REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED

31 MARCH 1997

NO. 2

(COMMERCIAL)

GOVERNMENT OF HARYANA

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 Rs10 lakh as on 31 March 1997 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 1996-97 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 1996-97 have also been included, wherever considered necessary.

OVERVIEW

OVERVIEW

The State had 23 Government companies (including five subsidiaries) and three Statutory corporations as on 31 March 1997.

(Paragraphs 1.2.1 and 1.3.1)

- *The aggregate paid-up capital of Government companies was Rs 178.02 crore, of which Rs 164.56 crore were invested by State Government, Rs 4.02 crore by Central Government and Rs 9.44 crore by others (including holding companies). Of the 23 companies, 3 companies with paid-up capital of Rs 1.55 crore were not functional. The State Government loans to the extent of Rs 302.29 crore were outstanding as on 31 March 1997 against 14 Government companies.*

  (Paragraph 1.2.1 and Annexure-2)

- *The State Government guaranteed the repayment of loans (and interest thereon) raised by eight companies. The amounts guaranteed and outstanding thereagainst as on 31 March 1997 were Rs 385.69 crore and Rs 179.08 crore, respectively.*

  (Paragraph 1.2.3 and Annexure-4)

- *Five companies had finalised their accounts for the year 1996-97, the accounts of remaining 18 companies were in arrears ranging from one year to six years. The oldest arrear in accounts pertaining to any company relates to 1991-92. Thus, the results of investment of Rs 255.37 crore in these companies are not conclusively known.*

  (Paragraph 1.2.4 and Annexure-5)

- *Out of five companies which had finalised accounts for the year 1996-97, four companies had earned an aggregate profit of Rs 9.40 crore on total share capital of Rs 68.23 crore and two of these companies paid dividend amounting to Rs 1.33 crore to the Government.*

  (Paragraphs 1.2.5.1 and 1.2.5.2)

- *According to the latest available accounts, six companies suffered a total accumulated loss of Rs 70.81 crore which exceeded their paid-up capital by nearly 2.6 times. Maximum accumulated loss of Rs 39.94 crore was suffered by Haryana State Minor Irrigation and Tubewells Corporation Limited; accounts of which were finalised up to 1990-91.*

(Paragraph 1.2.5.3 and Annexure-3)

- *The aggregate paid-up capital of three Statutory corporations as on 31 March 1997 was Rs 1527.12 crore ; of which Rs 1515.66 crore were invested by the State Government and Rs 11.46 crore by others. The State Government loans to the extent of Rs 746.32 crore were outstanding as on 31 March 1997 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 1997 were Rs 2290.49 crore and Rs 1120.14 crore, 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 78.21 crore and Rs 5.13 crore, respectively, for the year 1995-96 and Haryana Warehousing Corporation earned a profit of Rs 8.98 crore during 1996-97.*

(Paragraphs 1.3.4, 1.4.3, and 1.6.3)

The activities of Haryana Concast Limited, Performance of specialised schemes introduced by Haryana Financial Corporation and performance of workshops of Haryana State Electricity Board were reviewed in audit.

2. <u>Haryana Concast Limited</u> was incorporated in November 1973 with the object to produce, deal and sell iron and steel. Accumulated losses of the Company as on 31 March 1996 represented 201 per cent of the paid-up capital.

(Paragraph 2.1)

- *The Company was given benefits of exemption of statutory duties and price preference. Despite this, the Company was* *incurring losses and its accumulated loss of Rs 13.80 crore had completely eroded its paid-up capital of Rs 6.85 crore as on 31 March 1996.*

(Paragraph 2.6)

- *The Company invested Rs 4.06 crore in seven projects for modernisation for improving its financial position. Of these, only two projects (cost: Rs 1.78 crore) were in operation whereas the remaining five costing Rs 2.28 crore were lying idle and had entailed further interest burden of Rs 1.38 crore (up to July 1997).*

(Paragraph 2.6.2)

- *Percentage of shortfall in capacity utilisation of the Company ranged between 38 and 78 in case of steel billets and 56 and 81 for rolled products during the five years up to 1996-97 mainly due to shortage of raw material and poor policy planning because of frequent changes in the top management.*

(Paragraph 2.7)

- *Excess consumption of various inputs in comparison to standards had entailed extra expenditure of Rs 2.63 crore to the Company during the five years up to 1995-96.*

(Paragraph 2.7.3)

- *Deployment of manpower in excess of norms had resulted in extra expenditure of Rs 2.52 crore during the five years up to 1995-96.*

(Paragraph 2.10)

3A. Haryana Financial Corporation was established in April 1967 under Section 3(l) of the State Financial Corporations Act, 1951 for granting/guaranteeing loans to industrial concerns with a view to develop industries in the State. It started extending financial assistance under various specialised schemes viz.; Equipment assistance leasing, Merchant banking and settlement of loans.

(Paragraph 3A.1)

- *The Corporation paid Rs 0.38 crore as interest tax and income tax on the interest income of Rs 0.79 crore during 1994-95 not actually received.*

(Paragraph 3A.5.2(a))

- *Equipment leasing-Amount disbursed: Rs 36.51 crore.*

  Inadequate pre-sanction appraisal, lack of verification of lessee's credentials, failure to ensure existence of suppliers and release of supply orders/cheques/ drafts direct to the lessee companies resulted in misappropriation of Rs 8.78 crore.

  (Paragraph 3A.6.1.1(a to f))

- *Bought out deals - Amount disbursed: Rs 10.62 crore.*

  Injudicious investment by the Corporation in bought out deals in shares having no marketable value resulted in loss of Rs 3.12 crore on account of interest on blocked funds of Rs 10.62 crore, the recovery of which was also doubtful.

  (Paragraph 3A.6.2.1)

- *Bridge loan against public issue - pre-issue stage-Amount disbursed: Rs 1.50 crore.*

  The Corporation disbursed loans of Rs 1.87 crore under different nomenclature to a unit just to adjust the bridge loan outstanding against the unit in violation of instructions of Reserve Bank of India.

  (Paragraph 3A.6.2.2)

- *The Corporation suffered a loss of Rs 0.21 crore by settling the loans in two cases against the provisions in the scheme for clearance of default in one go.*

  (Paragraph 3A.6.3.1)

- *The Corporation settled loans of Rs 1.59 crore in four cases for Rs 0.34 crore in contravention of the terms of the scheme for settlement of irrecoverable loans which resulted in a loss of Rs 1.25 crore.*

  (Paragraph 3A.6.3.2)

3B. Haryana State Electricity Board maintains a workshop network consisting of 19 workshops with the objective of manufacturing fittings and accessories and repairing of transformers departmentally for efficient maintenance of transmission and distribution system.

(Paragraph 3B.1)

- *Despite availability of sufficient manpower in its own workshops, the major repairs of 20,839 distribution* *transformers were got done through outside agencies which resulted in payment of avoidable labour charges amounting to Rs 2.36 crore.*

(Paragraph 3B.4.2)

- *There was an abnormal wastage of 51006 litres transformer oil worth Rs 0.12 crore during dehydration process in nine workshops from 1992-93 to 1996-97.*

  (Paragraph 3B.4.4)

- *Failure to fix norms for loss in the weight of scrapped brass rods in distribution transformers resulted into shortage of brass scrap of Rs 0.47 crore in six workshops.*

  (Paragraph 3B.4.6)

- *3425 out of 18817 repaired transformers failed during testing and had to be got repaired with an additional cost of Rs. one crore.*

  (Paragraph 3B.4.7)

- *Failure to repair 25 KVA transformers during the four years up to 1996-97 and that of 63 KVA during 1993-94 which were economically viable in Board's own workshops had resulted in loss of Rs 0.71 crore.*

  (Paragraph 3B.5)

- *The Board incurred an extra expenditure of Rs 0.21 crore on procurement of iron casting sets from market at higher cost instead of manufacturing these in its own workshop at lower cost despite availability of capacity and required infrastructure.*

  (Paragraph 3B.8.1(i))

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

- *Decision to renounce 4,03,200 shares in favour of the collaborator at a meagre premium of paise 25 only as against the then prevailing market rate of Rs 25 per share resulted in loss of Rs 0.59 crore.*

  (Paragraph 4.1.1)

- *Overlooking the information given by the Banks before sanctioning and disbursing the loan, the Company had to suffer a loss of Rs 1.83 crore.*

  (Paragraph 4.1.2)

- *Deployment of staff in excess of the requirement resulted in avoidable expenditure of Rs 0.18 crore.*

  (Paragraph 4.2.1)

- *Non-inclusion of clear and specific clause in the agreement for extraction of minimum required stone by the contractor from the mines taken on lease from the State Government, the Company had to suffer loss of revenue of Rs 0.12 crore.*

  (Paragraph 4.4.1)

- *Failure of the Company to claim interest from FCI as per Government of India rates, terms and conditions had resulted in short recovery of Rs 0.10 crore.*

  (Paragraph 4.6.2)

- *Without synchronising the project of additional Ash Pipe Line as per PERT, the Board procured (May 1993) ERW pipes worth Rs 1.02 crore which were yet to be utilised (April 1997). This resulted in blockage of scarce resources of the Board.*

  (Paragraph 4.8.1)

Chapter-I

Introduction

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

1.1 Introduction

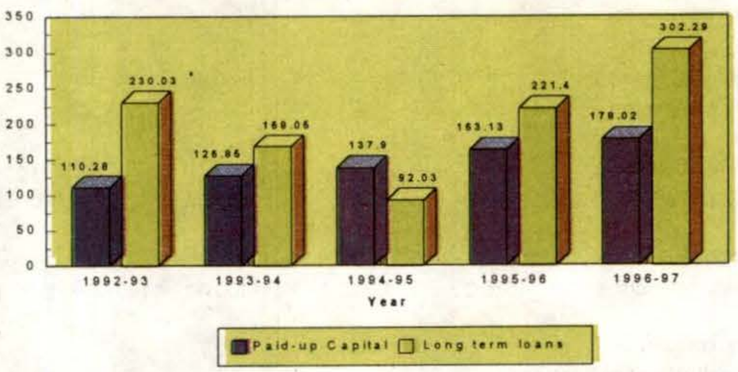
The accounts of the Government companies and deemed Government companies (as defined in Section 619 B of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by Central Government on the advice of Comptroller and Auditor General of India (CAG) as per provisions of Section 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 1997, there were 23* Government companies (including five subsidiaries) with total investment of Rs 480.31 crore (Equity: Rs 178.02 crore; long-term loans: Rs 302.29 crore) as against 22 companies (including four subsidiaries) with a total investment of Rs 384.53 crore (Equity: Rs 163.13 crore; long-term loans: Rs 221.40 crore) as on 31 March 1996. There was no deemed Government company as on 31 March 1997.

Growth in Investment
(1992-93 to 1996-97)



* One Compnay named Hartron Informatic Limited was incorporated in March 1995. The first account of the Company was yet to be received (September 1997).

The classification of the companies is as under :

Sl. No.	Particulars	Number of companies	Paid-up capital (Rupees in crore)
(a)	Working companies	20	176.47
(b)	Non-working companies:		
	(i) Defunct companies	3	1.55
	(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.	Department/type of Public Sector Undertakings	As at the end of 1996-97 Number	Equity	Loan	1995-96 Number	Equity	Loan	Debt equity ratio in 1996-97	Total investment as on 31 March 1997
				(Rupees in lakh)					
1	**Agriculture**								
	A Government companies	5	2664.66	3441.21	5	2674.83	2248.36	1.29:1	6105.87 (12.71)
	B Subsidiary companies	-	-	-	-	-	-	-	
2	**Industries**								
	A Government companies	4	6148.12	15010.56	4	5821.83	10906.99	2.44:1	22299.42
	B Subsidiary companies	2	698.00	442.74	2	698.00	386.90	0.63:1	(46.43)
3	**Engineering**								
	A Government companies	1	200.00	8523.00	1	200.00	6242.13	42.61:1	8723.00 (18.16)
	B Subsidiary companies	-	-	-	-	-	-	-	
4	**Electronics**								
	A Government companies	1	660.76	17.50	1	564.76	20.00	0.03:1	728.26
	B Subsidiary companies	1	50.00	-	-	-	-	-	(1.52)
5	**Handloom and Handicraft**								
	A Government companies	1	263.82	122.50	1	258.00	122.50	0.46:1	386.32 (0.80)
	B Subsidiary companies	-	-	-	-	-	-	-	
6	**Forest**								
	A Government companies	1	40.46	-	1	60.46	-	-	40.46
	B Subsidiary companies	-	-	-	-	-	-	-	(0.08)
7	**Mining**								
	A Government companies	-	-	-	-	-	-	-	
	B Subsidiary companies	1	24.04	-	1	24.04	-	-	24.04 (0.05)
8	**Construction**								
	A Government companies	1	1875.00	1774.21	1	1405.00	1140.00	0.95:1	3649.21 (7.60)
	B Subsidiary companies	-	-	-	-	-	-	-	
9	**Economically Weaker Sections**								
	A Government companies	3	3673.69	897.07	3	3155.08	1072.91	0.24:1	4570.76 (9.52)

(Figures in bracket indicate percentage)

Sl.	Department/type of Public Sector Undertakings	As at the end of 1996-97			1995-96			Debt equity ratio in 1996-97	Total investment as on 31 March 1997
		Number	Equity	Loan	Number	Equity	Loan		
		(Rupees in lakh)							
B	Subsidiary companies	-	-	-	-	-	-	-	
10	Tourism								
A	Government companies	1	1140.45	-	1	1087.84		-	-	1503.36
B	Subsidiary companies	1	362.91	-	1	362.91		-	-	(3.13)
	Total (1 to 10)	23	17801.91	30228.79	22	16312.75	22139.79	-	48030.70
	(Figures in bracket indicate percentage)								

Analysis of investments

(a) Increase in investment in Agriculture sector was mainly due to conversion of the amount payable to Command Area Development Authority into loan in respect of Haryana State Minor Irrigation and Tubewells Corporation Limited.

