	-	-	-	-
7	Haryana State Industrial Development Corporation Limited	-	200.00 (Nil)	-	200.00 (Nil)	-	-	-	-	-	-	-	-	-
8	Haryana State Electronics Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Haryana State Small Industries and Export Corporation Limited	-	-	-	-	-	350.00 (100.00)	-	-	350.00 (100.00)	-	-	-	-
10	Haryana State Handloom and Handicrafts Corporation Limited	-	52.72 (nil)	52.72 (nil)	-	-	-	-	-	-	-	-	-	-
11	Haryana Tanneries Limited	-	-	-	-	- (232.43)	-	-	- (232.43)	-	-	-	-	-
12	Punjab State Irons Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Haryana Matches Limited	-	-	-	-	-	-	-	-	-	-	-	-	-

Sl. No.	Name of the Company	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year			
		Central	State	Others	Total	Cash credit from State Bank of India and other nationalised banks	Loans from other sources	Letters of credits opened by S.B.I. in respect of imports	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repayments written off	Interest waived	Penal interest waived	Repayment of loans on which Moratorium allowed
		(Figures in brackets indicate subsidy unutilised)				(Figures in brackets indicate guarantees outstanding)								
14	Haryana Minerals Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Haryana Concast Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Haryana State Minor Irrigation and Tubewells Corporation Limited	-	5188.00 (Nil)	-	5188.00 (Nil)	-	-	-	-	-	-	-	-	-
17	Haryana Harijan Kalyan Nigam Limited	582.59 (Nil)	-	-	582.59 (Nil)	-	130.31 (355.83)	-	-	130.31 (355.83)	-	-	-	-
18	Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited	-	22.80 (Nil)	-	22.80 (Nil)	-	500.00 (572.26)	-	-	500.00 (572.26)	-	-	-	-
19	Haryana Women Development Corporation Limited	-	75.00 (Nil)	-	75.00 (Nil)	-	-	-	-	-	-	-	-	-
20	Haryana Tourism Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Haryana Hotels Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Haryana Roadways Engineering Corporatioin Limited	-	-	-	-	-	3908.00 (8561.00)	-	-	3908.00 (8561.00)	-	-	-	-
	Total	820.86 (NIL)	5951.52 (NIL)	-	6772.38 (NIL)	2400.00 (1500.00)	5757.95 (11223.13)	-	-	8157.95 (12723.13)	-	227.00	28.67	-

ANNEXURE - 5

Statement showing the capacity utilisation of manufacturing companies during the year 1995-96

(Referred to in paragraph 1.2.8)

Name of the Company	Installed/rated	Actual utilisation	Percentage of utilisation
(A) Agriculture Department			
1.Haryana Agro Industries Corporation Limited			
(a) Shahbad plant			
(i) Fertiliser (in MT)	18000 (18000)	749.05 (1325.15)	4.16 (7.36)
(ii) Pesticides (in MT)	6200 (N.A.)	979.36 (958.24)	15.80 (-)
(in litres)	500000 (N.A.)	70968 (37846)	14.19 (-)
(b) Jind Cattlefeed plant (in MT)	12000 (12000)	6370.70 (7206.16)	53.09 (60.05)
(c) Murthal plant (in numbers)	12000 (12000)	107042 (23058)	892.02 (192.15)
2.Haryana Seeds Development Corporation Limited (in MT)	27000 (27000)	20903 (22896)	77.42 (84.48)
(B) Industries			
1.Haryana Concast Limited			
(i) Ingots/billets(in MT)	50000 (50000)	N.A.	-
(ii) Rolled products (in MT)	12000 (12000)	N.A.	-
(C) Transport			
1.Haryana Roadways Engineering Corporation Limited	360 Ordinary buses or 288 Express buses or 240 Air-cooled buses	N.A.	-

Note : Previous year figures are given in brackets.

ANNEXURE-6

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

Sl No	Name of the Corporation/ Board	Name of department	Date of incorpo-ration	Period of accounts	Total capital invested	Surplus, Profit (+)/Deficit /Loss (-)	Total interest charged to Profit and Loss Account	Interest on long ter m loans	Total return on capital invested (7+9)	Capital employed	Total return on capital emplo-yed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed
(Figures in columns 6 to 12 are in crores of rupees)													
1	2.	3.	4.	5.	6[A]	7.	8.	9.	10.	11[B]	12.	13.	14.
1	Haryana State Electricity Board	Irrigation and Power	3 May 1967	1994-95	2999.78	(+)16.16	179.94	156.05	172.21	1371.94	196.10	5.74	14.29
2	Haryana Financial Corporation	Industries	1 April 1967	1994-95	427.95	(+)10.72	40.41	40.41	51.13	373.04[C]	51.13	11.95	13.56
3	Haryana Warehous-ing Corporation	Agriculture	1 November 1967	1995-96	91.60	(+)20.22	0.51	0.34	20.56	97.38	20.73	22.45	21.29

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

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

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

ANNEXURE-7

Glossary Of Abbreviations

MKWH	Million Kilo Watt Hours
KV	Kilo Volt
KWH	Kilo Watt Hour
HT	High Tension
LT	Low Tension
Mus	Million Units
MW	Mega Watt
MVA	Mega Volt Ampere
Kms.	Kilo metres
MVAR	Mega Volt Ampere Rating
KVAR	Kilo Volt Ampere Rating
OP	Operation
f.o.r	Free on rail
ED	Excise Duty
CST	Central Sales Tax
MT	Metric Tonnes