(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 1996-97.

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 1996-97 and outstanding as on 31 March 1997 are shown in the table below (See Annexure-4 also).

GUARANTEES GIVEN BY STATE GOVERNMENT

Sl. No.	Guarantees	Amount guaranteed during 1994-95	1995-96	1996-97	Total amount guarnteed as on 31March 1997	Guaranteed amount outstanding as on 31 March 1997
		(Rupees in crore)				
1	Cash credit from State Bank of India and other Nationalised Banks	Nil	24.00	Nil	19.00	11.58
2	Loans from other sources	54.98	57.58	77.84	366.69	167.50
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	54.98	81.58	77.84	385.69	179.08

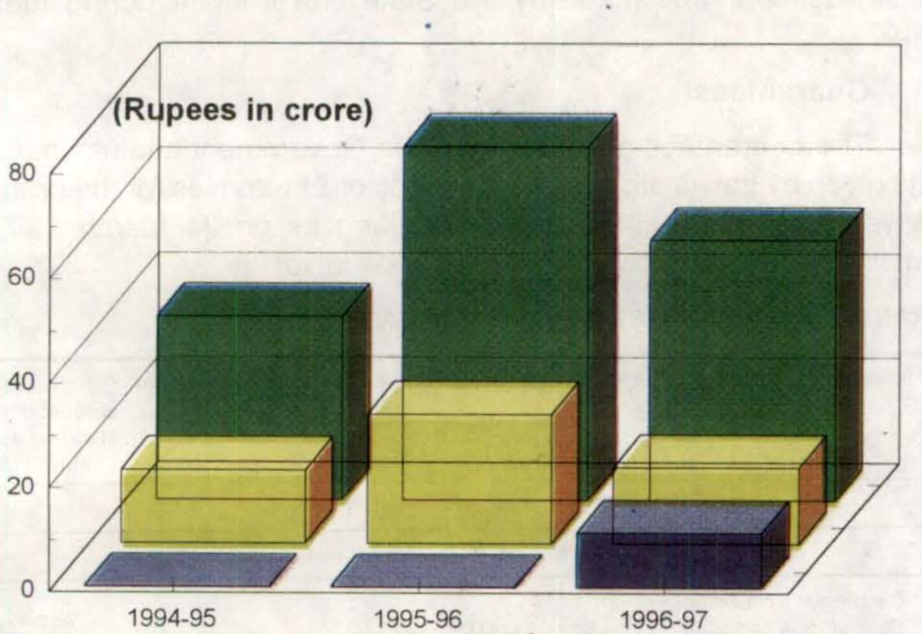
The guarantee was for repayment of both loan and interest. No guarantee commission has been paid during the year.

Budgetary outgo and waiver of dues

(i) The outgo from the State Government during the years 1994-95 to 1996-97 in the form of equity capital, loans and subsidy is as detailed below:

Sl.No.	Particulars	1994-95	1995-96	1996-97
		(Rupees in crore)		
1	Equity capital outgo from Budget	14.26 (10)	24.92 (9)	14.78 (9)
2	Loans given out from Budget	0.05 (1)	0.05 (1)	10.55 (3)
3	Subsidy	35.17 (4)	67.72 (7)	49.80 (9)
	Total outgo	**49.48**	**92.69**	**75.13**

(Figures in bracket indicate number of companies)



Budgetary outgo and waiver of dues

(ii) In the last three years, the amount 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	1994-95	1995-96	1996-97
		(Rupees in crore)		
1	Loans repayments written off	0.20	Nil	Nil
2	Interest waived	Nil	2.27	Nil
3	Penal interest waived	Nil	0.29	Nil
4	Repayment of loans on which moratorium allowed	Nil	Nil	Nil
5	Others	Nil	Nil	Nil
	Total	**0.20**	**2.56**	**Nil**

1.2.4 Finalisation of accounts

Accountability of Government companies to the Legislature is to be achieved through the submission of audited annual accounts to the legislature within the time schedule prescribed in the Companies Act, 1956. Of the 23 Government companies, the accounts of 18 companies in which the State Government/ Government companies had invested Rs.255.37 crore up to 31 March 1997 were in arrears for periods ranging from one year to six years as indicated in Annexure 5 (as on 30 September 1997).

The administrative departments have to oversee and ensure that the accounts are finalised by the companies and adopted at their annual general meeting within the time schedule. Though the concerned administrative departments of the Government were apprised by Audit of the position of the 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 investments made by these companies remained outside the purview of audit and their accountability could not be ensured.

In respect of Haryana Police Housing Corporation Limited which finalised its accounts up to 1995-96, excess of expenditure over income was capitalised. Hartron Informatics Limited incorporated in March 1995 is yet to finalise its first account (September 1997).

According to latest finalised accounts of the remaining 21 of the 23 companies, 11 companies had incurred losses of Rs 17.40 crore and the remaining 10 companies earned profit of Rs 14.92 crore as indicated in the table below:

Sl. No.	Number of companies	Year up to which accounts were finalised	Profit		Loss	
			Number of companies	Amount	Number of companies	Amount
			(Amount in crore of rupees)			
1	5	1996-97	4	9.40	1	0.06
2	6	1995-96	3	4.29	3	10.21
3	2	1994-95	1	0.79	1	—*
4	4	1993-94	1	0.09	3	0.75
5	2	1992-93	1	0.35	1	0.11
6	2	1990-91	–		2	6.27
Total	21		10	14.92	11	17.40

1.2.5 Working results

1.2.5.1 Profit making companies

During the year, 8 companies which finalised accounts for 1996-97 or for previous years, earned profit of Rs 12.97 crore. These companies earned profit for two successive years or more and 2 companies declared dividend. Free reserves and surpluses amounting to Rs 6 crore were built up in 6 companies.

1.2.5.2 Profit and dividend

Out of 5 companies which finalised their accounts for 1996-97 by September 1997, 4 companies earned profit of Rs 9.40 crore on total share capital of Rs 68.23 crore and one Company showed a loss of Rs 0.06 crore on its share capital of Rs 1.35 crore. Of these profit making companies, 2 companies declared dividend amounting to Rs 1.33 crore as detailed below:

Name of Company	Profit earned	Dividend declared	
	(Rupees in crore)	*Per cent*	Amount (Rupees in crore)
Haryana State Industrial Development Corporation Limited	7.90 (58.36)	2.14	1.25
Haryana Land Reclamation and Development Corporation Limited	0.42 (1.56)	5.13	0.08

(Figures in bracket indicate share capital)

* Rs. 2000 only hence omitted from the table.

The dividend as percentage of share capital (Rs 59.92 crore) in the profit making companies worked out to 2.22. The other two profit making companies did not declare any dividend on the profit of Rs 1.08 crore earned during 1996-97. On the total equity capital contributed by the State Government, the return worked out to 0.81 *per cent* in 1996-97 compared to 0.73 *per cent* in 1995-96.

1.2.5.3 Loss making companies

According to the latest available accounts, 6 companies (Sr. No. 1 to 6) had eroded their paid-up capital as the accumulated losses amounting to Rs 70.81 crore of these companies had far exceeded the paid-up capital of Rs 27.34 crore as shown below:

Sl. No.	Name of company	Accumulated loss	Suffering loss mainly due to	Paid- up capital	Percentage of capital eroded
			(Rupees in lakh)		
1	Haryana State Minor Irrigation and Tubewells Corporation Limited	3993.80	High incidence of administrative expenses	1089.10	366.71
2	Haryana Matches Limited	12.50	Operation suspended	12.50	100.00
3	Haryana Concast Limited	1379.75	High incidence of administrative expenses	685.50	201.28
4	Haryana State Handloom and Handicrafts Corporation Limited	260.15	-do-	254.00	102.42
5	Haryana Dairy Development Corporation Limited	717.62	Operation suspended	557.48	128.72
6	Haryana Tanneries Limited	716.95	Operation suspended	135.15	530.48
	Total (1 to 6)	**7080.77**		**2733.73**	
7	Haryana Harijan Kalyan Nigam Limited	683.47	High incidence of administrative expenses	1741.27	39.25
8	Haryana Backward Classes Kalyan Nigam Limited	169.45	-do-	499.99	33.89

Of the 11 loss making companies as shown in Paragraph 1.2.4 supra, 6 companies (Sr. No. 1 to 4, 7 and 8 above) suffered loss for 3 to 11 consecutive years. Inspite of the poor performance leading to complete erosion of paid-up capital in 6 companies as shown above, 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 1996-97 to four loss making companies

(Sr. No. 1, 4, 7 and 8) amounted to Rs 55.35 crore.

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 1996 to September 1997, accounts of 16 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 crore)
Decrease in profit	1	0.03

The financial results of all the 23 companies based on the latest available accounts are given in Annexure-3.

1.2.5.5 Return on capital employed

Capital employed has been taken as net fixed assets (including 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 1996-97 the total capital employed worked out to Rs 223.53 crore in four companies and the return thereon amounted to Rs 30.90 crore which is 13.82 *per cent* as compared to return of Rs 37.10 crore (15.64 *per cent*) in 1995-96.

Sector-wise details of the return on capital employed as per latest available accounts in the 21 Companies during 1996-97 were as under:

Sl. No.	Sector	Number of companies	Capital employed	Return on capital employed	Percentage of return on capital employed
			(Rupees in crore)		
1	Agriculture	5	242.90 (242.61)	22.11 (25.18)	9.10 (10.38)
2	Industries	6	228.29 (190.13)	29.41 (19.01)	12.88 (10.00)
3	Engineering	1	30.64 (24.24)	3.55 (2.87)	11.59 (11.84)
4	Electronics	1	6.92 (6.02)	0.52 (2.42)	7.51 (40.20)
5	Handloom and Handicrafts	1	1.40 (1.40)	(-)0.15 (-0.16)	- (-)

Sl. No.	Sector	Number of companies	Capital employed	Return on capital employed	Percentage of return on capital employed
			(Rupees in crore)		
6	Forest	1	0.26 (0.19)	0.09 (-0.01)	34.62 (-)
7	Mining	1	2.81 (2.81)	0.79 (0.79)	28.11 (28.11)
8	Economically weaker section	3	19.68 (10.20)	(-)0.17 (-0.39)	— (-)
9	Tourism	2	19.81 (17.28)	3.12 (1.97)	15.75 (11.40)
	Total (1 to 9)	**21**	**552.71** **(494.88)**	**59.25** **(51.68)**	**10.72** **(10.44)**

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 unit 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	Laser Lamps Limited	250000 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 5 companies for the years 1992-93 to 1996-97 were received during the year. The important points noticed in

1. Figures for previous year in brackets.
2. Previous year figures have also been changed due to adoption of formula for capital employed as net fixed assets (including capital works-in-progress) *plus* working capital.

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	Non-conducting of internal audit, system analysis audit and inadequacy of internal control and internal audit	4	7,11,17,19
2	Non-fixation of norms for consumption of raw materials and energy	3	8,11,17
3	Absence of system for procurement, awarding of construction contracts and disposal procedure	1	11
4	Non-fixation of maximum and minimum limits of stores, spares etc.	4	7,8,11,17
5	Absence of system for analysis of idle hours in respect of high value machines	2	11,17
6	Non-reconciliation of fixed assets register with financial books	2	17,19

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 16 companies were selected for such review during the period from October 1996 to September 1997.

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 Police Housing Corporation Limited (accounts for the year 1995-96)

(i) Earnest money and contractors security have been understated by Rs 48.13 lakh due to deduction of advances given to the contractors, which should have been shown under Current Assets, Loans and Advances. This has resulted in understatement of Current Liabilities and Current Assets, Loans and Advances, to that extent.

(ii) Stocks have been overstated by Rs 5.23 lakh on account of charging the subsequent increase in rates on the stock consumed in previous years to the existing closing stock instead of charging it to relevant works-in-progress. Accordingly, works-in-progress has been understated to that extent.

(b) Haryana Forest Development Corporation Limited (Accounts for the year 1993-94)

The profit for the year 1993-94 has been overstated by

Rs 2.55 lakh on account of non-provision of income tax for the year. This has also resulted in understatement of Current Liabilities and Provisions to that extent.

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-6. The installed capacity is often uprated or downrated 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 utilisation as per existing rated capacity 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 0.96 crore in 4 companies. Though the Government has invested Rs 10 lakh 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 — General aspects

1.3.1 There were three Statutory corporations in the State as on 31 March 1997. Audit arrangements 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	1995-96	1995-96	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 Govt. in consultation with CAG	1995-96	1994-95	Section 37 (6) of the State Financial Corporations Act, 1951
Haryana Warehousing Corporation	Warehousing Corporations Act, 1962	1 November 1967	-do-	1996-97	1995-96	Section 31(1) of Warehousing Corporations Act, 1962

1.3.2 Investment

The total investment in these corporations as on 31 March 1997 was Rs 4090.19 crore (Equity : Rs 1527.12 crore, long-term loans: Rs 2563.07 crore) as against these Statutory corporations with total investment of Rs 3987.54 crore as on 31 March 1996 (Equity: Rs 1217.12 crore, long-term loans: Rs 2770.42 crore).

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 1996-97
		1996-97		1995-96		
		Equity	Loan	Equity	Loan	
		(Rupees in crore)				
1	**Irrigation**					
	Haryana State Electricity Board	1500.00 (1500.00)	1907.34 (739.19)	1190.00 (1190.00)	2212.10 (1163.14)	1.27:1
2	**Industries**					
	Haryana Financial Corporation	21.28 (12.74)	654.67 (7.13)	21.28 (12.74)	556.67 (7.13)	30.76:1
3	**Agriculture**					
	Haryana Warehousing Corporation	5.84 (2.92)	1.06 (Nil)	5.84 (2.92)	1.65 (Nil)	0.81:1
	Total	**1527.12 (1515.66)**	**2563.07 (746.32)**	**1217.12 (1205.66)**	**2770.42 (1170.27)**	

(Figures in bracket 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 1996-97 and outstanding as on 31 March 1997 are shown in the table below:

Guarantees given by state government

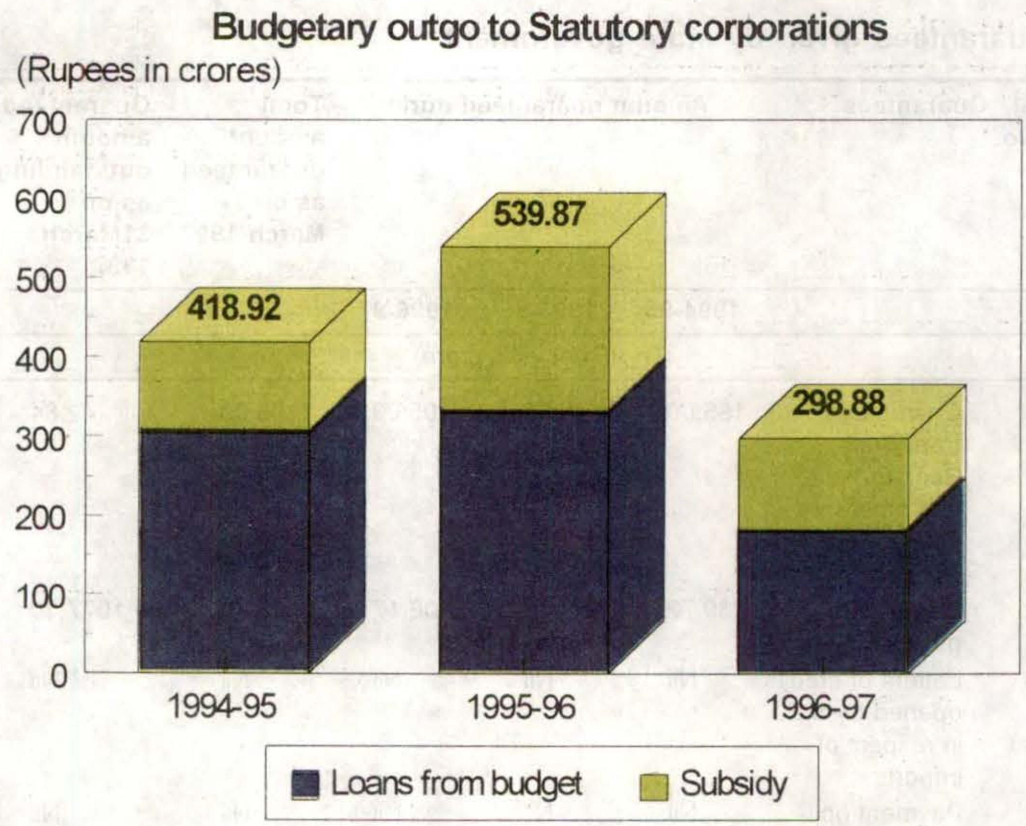
Sl. No.	Guarantees	Amount guaranteed during			Total amount guaranteed as on 31 March 1997	Guaranteed amount outstanding as on 31March 1997
		1994-95	1995-96	1996-97		
		(Rupees in crore)				
1	Cash credit from State Bank of India and other nationalised banks	165.00	45.00	105.00	105.00	42.84
2	Loans from other sources	239.72	183.00	406.17	2185.49	1077.30
3	Letters of credits opened by S.B.I. in respect of imports	Nil	Nil	Nil	Nil	Nil
4	Payment obligation under agreement with foreign consultants or contracts	Nil	Nil	Nil	Nil	Nil
	Total	**404.72**	**228.00**	**511.17**	**2290.49**	**1120.14**

The guarantee was for both the principal and the interest. Guarantee commission of Rs 1.27 crore had been paid during the year by Haryana Warehousing Corporation.

Budgetary outgo and waiver of dues

The outgo from the State Government to three corporations during the years 1994-95 to 1996-97 in the form of equity capital, loans and subsidy is as detailed below:

Sl. No.	Particulars	1994-95	1995-96	1996-97
		(Rupees in crore)		
1	Equity capital outgo from Budget	Nil	Nil	Nil
2	Loans given out from Budget	303.81	329.78	180.52
3	Subsidy	115.11	210.09	118.36
	Total outgo	**418.92**	**539.87**	**298.88**



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 92.32 crore 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 crore)	
1	Haryana State Electricity Board	1995-96	78.21	-
2	Haryana Financial Corporation	1995-96	5.13	-
3	Haryana Warehousing Corporation	1996-97	8.98	-
	Total		**92.32**	-

Out of three corporations, Haryana State Electricity Board submitted its accounts for the year 1996-97 in August 1997 for audit and the same were under finalisation (September 1997); one corporation had not submitted its accounts for the year 1996-97 (September 1997).

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		
		1994-95	1995-96	1996-97
		(Rupees in crore)		
1	Haryana State Electricity Board	115.08	648.35	632.45
2	Haryana Financial Corporation	Nil	Nil	9.21
3	Haryana Warehousing Corporation	0.04	0.04	Nil
	Total	**115.12**	**648.39**	**641.66**

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-7. 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 1500 crore were converted into capital of the Board under Sections 12(A) and 66(A) of the Electricity (Supply) Act, 1948 (Rs 390 crore during the year 1988-89, Rs 800 crore during 1992-93 and Rs 310 crore during 1996-97).

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 1997 were as follows :

Source	Amount outstanding as on 31 March		Percentage increase(+) decrease(-)
	1996	1997 (Provisional)	
	(Rupees in crore)		
State Government	1163.14	739.19	(-)36.45
Other sources			
Loans from Life Insurance Corporation of India	171.81	153.59	(-)10.60
Loans from Rural Electrification Corporation Limited	151.55	141.83	(-)6.41
Bonds and other loans	725.60	872.73	(+)20.28
Total	**2212.10**	**1907.34**	**(-)13.78**

1.4.2 The table below summarises the financial position and working results as per accounts of the Board at the end of each of the three years up to 1996-97 :

Sl. No.	Source	1994-95	1995-96	1996-97 (Provisional)
			(Rupees in crore)	
A	**Liabilities**			
1	Capital	1190.00	1190.00	1500.00
2	Long-term loans:			
	From Government	837.41	1163.14	739.19
	Others	903.91	968.44	1029.71
	Deposits from public institutions	68.46	80.52	138.44
3	Other loans including consumers' contribution	246.73	259.92	283.71
4	Reserves and reserve funds	190.62	227.46	265.29
5	Current liabilities	1222.22	1218.40	1275.36
	Total	**4659.35**	**5107.88**	**5231.70**
B	**Assets**			
1	Gross fixed assets	2445.54	2409.06	2511.03
	Less: Depreciation	678.40	779.66	922.86
2	Net fixed assets	1767.14	1629.40	1588.17
3	Capital works-in-progress	311.58	368.33	448.33
4	Current assets	827.02	1434.75	1400.57
5	Accumulated deficit	1753.61	1675.40	1794.63
	Total	**4659.35**	**5107.88**	**5231.70**
C	**Capital employed***	**1683.52**	**2214.08**	**2161.71**

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

1.4.3 Working results

Sl. No.	Particulars	1994-95	1995-96	1996-97 (Provisional)
			(Rupees in crore)	
1	(a) Revenue receipts	994.62	1294.56	1538.19
	(b) Subsidy from the State Government	115.08	614.79	443.58
	Total	**1109.70**	**1909.35**	**1981.77**
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	1148.64	1500.41	1706.54
3	Gross surplus /(-) deficit for the year (1-2)	(-)38.94	(+)408.94	(+)275.23
4	Adjustments relating to previous years	(+)349.35	(+)14.76	(-)18.96
5	Final gross surplus/(-)deficit for the year (3+4)	(+)310.41	(+)423.70	(+)256.27
6	**Appropriations :**			
	(a) Depreciation (less capitalised)	143.40	147.77	146.42
	(b) Interest on Government loans	45.68	71.67	85.36
	(c) Interest on other loans,bonds,advances etc.	134.27	158.31	187.18
	(d) Total interest on loans (b+c)	179.95	229.98	272.54
	(e) Less interest capitalised	29.10	32.26	43.46
	(f) Net interest charged to revenue (d-e)	150.85	197.72	229.08
7	Surplus/deficit before accounting for subsidy from State Government (5-6(a)-6(f)-1(b))	(-)98.92	(-)536.58	(-)562.81
8	Net surplus/(-)deficit (5-6(a)-6(f))	16.16	78.21	(-)119.23
9	Total return on Capital employed*	167.01	275.93	109.85
10	Percentage of return on Capital employed	9.9	12.5	5.1

(ii) Audit assessment of the working results of the Board.

The accounts of the Board for the year 1996-97 received in August 1997 were under audit (September 1997). As per audited accounts for the year 1995-96, the Board earned a net surplus of Rs 78.21 crore as compared to surplus of Rs 16.16 crore during the previous year 1994-95. The deficit of the Board before accounting for the subsidy from the State Government increased by 442 *per cent* during the year 1995-96 as compared to the year 1994-95.

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

The main reasons for the deficit were as under:

- increase in repair and maintenance expenses by 35.48 *per cent* during 1995-96 over 1994-95 ;
- increase in administration and general expenses by 31 *per cent* during 1995-96 over 1994-95 ;
- increase in the interest cost by 21.79 *per cent* in 1995-96 over the year 1994-95 ;
- increase in cost of generation of power by 20.13 *per cent* during 1995-96 over 1994-95 ; and
- increase in transmission and distribution losses by 10 *per cent* in 1995-96 over the year 1994-95.

The accumulated deficit at the end of 1995-96 amounted to Rs 1675.40 crore which had been arrived at after taking credit of Rs 423.30 crore on account of subsidy/subventions receivable from the State Government. Of the above subsidy/subventions, Rs 191.50 crore had been adjusted during the year 1996-97 leaving a balance of Rs 231.80 crore yet to be recovered/adjusted.

According to Section 59 of the Electricity (Supply) Act, 1948, as amended, the Board, after taking credit of subvention from the State Government under Section 63, is required to carry on its operations and adjust its tariff so as to ensure that total revenue in any year of account shall after meeting all the expenses properly, leave such surplus which is not less than three *per cent* or any higher percentage fixed by the State Government of the value of fixed assets of the Board in service at the beginning of the year. Based on this, the Board was required to achieve a minimum surplus of Rs 52.19 crore (three percent of the value of fixed assets in its service at the beginning of the year) for the year 1995-96. As against this there was a net surplus of Rs 78.21 crore including Rs 25.08 crore being profit on sale of fixed assets.

The following major irregularities and omissions were pointed out in the Separate Audit Report on the annual accounts of the Board for the year 1995-96.

Sl.No.	Irregularities/Omission	Amount
		(Rupees in crore)
1	Non-provision of pensionary charges claimed by PSEB & HPSEB	4.89
2	Non-adjustment of pensionary charges classified under "Sundry Recoverable"	3.13
3	Over capitalisation of interest charges	2.97
4	Non-provisional of penal interest on overdue loans of Central Electricity Authority and Haryana Urban Development Authority	2.22
5	Non-provision of demurrage levied by Railway for delayed unloading of coal wagons at Faridabad	1.24
6	Non provision of interest and other adjustments	0.74
	Total	**15.19**

As a result of the above irregularities/omissions the surplus of the Board will further decrease by Rs 15.19 crore.

Based on the Audit assessment of the working results of the Board for three years upto 1995-96 and after taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports on the annual accounts of the Board and by not taking into account of the subsidies/subventions receivable from the State Government, the net surplus/ deficit and the percentage of return on capital employed of the Board will be as under:

Sl. No.	Particulars	1994-95	1995-96	1996-97
			(Rupees in Crore)	
1	Net surplus/(-)deficit as per books of accounts	(-)410.90	(+)16.16	(+)78.21
2	Subsidy from the State Government	71.78	115.08	614.79
3	Net surplus/(-)deficit before subsidy from the State Government (1-2)	(-)482.68	(-)98.92	(-)536.58
4	Net increase/ decrease in Net surplus/(-) deficit on account of audit comments on the annual accounts of the Board	(-)12.84	(-)12.96	(-)15.19
5	Net surplus/(-)deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)495.52	(-)111.88	(-)551.77
6	Total return on Capital employed*	(-)358.54	(+)38.97	(-)354.05
7	Percentage of return on Capital employed	Nil	1.8	Nil

1.4.4 The table below indicates the physical performance of the Board during each of the three years up to 1996-97:

Sl. No.	Particulars	1994-95	1995-96	1996-97 (Provisional)
1	Installed capacity		**(MW)**	
	-Thermal	1255.5	1255.5	1255.5
	-Hydel	1116.8	1063.6	1063.6
	-Nuclear	28.1	28.1	28.1
	Total	**2400.4**	**2347.2**	**2347.2**
2	Power generated		**(MKWH)**	
	-Thermal	3434	3342	3641
	-Hydel	3732	3675	3836
	Total	**7166**	**7017**	**7477**
3	Auxiliary consumption (Net)	377	391	456

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

Sl. No.	Particulars	1994-95	1995-96	1996-97 (Provisional)
4	Net power generated (2-3)	6789	6626	7021
5	Power purchased/procured from other sources	4683	6112	6260
6	Total power available for sale (4+5)	11472	12738	13281
			(MW)	
7	Normal maximum demand	1947	1973	2090
			(MKWH)	
8	Power sold including power supplied free to own works	8202	8745	9103
9	Transmission and distribution losses to total power available for sale (6-8)	3270	3993	4178
10	Load factor		***(Per cent)***	
	(a) for Panipat Thermal Plant	42.29	39.70	48.36
	(b) for Faridabad Thermal Plant	54.17	55.15	44.92
11	Percentage of transmission and distribution losses to total power available for sale	28.5	31.4	31.5
			(KWH)	
12	Number of units generated per KW of installed capacity	2985	2989	3186
			(Number)	
13	Villages/towns electrified	7154	7154	7154
14	Pump sets/wells			
	-Energised	377479	380175	366540
	-Awaiting energisation	71430	72202	74736
15	Sub-stations (33 KV & above)	383	394	385
16	Transmission/distribution lines		(Kilometres)	
	(a) High/medium voltage	61489	62000	62652
	(b) Low voltage	101892	102639	103215
			(MW)	
17	(a) Connected load	5894	6193	6625
			(KW)	
	(b) Load awaiting energisation	690200	729421	793320
			(Number)	
18	Consumers	3067838	3171050	3285237
19	Employees	54235	54104	54228
			(Rupees in lakh)	
20	Total expenditure on staff	25030.02	28928.78	33208.79
			(Per cent)	
21	Percentage of expenditure on staff to total revenue expenditure	21.79	19.28	19.46

Sl. No.	Particulars	1994-95	1995-96	1996-97 (Provisional)
22	Break-up of sale of energy according to category of consumers		(MKWH)	
	(a) Agricultural	3653.415	3904.326	4084.128
	(b) Industrial	1884.892	2017.013	1947.235
	(c) Commercial	245.691	257.725	288.154
	(d) Domestic	1550.253	1637.231	1794.144
	(e) Others*	868.248	928.294	989.607
	Total	**8202.499**	**8744.589**	**9103.268**
			(figures in paise)	
23	(a) Revenue per KWH**	121.25	148.03	NA
	(b) Expenditure per KWH***	175.90	211.08	NA
	(c) Loss per KWH	54.65	63.85	NA

1.5 Haryana Financial Corporation

The financial position and working results of the Corporation are shown in para 3A.5 of this Report.

1.6 Haryana Warehousing Corporation

1.6.1 The paid-up capital of the Corporation, as on 31 March 1996 and also as on 31 March 1997 was Rs 5.84 crore (State Government: Rs 2.92 crore; Central Warehousing Corporation : Rs 2.92 crore).

1.6.2 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1996-97 :

Sl. No.	Particulars	1994-95	1995-96	1996-97
			(Rupees in crore)	
A.	**Liabilities**			
1	Paid-up capital	5.84	5.84	5.84
2	Reserves and surplus	71.86	91.50	99.89
3	Borrowings	21.22	1.65	1.06
4	Trade dues and other current liabilities	14.09	16.29	17.85
	Total	**113.01**	**115.28**	**124.64**
B	**Assets**			
1	Gross block	32.61	41.51	43.02
2	Less: depreciation	7.39	8.18	9.16
3	Net fixed assets	25.22	33.33	33.86
4	Capital works-in-progress	1.39	0.61	1.03
5	Investment	1.00	1.00	1.00
6	Current assets, loans and advances	85.40	80.34	88.75
	Total	**113.01**	**115.28**	**124.64**
C	**Capital employed******	97.92	97.99	105.79

* 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.

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

1.6.3 The following table gives details of the working results of the Corporation for each of the three years up to 1996-97:

Sl. No.	Particulars	1994-95	1995-96	1996-97
			(Rupees in crore)	
1	**Income**			
	(i) Warehousing charges	18.36	16.97	10.44
	(ii) Other receipts	12.26	16.13	9.65
	Total	30.62	33.10	20.09
2	**Expenditure**			
	(i) Establishment charges	3.94	4.54	5.19
	(ii) Interest	0.44	0.51	0.44
	(iii) Other expenses	5.28	7.83	5.48
	Total	**9.66**	**12.88**	**11.11**
3	Profit before tax	20.96	20.22	8.98
4	Previous year adjustment (Net)	(+) 0.15	-	-
5	Other appropriations (excluding profit transferred to Balance Sheet)	21.11	20.22	8.40
6	Dividend paid	0.58	0.58	0.58
7	Return on capital employed (2(ii)+3)	21.40	20.73	9.42
8	Percentage of return on capital employed	21.9	21.2	8.9

1.6.4 The following table gives details about the operational performance of the corporation during each of the three years up to 1996-97 :

Sl. No.	Particulars	1994-95	1995-96	1996-97
			(Number)	
1	Number of stations covered	105	105	103
2	Storage capacity created up to the end of the year:		(Lakh tonnes)	
	(a) Owned	7.25	7.72	7.74
	(b) Hired	4.27	3.34	2.14
	Total	**11.52**	**11.06**	**9.88**
3	Average storage capacity utilised* during the year	10.76	9.59	5.63
			(Per cent)	
4	Percentage of utilisation of average capacity	93.4	86.71	56.98
			(Rupees)	
5	Average expenses per tonne	89.78	134.30	197.34
6	Average income per tonne	284.57	345.15	356.84

* Includes that of godowns closed during the respective years.

Chapter - II

Review relating to Government Company

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

During the year 1996-97, the COPU completed discussion of all the paragraphs of Audit Report 1992-93 (3 reviews and 17 paragraphs) and 1993-94 (3 reviews and 20 paragraphs). Position of discussion of Audit Reports and reviews/paras pending in the COPU as on 31 March 1997 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
1994-95	3	17	2	17
1995-96	3	21	-	9

Report of the Comptroller and Auditor General of India for the year 1995-96 was placed before the State Legislature on 5 March 1997. Paragraphs contained in Audit Reports for the years 1994-95 and 1995-96 will be discussed during the year 1997-98.

In respect of Audit Reports (Commercial) up to 1993-94 discussed in the COPU, 267 recommendations (for Audit Reports from 1971-72 to 1993-94) were pending for final settlement as on 31 March 1997.

Section-2

Review relating to Government company

2. HARYANA CONCAST LIMITED

Highlights

- Haryana Concast Limited was incorporated in November 1973 with the object to produce, deal and sell iron and steel. Accumulated loss of the Company as on 31 March 1996 represented 201 *per cent* of the paid-up capital.

  (Paragraph 2.1)

- The Company could not adhere to the time schedule for repayment of cash credit availed from the banks as a result of which all the banks stopped extending credit to it.

  (Paragraph 2.5)

- The Company was given benefits of exemption of statutory duties and price preference. Despite this, the Company was incurring losses and its accumulated loss of Rs 13.80 crore had completely eroded its paid-up capital of Rs 6.85 crore as on 31 March 1996.

  (Paragraph 2.6)

- The Company invested Rs 4.06 crore in seven projects for modernisation for improving its financial position. Of these, only two projects (cost: Rs 1.79 crore) were in operation whereas the remaining five costing Rs 2.28 crore were lying idle and had entailed further interest burden of Rs 1.38 crore (up to July 1997).

  (Paragraph 2.6.2)

- Percentage of shortfall in capacity utilisation of the Company ranged between 38 and 78 in case of steel billets and 56 and 81 for rolled products during the five years up to 1996-97 mainly due to shortage of raw material and poor policy planning because of frequent changes in the top management.

  (Paragraph 2.7)

- **The defective production of billets exceeding the norms worked out to Rs 1.47 crore.**

  (Paragraph 2.7.1)

- **Excess consumption of various inputs in comparison to standards had entailed extra expenditure of Rs 2.63 crore to the Company during the five years up to 1995-96.**

  (Paragraph 2.7.3)

- **Extending credit through a relative of a broker of the Company to two firms without ensuring their genuineness/ confirmation from the broker had rendered recovery of Rs 0.15 crore doubtful.**

  (Paragraphs 2.8 (b) (i))

- **Failure in presentation of cheques and by not initiating timely action against a firm to recover dues rendered recovery of Rs 0.37 crore doubtful.**

  (Paragraph 2.8 (b)(iii))

- **Deployment of manpower in excess of the norms had resulted in extra expenditure of Rs 2.52 crore during the five years up to 1995-96.**

  (Paragraph 2.10)

2.1 Introduction

Haryana Concast Limited was incorporated in November 1973, in joint sector, by Haryana State Industrial Development Corporation Limited (HSIDC) in collaboration with a private company of Bhavnagar with the main object to produce, deal, sell iron and steel in all forms. The Company became a subsidiary of HSIDC in September 1977. As the Company had been incurring losses and its accumulated loss had exceeded (201 *per cent*) its paid-up capital, it approached (September 1995) Board for Industrial and Financial Reconstruction (BIFR) for rehabilitation. The BIFR declared (October 1995) the Company to be a sick industrial Company.

2.2 Objects

The main objects of the Company are:

- to carry on business as manufacturers, producers of and dealers in billets, ingots, blooms, squares, slabs, sheets and to manufacture and produce all kinds of products, articles and things therefrom;
- to manufacture, produce, prepare, sell, purchase and deal in all kinds of iron and steel and particularly sponge iron, pig iron, stainless steel, alloy steel, special steels and all products, articles and things therefrom;
- to carry on business as manufacturers of and dealers in ferrous and non-ferrous castings of all kinds; and
- to conduct and carry on business of rolling, re-rolling, casting, etc., of all kinds of metals and alloys.

2.3 Organisational set-up

The affairs of the Company are managed by a Board of Directors (Board) headed by a Chairman. According to its Articles of Association, the Company is to have not less than 3 and not more than 13 Directors. As on 31 March 1997, the Board comprised 6 Directors including 3 nominee Directors, one each from HSIDC, BIFR and Haryana State Electricity Board. All the Directors except nominee of BIFR are appointed by the State Government. The Managing Director (MD) functions as Chief Executive of the Company and is assisted by two General Managers in his day-to-day work.

During 20 years from September 1977 to March 1997, 12 incumbents held the post of the MD and the terms of their charge ranged between 12 days and 58 months. Since November 1994 there is no regular MD appointed by the Government as this post is held by the incumbents in addition to other regular charge held by them. The Punjab National Bank (PNB), appointed as operating agency by BIFR, had also observed (July 1996) that frequent changes in appointment of MDs had led to poor policy formulations, planning and development of the Company. Thus, frequent changes in the appointment of MDs have adversely affected the performance of the Company.

2.4 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. Recommendations of the Committee on Public Undertakings (COPU) on the review are contained in their 36th Report presented to the State Legislature in March 1994. The recommendations of COPU, wherever not implemented, have been discussed in the succeeding paragraphs.

The present review, conducted between October 1996 and February 1997, covers the appraisal of activities carried out by the Company during 1992-93 to 1996-97.

2.5 Finance and resources

The authorised capital of the Company was Rs 8 crore consisting of 0.50 lakh 11 *per cent* redeemable preference shares of Rs 100 each and 75 lakh equity shares of Rs 10 each. As on 31 March 1997, the paid-up capital of the Company stood at Rs 6.85 crore (equity: Rs 6.63 crore and preference: Rs 0.22 crore) subscribed by the Government (Rs 2.90 crore), HSIDC (Rs 3.40 crore) and others (Rs 0.55 crore).

The Company had been borrowing funds from Financial Institutions (FIs) and banks. Long-term loans outstanding as on 31 March 1997 amounted to Rs 5.40 crore. For working capital requirements, the Company had made cash credit arrangements with three banks up to the limit of Rs 4.95 crore against which amount outstanding (including interest) as on 31 March 1997 was Rs 17.77 crore. All the three banks stopped, one after the other, extending credit facilities to the Company due to its default in payment with effect from September 1992, January 1993 and January 1995 and as such the cash credit accounts became non-operative. It was noticed that up to September 1995 the banks had levied penal interest amounting to Rs 28.36 lakh on the Company due to its default in making the payments. The amount of penal interest levied by the banks, if any, after September 1995 was not intimated by the Company.

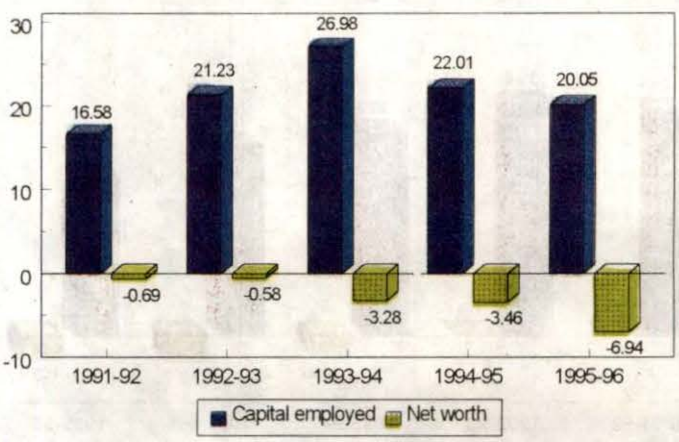
2.6 Financial position and working results

The table given below summarises the financial position of the

Company as at the end of each of the five years up to 1995-96:

	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
		(Rupees in crore)				
A	**Liabilities**					
	Paid-up capital	3.11	3.11	3.28	6.85	6.85
	Reserves and surplus*	6.04	5.56	12.70	12.32	11.79
	Borrowings (excluding interest accrued and due)	11.29	16.31	17.62	13.22	14.93
	Current liabilities and provisions	8.74	6.57	6.15	10.78	12.02**
	TOTAL	**29.18**	**31.55**	**39.75**	**43.17**	**45.59**
B	**Assets**					
	Gross block#	11.89	12.07	22.08	22.43	22.48
	Less: depreciation	3.59	4.15	4.63	5.35	6.20
	Net block	8.30	7.92	17.45	17.08	16.28
	Capital works-in-progress	0.13	1.76	0.30	0.27	0.48
	Current assets, loans and advances	16.89	18.12	15.38	15.44	15.03
	Accumulated loss	3.86	3.75	6.63	10.38	13.80
	Total	**29.18**	**31.55**	**39.76**	**43.17**	**45.59**
	Capital employed***	**16.58**	**21.23**	**26.98**	**22.01**	**20.05**
	Net worth****	**(-) 0.69**	**(-) 0.58**	**(-)3.28**	**(-)3.46**	**(-)6.94**

Capital employed & Net worth
(Figures in crore of rupees)



* Includes revaluation reserve of Rs 5.88 crore, Rs 5.40 crore, Rs 12.53 crore. Rs 12.15 crore and Rs 11.68 crore during five years up to 1995-96, respectively and capital reserve of Rs 0.10 crore in all the years.

** Includes Rs 0.28 crore representing provision for gratuity.

\# Gross block includes revalued assets, depreciation on which is credited to profit and loss account and debited to re-valuation reserve in all the years.

*** Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital (current assets, loans and advances less current liabilities and provisions except provision for gratuity).

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

Accumulated loss (Rs 13.80 crore) as on March 1996 had completely eroded Company's paid-up capital (Rs 6.85 crore) rendering the intrinsic value of its share negative.

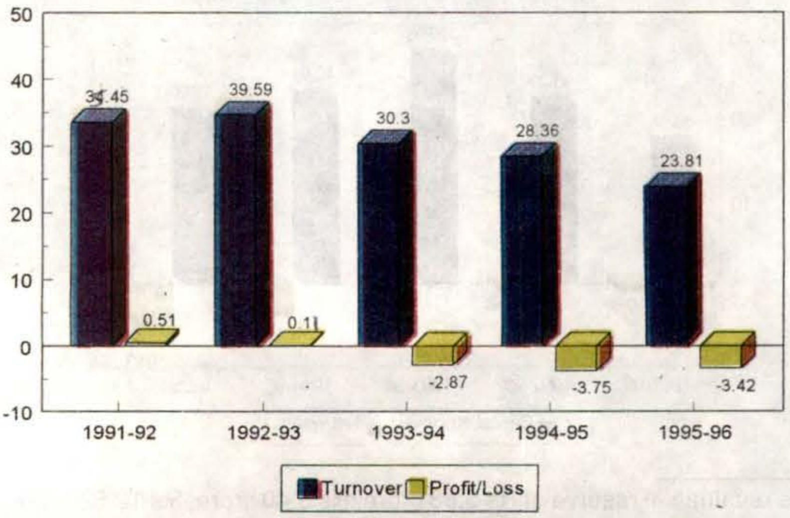
Despite various benefits given by the State Government, Banks and financial institutions, the accumulated loss of Rs 13.80 crore up to 1995-96 had eroded its paid-up capital of Rs 6.85 crore

The working results of the Company for each of the five years up to 1995-96 are tabulated below:

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
		(Rupees in crore)				
1	**Income**					
	Sales	35.45	39.59	30.30	28.36	23.81
	Other income	1.00	2.94	1.34	0.81	1.29
	Total-1	**36.45**	**42.53**	**31.64**	**29.17**	**25.10**
2	**Expenditure**	**35.94**	**42.42**	**34.51**	**32.92**	**28.52**
	Profit(+)/loss(-)	**(+)0.51**	**(+)0.11**	**(-)2.87**	**(-)3.75**	**(-) 3.42**

Profit/loss vis-a-vis turnover

(Figures in crore of rupees)



Profit of Rs 0.11 crore during 1992-93 is to be viewed in the light of waiver of interest by FIs to the extent of Rs 1.92 crore. Loss during the years 1993-94 and onwards was mainly due to heavy interest burden owing to inability of the Company to repay the loans. The Company had incurred heavy losses despite grant of various benefits viz. exemption from sales tax, price preference of 5 *per cent* (10 *per cent* up to February 1992) in sales to Government departments/agencies, conversion of electricity duty (Rs 2.40 crore) relating to the period November 1980 to March 1987 into share capital, deferment of payment of the electricity duty (Rs 1.04 crore relating to the period April 1987 to November 1990) and exemption from payment of electricity duty with effect from December 1990. The reduction in Company's production vis-a-vis its sales during 1993-94 to 1995-96 was due to shortage of funds/raw material and under-utilisation of capacity. In its report submitted to BIFR in July 1996, PNB had attributed the losses to the following :

- under-utilisation of capacity due to poor policy formation, planning and development on account of frequent changes of MDs of the Company;
- poor technological upgradation resulting in loss of sizable market share of value added products; and
- strained labour relations resulting in poor quality production by the workmen.

As seen in audit, the following factors were also responsible for continuous losses:

- excess consumption of major inputs (see paragraph 2.7.3);
- incidence of interest on investment on additional facilities created which had remained idle (see paragraph 2.6.2);
- deployment of excess manpower (see paragraph 2.10); and
- ineffective credit control leading to accumulation of recoverables and write off of debtors (see paragraph 2.8).

2.6.1 Rehabilitation scheme

Three Financial Institutions and a Bank granted (July 1992 to November 1992) relief of Rs 1.92 crore to the Company by accepting Rs 2.27 crore against their dues of Rs 4.19 crore, in order to enable the Company to overcome its financial problems.

Further, as its accumulated loss (Rs 6.63 crore) up to 1993-94 had far exceeded its paid-up capital of Rs 3.28 crore, the Company approached (September 1995) BIFR for rehabilitation. BIFR declared (October 1995) the Company to be a sick Industrial Company and appointed (October 1995) PNB, as operating agency for preparation of rehabilitation plan. The PNB submitted its report in July 1996.

Further progress could not be made in the matter as BIFR declined (July 1996) to hold further hearings until stay order obtained from Punjab and Haryana High Court by a bidder (who had deposited Rs 7.57 crore during October 1994 to January 1995 for purchase of shareholdings of the Company) against cancellation of the bid was vacated/varied. Further developments were awaited (July 1997).

2.6.2 Modernisation schemes

The Company had been manufacturing steel billets by operating two arc furnaces and getting the billets re-rolled from outside re-rolling mills. However, re-rolling of billets from outside re-rolling mills involved payment of freight and also there was risk of the Company's good quality billets being sold in the open market by re-rolling mills and manufacture of rolled products by them by using ingots, etc. in place of the billets supplied by the Company. In order to overcome the above problems and also to produce stainless steel and alloy casting, known for yielding high returns, the Company undertook the modernisation schemes.

There was a cost overrun of Rs 228.09 lakh, reasons for which were not analysed by the Company.

Against the estimated cost of Rs 178.26 lakh on additional facilities (details in Annexure '8'), the actual expenditure incurred was Rs 406.35 lakh. Reasons for huge cost overruns (Rs 228.09 lakh) were neither analysed by the Management nor brought to the notice of the Board of Directors (Board). It was noticed in audit that no detailed project reports for the modernisation schemes were prepared despite recommendations of the COPU in their 36th Report for the same in a similar case. In the absence of detailed project reports, Audit could not analyse the reasons for cost and time over runs.

The Company incurred the above expenditure of Rs 406.35 lakh without having definite commitments from FIs/ Government though the Board had desired (March 1991) that funds be raised from FIs/Government. The above expenditure was met by arranging (August 1993 and January 1994) a bridge loan of Rs 144 lakh from a bank and diverting working capital amounting to Rs 288.76 lakh (including Rs 26.41 lakh spent on other ancillary items).

Investment of Rs 2.28 crore on creation of facilities remained unutilised and entailed an interest burden of Rs 1.38 crore up to July 1997.

Out of the facilities, the Company could utilise only two facilities viz. 10 inch rolling mill and induction furnace, as at a & g of the Annexure '8', created at a cost of Rs 178.75 lakh. The other facilities could not be utilised rendering investment of Rs 227.60 lakh unfruitful which entailed further interest burden of Rs 137.92 lakh up to July 1997 on the Company. Thus, capital investment made by the Company could not achieve the desired results due to improper planning by the Management.

2.7 Production performance

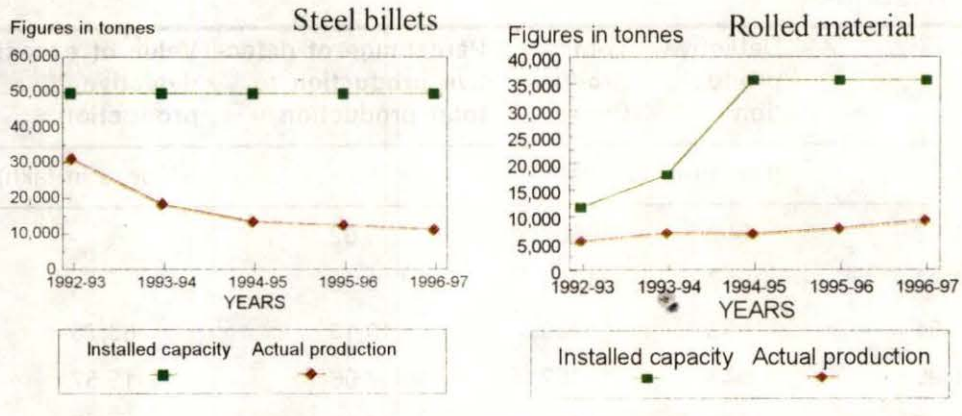
Percentage of capacity utilisation of its plant was low and ranged between 22 & 62 in respect of steel billets and between 19 & 44 in respect of rolled material during the five years up to 1996-97.

The Company is engaged in the production of steel billets and rolled steel products. Manufacturing process of billets involves melting of scrap, refining and casting whereas that of rolled products involves heating of billets/ingots and rolling them into angles, channels, flats, rounds and bars.

The Company had not fixed any targets for production. The following table indicates the installed capacity, actual production thereagainst and shortfall in production during the five years up to 1996-97:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
	(figures in tonnes)				
Steel billets					
Installed capacity	50000	50000	50000	50000	50000
Actual production	31004	18290	13352	12443	11100
Shortfall	18996	31710	36648	37557	38900
Percentage of shortfall to installed capacity	37.99	63.42	73.30	75.11	77.80
Rolled material					
Installed capacity*	12000	18106	36000	36000	36000
Actual production	5337	6887	6795	7818	9400
Shortfall	6663	11219	29205	28182	26600
Percentage of shortfall to installed capacity	55.53	61.96	81.13	78.28	73.89

Production Performance



The above table shows that capacity utilisation of billets and rolled products had remained abnormally low during five years ending March 1997. The Company created additional capacity of rolled material for 24000 tonnes per annum by installing 8 inch and 16 inch rolling mills at

* Installed capacity has been worked out on pro-rata basis from the dates of *commissioning* of 10 inch rolling mill (capacity : 12000 tonnes per annum) in September 1993, 8 inch rolling mill (capacity : 40000 tonnes *per annum*) in April 1993 and 16 inch rolling mill (capacity : 20000 tonnes *per annum*) in February 1994).

a cost of Rs 118.07 lakh. The two mills, however, worked for 48 days and 2 days, respectively and thus, this capacity remained idle (see Annexure '8'). Thus, the capital investment of Rs 118.07 lakh remained un-fruitful and entailed interest burden of Rs 109.47 lakh up to July 1997. Expressing deep concern over under utilisation of capacity, the Managing Committee (MC) comprising mainly the Chairman, MD and MD HSIDC had observed (June 1995) that despite favourable market conditions, the Company was working at low level which needed rectification. No action was taken to improve the capacity utilisation (July 1997). It was observed in audit that lower capacity utilisation was mainly due to shortage of raw materials owing to shortage of working capital which had been diverted on idle modernisation schemes (paragraph 2.6.2 supra).

The capital investment of Rs 1.18 crore on creation of additional capacity of two rolling mills remained un-fruitful and also entailed interest burden of Rs 1.09 crore as these rolling mills were not utilised

2.7.1 Defective production

The Project Report of the plant does not provide any norm for defective production of billets. The Company had also not fixed any norm therefor. However, full incentive was given to the workers only when defective production was below 6 *per cent*. The table given below indicates the position of defective production vis-a-vis total production of billets and value of defective production in excess of 6 *per cent* during five years up to 1995-96 aggregating Rs 147.25 lakh:

The defective production of billets exceeding the norms worked out to Rs 1.47 crore

Year	Defective production	Total Production	Percentage of defective production to total production	Value of excess defective production.
	(figures in tonnes)			(Rupees in lakh)
1991-92	1552	30888	5.02	-
1992-93	1017	31004	3.28	-
1993-94	1853	18290	10.13	63.28
1994-95	943	13352	7.06	15.57
1995-96	1328	12443	10.67	68.40
Total				**147.25**

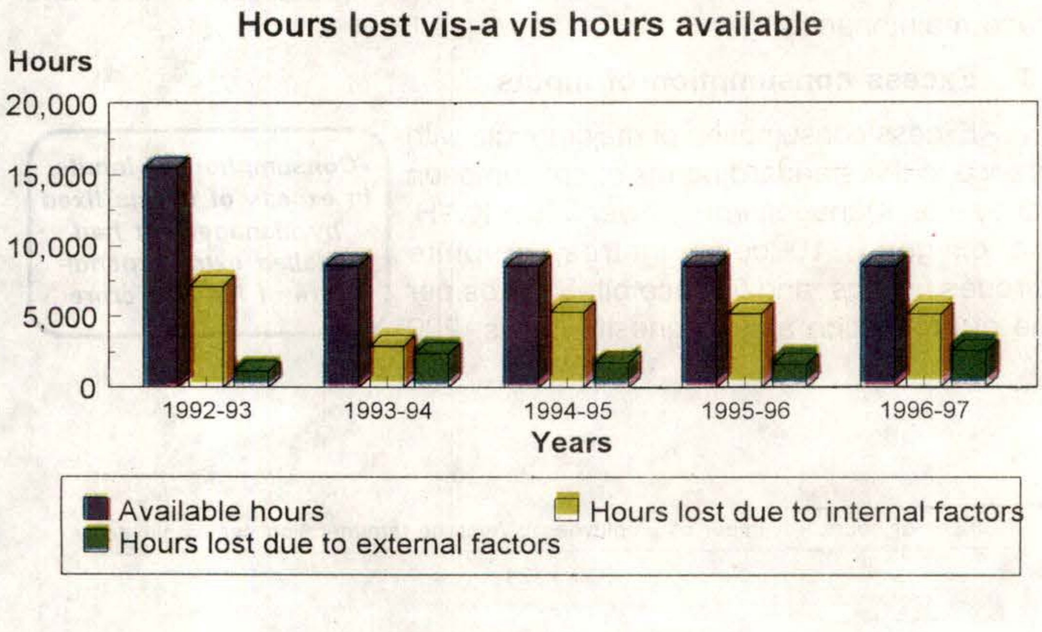
Despite incurring an expenditure of Rs 12.09 lakh on re-rolling certain quantity of defective production, the finished product was not of required quality and had to be sold to customers at lower rate. However, total loss to the company on account of sale of defective production at lower rates could not be ascertained in audit as the company had not kept separate records for such sale. PNB, in its report to BIFR, had identified (July 1996) poor quality production as one of the factors leading to Company's sickness.

The Management attributed (July 1997) defective production to poor workmanship.

2.7.2 Idle hours

The Company had two arc furnaces up to 1992-93 but one of the furnaces had been converted into ladle refining furnace in January 1993 for reducing heat timings and production of better quality steel. The table given below indicates the details of number of hours available, hours worked and hours lost due to external and internal factors in respect of arc furnaces during five years up to 1996-97 :

	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
a)	Number of hours available	15432	8568	8544	8544	8448
b)	Number of hours worked	7197	3232	1484	1714	761
c)	Number of hours lost due to:					
	i) External factors	1137	2410	1773	1647	2564
	ii) Internal factors	7098	2926	5287	5183	5123
	Total	**8235**	**5336**	**7060**	**6830**	**7687**
d)	Percentage of hours lost to available hours	53.36	62.28	82.63	79.94	90.99
e)	Percentage of hours lost due to internal factors to available hours	45.99	34.15	61.88	60.66	60.64



The break-up of hours lost due to internal factors as analysed by Audit was as under:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
			(Hours in numbers)		
Shortage of raw materials	5468	1776	4556	4802	4787
Operational problems	283	383	218	184	101
Furnace maintenance problems	937	490	136	127	163
Mechanical and electrical failures	344	161	345	57	72
Others	66	116	32	13	-
Total	**7098**	**2926**	**5287**	**5183**	**5123**

Majority of hours of arc furnaces lost due to internal factors were on account of shortage of raw materials as a result of which the company had to pay wages amounting to Rs 1.15 crore to employees remained idle during the five years up to 1996-97

It would be observed from the table that the percentage of hours lost due to internal factors ranged between 34.15 and 61.88 during the five years up to 1996-97. The majority of internal hours were lost due to shortage of raw materials ranging between 1776 and 5468 during the five years up to 1996-97 for which the Company had to pay wages amounting to Rs 115.28* lakh to employees remained idle. Hours lost on account of operational and furnace maintenance problems and mechanical/ electrical failures during the same period ranged between 336 and 1564 which could have been controlled had the Company prepared and followed the preventive maintenance schedule.

The Company had not investigated incidence of higher number of hours lost due to operational problems, electrical/ mechanical failures and furnace maintenance.

2.7.3 Excess consumption of inputs

Consumption of inputs in excess of norms fixed by Management had entailed extra expenditure of Rs 2.63 crore

Excess consumption of major inputs with reference to the standard norms of consumption fixed by the Management (power: 750 KWH, liquid oxygen : 10 cubic metres, graphite electrodes : 7 Kgs. and furnace oil: 55 litres per tonne of production and magnesite bricks: 200

$$^{*}\ \frac{\text{Number of hours} \times \text{Number of employees} \times \text{Average remuneration per employee}}{365 \times 24}$$

to 700 numbers per furnace lining) is given in the following table :

Year	Excess consumption of									
	Power		Liquid oxygen		Graphite electrodes		Furnace oil		Magnesite bricks	
	Units in lakh	Value (Rs in lakh)	Cubic metres in lakh	Value (Rs in lakh)	Tonnes	Value (Rs in lakh)	Litres in lakh	Value (Rs in lakh)	Numbers	Value (Rs in lakh)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1991-92	7.66	12.07	3.82	23.66	-	-	0.56	2.49	2204	1.90
1992-93	-	-	4.02	28.67	-	-	1.90	9.27	1890	1.59
1993-94	15.11	30.67	2.33	16.61	7.40	3.78	0.37	2.03	3261	3.45
1994-95	19.51	46.60	0.41	3.09	1.42	0.80	1.13	5.29	890	0.92
1995-96	18.97	52.02	1.58	12.09	2.52	1.50	0.55	3.21	895	0.82
Total	**61.25**	**141.36**	**12.16**	**84.12**	**11.34**	**6.08**	**4.51**	**22.29**	**9140**	**8.68**

The consumption of various inputs in excess of the norms had entailed extra expenditure of Rs 2.63 crore to the Company during the five years up to March 1996.

The MC had expressed deep concern over excess consumption of graphite electrodes, power etc. in its various meetings held during March 1991 to June 1995.

The Management attributed (December 1996) excess consumption of inputs to intermittent and under capacity operations due to shortage of working capital, substandard quality of scrap, abnormal charge mix, labour unrest and go-slow tactics of workers, frequent power cuts, obsolete plant and machinery, lack of motivation in the work force because of constant fear of closure of the plant and frequent changes in the top Management.

2.7.4 Unnecessary purchase of guniting machine

The Company purchased (May 1992) one number Pneumatic guniting machine and an air filter, for mechanised injection of coke powder/ sponge iron powder and any other alloying powders into molten metal for Rs 1.47 lakh from a firm of Jodhpur.

The machine could not be operated as it was found to be defective and its control transformer emitted smoke (May 1992). Without getting the machine rectified from the firm, despite warranty period of 18 months from the date of despatch, the Company purchased (November 1993) a conversion kit (a spare part for the machine) for Rs 0.22 lakh from the same firm. The kit was also not found fit for guniting purpose and was rejected (April 1994). The machine and its attachment valued at Rs 1.69 lakh were lying unutilised (July 1997) for over five years.

The purchase of machine without working out its economics and usefulness for the Company resulted in locking up the scarce funds of the Company.

2.7.5 Avoidable loss

The Company supplied 440 tonnes of billets for Rs 51.08 lakh between January 1993 and July 1994 on 45 days' credit basis to M/S Colts Auto Limited, Faridabad. Against this, Rs 33.80 lakh were received between January 1993 and March 1994 leaving a balance of Rs 22.42 lakh (including interest of Rs 5.13 lakh) as on 31 March 1995. In the meantime, the firm had intimated (between October 1993 and February 1994) rejections of 71 tonnes of billets (value: Rs 7.84 lakh) due to quality problems but the Company did not take any action for their replacement/ adjustment.

In order to settle the matter regarding rejection of billets, the Company agreed (May 1995) to lift back 11.440 tonnes rejected billets (value: Rs 1.37 lakh) and 19.405 tonnes of 20743 sprockets manufactured by the firm out of billets supplied by the Company for Rs 5.18 lakh. The firm did not agree to pay any interest (payable as per terms of sale) on the plea that the payment was delayed owing to dispute regarding quality of billets. The firm further agreed (April 1996) to clear the balance dues of the Company by paying Rs 1 lakh per month from May 1996 but the firm paid only Rs 3.20 lakh up to October 1996.

The following points were noticed in audit:

- the Company's representative visited the firm only on 18 March 1994 though the latter had intimated (8 October 1993 to 26 February 1994) rejection of 71 tonnes of billets during May 1993 to February 1994;
- acceptance of sprockets was against the terms and conditions of the supply which provided that Company's responsibility for quality of goods ceased once the shape of billets was changed ; and
- the value of 19.405 tonnes of billets against which 20743 sprockets were accepted was Rs 2.06 lakh whereas the Company had accepted their value at Rs 5.18 lakh. This had resulted in a loss of Rs 2.80 lakh after adjusting Rs 0.32 lakh being the sale of 1250 sprockets by the Company.

Due to non-adherence to the terms and conditions of supply and inaction to pursue the recovery of dues, the company suffered an avoidable loss of Rs 7.93 lakh besides non-recovery of Rs 7.54 lakh

Thus, due to non-adherence to the terms and conditions of supply and inaction on the part of the Management to pursue the recovery of its dues, the Company was made to suffer an avoidable loss of Rs 7.93 lakh (interest: Rs 5.13 lakh and loss on acceptance of sprockets: Rs 2.80 lakh) besides non-recovery of Rs 7.54 lakh (July 1997). In addition, material valued at Rs 6.14 lakh taken back from the firm was lying unsold (July 1997).

Admitting the facts, the Management stated (January 1997) that the material was lifted in the changed shape as the firm had insisted that it was not purchasing material from any other source. The reply is not tenable as acceptance of material in changed shape was against the terms and conditions of the supply.

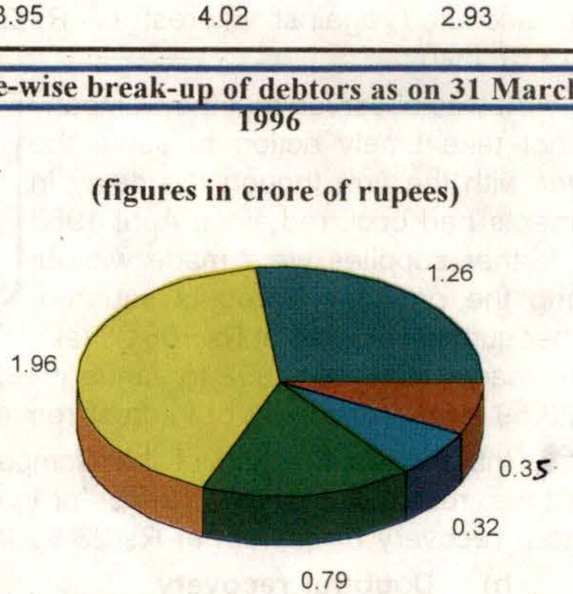
2.8 Credit control

The Company had not laid down any credit sales policy. However, goods are normally sold against cash payment to Government departments/ agencies and also for a maximum credit of 45 days to private parties through Company's various sale outlets. Sales are also effected through brokers who ensure realisation of payment from debtors on commission basis without obtaining any bank guarantee from the brokers against such sales. Position of debtors and sales to private parties and excess investment in debtors beyond 1.5 months' for the five years up to 1995-96 is given in the following table :

Year	Sundry debtors	Sales to private parties	Debtors in terms of months' sales	Excess investment in debtors*
	(Rupees in crore)			(Rupees in crore)
1991-92	4.60	24.40	2.26	1.55
1992-93	7.75	29.31	3.17	4.08
1993-94	6.05	21.29	3.41	3.39
1994-95	5.30	18.89	3.37	2.94
1995-96	4.68	13.95	4.02	2.93

Age-wise break-up of debtors as on 31 March 1996

(figures in crore of rupees)



$$* \frac{24.40 \times (2.26 - 1.50)}{12} = 1.55$$

Failure of the company to recover its dues owing to inefficient credit control system resulted in loss of Rs 0.13 crore on account of writing off of debts besides debts amounting to Rs 2.23 crore becoming doubtful of recovery

The above table shows that excess investment ranging between Rs 1.55 crore and Rs 4.08 crore was made in debtors. As on 31 March 1996, debts amounting to Rs 1.46 crore were more than three years old. Non-recovery of old outstanding amounts indicates lack of efficient credit control system of the Company. Owing to its failure in recovering its dues, the Company wrote off debts amounting to Rs 0.13 crore during the five years up to 1995-96. Debtors amounting to Rs 2.23 crore (including interest of Rs 1.23 crore) had been considered doubtful of recovery. Suits for recovery from 28 parties involving Rs 1.09 crore had been filed in various courts. In addition, decrees obtained (February 1985 to January 1995) in 15 cases involving Rs 0.26 crore were pending execution (July 1997).

The Management stated (January 1997) that efforts were being made to recover the amount through negotiations or legal action.

A few cases noticed during test check in audit are discussed below:

a) Avoidable loss

The Company supplied (1979 to 1987) goods to M/S Raj Steel Industries, Karnal on 15 to 20 days' credit with the condition that interest at 20 *per cent* would be charged for delayed payments. A civil suit filed (June 1990) for recovery of its dues was withdrawn by the Company and an out of court settlement made (December 1992) wherein Rs 7.25 lakh were accepted against interest of Rs 20.92 lakh thereby foregoing Rs 13.67 lakh.

Inaction on the part of the company to settle the dues timely resulted in avoidable loss of interest of Rs 13.67 lakh besides non-recovery of interest of Rs 23.59 lakh

It was observed that the Company did not take timely action to settle the matter with the firm though the delay in payments had occurred since April 1983 and further supplies were made without getting the previous accounts squared. Further supplies valued at Rs 108.35 lakh were made (October 1992 to January 1994) to the firm against which Rs 23.59 lakh on account of interest remained unrecovered (July 1997).

Inaction on the part of the Company to settle the matter timely had, thus, resulted in avoidable loss of interest of Rs 13.67 lakh as well as non- recovery of interest of Rs 23.59 lakh.

b) Doubtful recovery

i) The Company made sales of 111.75 tonnes of carbon steel valued at Rs 15.15 lakh to M/S Kapoor Steel Corporation and M/S Singla

Steel Corporation of New Delhi between January and April 1994 by Delhi and Faridabad branches through a relative of the Company's broker (Sh. Vipan Kumar Singhal). The contract (January 1994) for sales at Delhi provided for credit of 30 days against post-dated cheques and other sales were to be made on maximum of 45 days' credit. The cheques were, however, not taken before delivery of the material. No payment was received from the firms and the broker disowned (January 1996) his involvement in the deal. Whereabouts of the parties were not available and the sales were reportedly made without identity of the firms' signatory on sales contract and that of the recipient of the material. The Branch Incharge, Faridabad was chargesheeted in February 1996 wherein it was, inter alia, alleged that the sales were made without approval of the MD.

Extending credit through a relative of a broker of the Company to two firms without ensuring their genuineness/ confirmation from the broker had rendered recovery of Rs 0.15 crore doubtful

Failure on the part of the branches to ensure genuineness of the parties and not taking post-dated cheques had rendered the recovery of Rs 15.15 lakh doubtful. Enquiry ordered in the matter in April 1996 was pending (July 1997). FIR with the police had also not been lodged against these firms so far.

ii) The Company supplied 123.400 tonnes mild steel channels to Bhuna Co-operative Sugar Mills Limited, Bhuna between February 1990 and March 1990 at 10 *per cent* service charges over and above the landed cost of the material procured from other parties. Invoices at Rs 11,838 per tonne were also raised without confirmation of the actual landed cost. The actual landed cost of material (including service charges) worked out to Rs 16,632 per tonne. Accordingly, the Company raised (March 1990) a supplementary bill for Rs 6.15 lakh against which no payment had been received (July 1997). After adjusting (March 1992) the deposit of Rs 1.33 lakh of the firm lying with the Company, the outstandings remained at Rs 4.82 lakh. After refusal (May 1993) by the firm to pay the dues, the Company had not made any efforts to recover the balance amount nor had it taken recourse to legal action for recovery (July 1997). Raising of invoices at lesser rates without marking these as 'provisional' had, thus, rendered the recovery of Rs 4.82 lakh doubtful for which no responsibility had been fixed (July 1997).

iii) The Company entered into a contract (May 1988) with M/S M&M Forge Private limited, Noida for supply of billets on 15 days' credit. Interest at 20 *per cent* was to be charged on delayed payments. Against supplies for Rs 12.42 lakh, the amount received between May 1988 and November 1990 was Rs 10.66 lakh leaving a balance of Rs 1.76 lakh.

It was noticed in audit that despite bouncing of 24 cheques worth Rs 7.60 lakh of this firm between October 1988 and September 1990 and

Failure in presentation of cheques and by not initiating timely action against a firm to recover dues rendered recovery of Rs 0.37 crore doubtful.

Rs 2.88 lakh (including interest of Rs 1.12 lakh) outstanding against it, the Company entered into another contract (November 1990) for supply of billets on 30 days' credit with the firm. Supplies valued at Rs 11.65 lakh were made between November 1990 and April 1991 against which only Rs 3.20 lakh were received. The firm had also delivered (December 1990 to May 1991) nine post-dated cheques for Rs 8.20 lakh which were not presented to the bank. As a result, Rs 36.86 lakh (principal : Rs 10.21 lakh and interest up to July 1997 : Rs 26.65 lakh) remained unrecovered. Reasons for not presenting the cheques, though called for (November 1996), were not intimated (July 1997). Responsibility of the concerned official of the Company had not been fixed (July 1997).

The Company found (January 1996) that the factory of the firm had been sold by Uttar Pradesh State Financial Corporation and its whereabouts were not traceable. Thus, the chances of recovery had become remote.

Though the Management submitted (June 1997) to its Board that the recovery was 'very doubtful' in view of non-existence of the party, factory and property and whereabouts of firm's directors were not known, it had filed (February 1997) a civil suit after incurring expenditure of Rs 1.06 lakh on court fee etc. for recovery on the plea that large amount was involved. Further developments were awaited (July 1997).

2.9 Inventory control

i) The inventory of the Company consists of (a) raw material (b) stores and spares and (c) finished products.

The Company had not fixed maximum, minimum and re-ordering levels of stores. The table given below indicates the position of inventory of stores, annual consumption thereof and months' consumption during five years up to 1995-96 :

Year	Stock of stores at the end of the year	Consumption during the year	Stock of stores in terms of months' consumption
	(Rupees in lakh)		
1991-92	64.49	91.56	8.45
1992-93	72.71	116.94	7.46
1993-94	78.71	96.42	9.80
1994-95	57.04	86.51	7.91
1995-96	59.39	76.68	9.29

Due to non-fixation of maximum, minimum and reordering levels of stores, the company's funds amounting to Rs 9.30 lakh were locked up in slow moving and non-moving items

The Company had not identified slow moving and non-moving/obsolete stores. A random check of 68 store items, however, revealed that 25 items valued at Rs 3.70 lakh had not moved since April 1989. Further, despite having opening stock of Rs 5.38 lakh of 43 items in April 1989, further purchases worth Rs 1.75 lakh were made between 1989-90 and 1995-96 against which consumption was Rs 1.53 lakh only during this period. As on 31 March 1996, there was closing stock of Rs 9.30 lakh of slow moving and non-moving items resulting in locking up of funds.

Out of 217 tonnes of finished rolled products lying in stock as at the end of March 1996, 48 tonnes were sold at a loss of Rs 1.31 lakh and remaining 169 tonnes valued at Rs 26.81 lakh were still lying in stock awaiting disposal

ii) Inventory of 537 tonnes finished rolled products valued at Rs 82.51 lakh as at the end of March 1996 included 217 tonnes of rolled products valued at Rs 33.09 lakh which were lying in stock for a period ranging from 11 to 36 months. Of this, 48 tonnes of rolled products valued at Rs 6.28 lakh were auctioned for Rs 4.97 lakh in October 1996 at a loss of Rs 1.31 lakh. It was intimated (December 1996) by the Company that efforts were being made to dispose of the balance material by finding a suitable customer or through open auction. However, no action had been taken to dispose of the remaining rolled products valued at Rs 26.81 lakh so far (July 1997).

iii) Shortage of stores

Total shortage and excesses of stores valued at Rs 34.41 lakh and Rs 6.47 lakh, respectively, were noticed in physical verification during five years up to March 1996. The shortages during these five years ranged between Rs 0.69 lakh and Rs 28.70 lakh. The shortages/excesses of stores were adjusted in the accounts without investigation and bringing these to the notice of the Board.

2.10 Manpower analysis

The actual manpower and production per employee during the five years up to 1995-96 vis-a-vis projected manpower and production in respect of manufacture of billets are given in the following table:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
			(figures in number)		
Manpower as per Project Report					
Workmen	188	188	188	188	188
Supervisory	101	101	101	101	101
Total	**289**	**289**	**289**	**289**	**289**

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
	(figures in number)				
Actually deployed					
Workmen	218	219	211	195	181
Supervisory	240	244	243	216	223
Total	**458**	**463**	**454**	**411**	**404**
Excess manpower with reference to Project Report					
Workmen	30	31	23	7	(-)7
Supervisory	139	143	142	115	122
Total	**169**	**174**	**165**	**122**	**115**
Projected annual production per employee (in tonnes)	162.63	162.63	162.63	162.63	162.63
Actual annual production per employee (in tonnes)	67.44	66.96	40.29	32.49	30.80
Percentage of actual production per employee to the projected production	41.47	41.17	24.77	19.98	18.94

Excessive manpower deployed had entailed extra expenditure of Rs 2.52 crore during the five years up to 1995-96

From the above table, it would be seen that the number of employees in supervisory cadre always remained more than double the projected norms. Based on average remuneration per employee, expenditure on extra manpower deployed during the five years up to 1995-96 worked out to Rs 2.52 crore. In addition, an expenditure of Rs 90.92 lakh and Rs 7.81 lakh had been incurred on casual labourers deployed through contractor and private security agency, respectively. This could be avoided by suitable deployment of available manpower.

The Company stated (January 1997) that at the time of taking over the management from private collaborator in 1978-79, 404 employees were in position. It was further stated that the MC had sanctioned in February 1985 (ratified by the Board in March 1985) 562 employees for the Company. The reply is not tenable as :

– according to the Project Report, 289 persons were required for production of 47000 tonnes of billets. Actual production of billets, however, remained between 11100 and 31004 during five years up to 1996-97; and

– the Company had itself admitted (November 1987, January 1988 and November 1989) having surplus staff.

2.11 Conclusions

The Company, incorporated with the main object to produce, deal and sell iron and steel, had been suffering losses and its accumulated loss up to March 1996 had completely eroded its paid-up capital. Main reasons for the loss were:

- under-utilisation of capacity;
- excess consumption of raw material;
- poor policy formation due to frequent changes in the top management;
- incidence of high interest burden on capital investment in modernisation schemes which had not achieved the desired objectives;
- deployment of excess manpower; and
- ineffective credit control.

Despite grant of various benefits/concessions by the State Government and financial institutions, the Company became sick. Due to poor performance of the Company, the State Government decided to disinvest its shareholdings. The efforts in this respect have also not met with any success. Remedial steps need to be taken in these respects to make it a viable concern or to dispose of the concern to private entrepreneurs.

The matter was reported to the Government/Company in May 1997; their replies had not been received (November 1997).

Chapter - III

Reviews relating to statutory corporations

Section-3

Reviews relating to Statutory corporations

This chapter contains reviews on the performance of the following Statutory corporations:

Haryana Financial Corporation

Haryana State Electricity Board

3A Performance of specialised schemes introduced by Haryana Financial Corporation

Highlights

- **Haryana Financial Corporation was established in April 1967 under Section 3(1) of the State Financial Corporations Act, 1951 for granting/guaranteeing loans to industrial concerns with a view to develop industries in the State. It started extending financial assistance under various specialised schemes viz.; Equipment assistance leasing, Merchant banking and settlement of loans.**

  (Paragraph 3A.1)

- **The Corporation paid Rs 0.38 crore as interest tax and income tax on the interest income of Rs 0.79 crore during 1994-95 not actually received.**

  (Paragraph 3A.5.2(a))

- **The profit for the year 1994-95 and 1995-96 has been inflated by Rs 1.84 crore and Rs 0.47 crore, respectively, due to treating interest as income on loans converted into equity of loanee units (Rs 0.96 crore) and non-provision of interest on loans (Rs 1.35 crore).**

  (Paragraph 3A.5.2(a)(b)&(c))

- **Equipment leasing-Amount disbursed: Rs 36.51 crore**

  Inadequate pre-sanction appraisal, lack of verification of lessee's credentials, failure to ensure existence of suppliers and release of supply orders/cheques/drafts direct to the lessee companies resulted in misappropriation of Rs 8.78 crore.

  (Paragraph 3A.6.1.1(a to f))

- **Bought out deals - Amount disbursed: Rs 10.62 crore**

  Injudicious investment by the Corporation in bought out deals in shares having no marketable value resulted in loss of Rs 3.12 crore on account of interest on blocked

funds of Rs 10.62 crore, the recovery of which was also doubtful.

(Paragraph 3A.6.2.1)

- **Bridge loan against public issue - pre-issue stage-Amount disbursed: Rs 1.50 crore**

  The Corporation disbursed loans of Rs 1.87 crore under different nomenclature to a unit just to adjust the bridge loan outstanding against the unit in violation of instructions of Reserve Bank of India.

(Paragraph 3A.6.2.2)

- **Adhoc limits to merchant bankers - Amount disbursed: Rs 1.78 crore**

  The funds to the tune of Rs 1.78 crore had been disbursed to merchant bankers without any security and in contravention of the provisions of scheme rendering the entire amount doubtful of recovery.

(Paragraph 3A.6.2.3)

- **The Corporation suffered a loss of Rs 0.21 crore by settling the loans in two cases against the provisions in the scheme for clearance of default in one go.**

(Paragraph 3A.6.3.1)

- **The Corporation settled loans of Rs 1.59 crore in four cases for Rs 0.34 crore in contravention of the terms of the scheme for settlement of irrecoverable loans which resulted in a loss of Rs 1.25 crore.**

(Paragraph 3A.6.3.2)

3A.1 Introduction

Haryana Financial Corporation was established in April 1967 under Section 3(1) of the State Financial Corporations Act, 1951 (hereinafter referred to as Act) for granting/guaranteeing loans to industrial concerns with a view to develop industries in the State.

The Corporation started extending financial assistance under various schemes viz. Equipment assistance leasing, Merchant banking and Settlement of loan. Under Equipment assistance leasing, the Corporation started equipment leasing (September 1993) and sub-leasing of vehicles (January 1995). Under Merchant banking the Corporation introduced schemes for Bought out deals (May 1994), Bridge loan against public issue (pre-issue stage) (September 1994) and Adhoc limits to merchant bankers (January 1995). Under Settlement of loan, the Corporation introduced scheme of clearance of default in one go (June 1988), waiver/settlement of irrecoverable loans (January 1993).

3A.2 Scope of Audit

The working of recovery performance in respect of loans granted by the Corporation was last reviewed in paragraph 2.3 of the Report of the Comptroller and Auditor General of India for the year 1987-88 (Commercial).

The present review covers a comprehensive study of a few schemes involving Rs 55.66 crore viz. Equipment assistance leasing (Rs 41.76 crore) Merchant banking (Rs 13.90 crore) and Settlement of loans. Test check for this purpose of the records maintained at Head Office and at 6 out of 18 units for the five years up to 1995-96 was conducted during October 1996 to April 1997. The results of Audit are given in the succeeding paragraphs:

3A.3 Organisational set-up

The Management of the Corporation is vested in a Board of Directors (Board) comprising 12 Directors including the Managing Director (MD) who is appointed by the State Government in consultation with Industrial Development Bank of India (IDBI). Of the remaining 11 Directors, four (including a chairman) are the nominees of the State Government, one of the Reserve Bank of India (RBI), one of IDBI, one of Small Industries Development Bank of India (SIDBI), and one each elected representative of Scheduled Banks, Insurance Companies, and Cooperative Banks and one elected by individual share holders. There were 12 Directors including MD on Board as on 31 March 1997. The duration of stay of MDs and Directors of Board for the five years up to March 1997 is given in Annexure-9.

The Board is assisted by the Executive Committee consisting of 6 members including the MD, who is the chairman of the Committee. The Executive Committee had been delegated the powers to sanction loans over Rs 45 lakh to Rs 120 lakh and to deal with any matters within the competence of the Board as per the directions given from time to time by the Board.

The MD is assisted by one Executive Director and 4 General Managers (Finance, Appraisal, Recovery & Law and Lease & Rehabilitation). The Corporation has 18 branches one in each district headed by a Branch Manager.

3A.4 Capital and Borrowings

3A.4.1 Share capital

The authorised share capital of Rs 20 crore was enhanced to Rs 50 crore in November 1994 against which the paid-up capital of the Corporation was Rs 21.28 crore as on 31 March 1997. The paid-up capital was subscribed by the State Government (Rs 12.74 crore), IDBI (Rs 4.33 crore), Commercial banks (Rs 0.25 crore) Cooperative banks (Rs 0.02 crore), Insurance companies (Rs 0.08 crore) and others (Rs 3.86 crore).

3A.4.2 Borrowings

The Corporation borrows funds from IDBI and SIDBI towards refinance, against the actual disbursement of loans. It also borrows funds from banks and other Financial Institutions (FIs) by issue of bonds and also receives deposits from public. The total borrowings as on 31 March 1997 were Rs 654.67 crore which included Rs 7.13 crore received from State Government, convertible as share capital. The State Government had guaranteed borrowings of Rs 153.40 crore in regard to repayment of principal and payment of interest thereon.

3A.5 Financial position and working results

3A.5.1 Financial position

The Corporation maintains its accounts on cash basis since April 1983. The following table summarises the financial position of the Corporation as at the end of five years up to 31 March 1997 :

	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97 (Provisional)
		(Rupees in crore)				
A	Liabilities					
	Paid-up capital	15.91	17.58	17.42	21.28	21.28
	Reserves & surplus	13.04	14.67	17.25	14.01	16.28
	Share premium	—	—	—	10.64	10.64
	Borrowings:					
	Bonds	74.58	91.59	118.14	144.95	220.41
	Others	121.58	175.60	256.02	382.26	404.52

	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97 (Provisional)
		(Rupees in crore)				
	Deposits	10.00	20.53	21.06	22.93	22.61
	Loans in lieu of share capital	—	—	4.08	7.13	7.13
	Other liabilities and provisions	17.83	9.25	11.83	19.66	20.51
	Total	**252.94**	**329.22**	**445.80**	**622.86**	**723.38**
B	**Assets**					
	Cash & bank balances	7.85	10.15	36.10	29.76	70.46
	Loans & advances	240.49	312.14	386.05	545.05	598.84
	Net fixed assets	0.30	0.67	11.81	29.75	34.07
	Other assets	4.30	6.26	11.84	18.30	20.01
	Total	**252.94**	**329.22**	**445.80**	**622.86**	**723.38**
C	**Capital employed***	**200.97**	**273.98**	**373.04**	**514.28**	**648.53**

During 1994-95 the Corporation refunded Rs 0.16 crore in respect of share application money received from private parties up to 1993-94 for issue of shares which resulted in decrease in paid-up capital as at the end of this year.

3A.5.2 Working results

Sl. No.	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97 (Provisional)
		(Rupees in crore)				
1	**Income**					
a)	Interest on loans	23.06	36.52	53.68	63.92	86.01
b)	Other income	1.39	1.05	3.60	9.71	9.82
	Total	**24.45**	**37.57**	**57.28**	**73.63**	**95.83**
2	**Expenditure**					
a)	Interest on long-term loans	17.72	29.48	40.41	59.64	84.48
b)	Other expenditure	4.06	6.15	6.15	8.86	8.17
	Total	**21.78**	**35.63**	**46.56**	**68.50**	**92.65**
3	Profit before tax	2.67	1.94	10.72	5.13	3.18
4	Provision for tax	0.74	0.71	2.46	0.62	0.92
5	Profit after tax	1.93	1.23	8.26	4.51	2.26

The profitability of the Corporation may be seen in the light of the following observations:

* Capital employed represents the mean of aggregate of opening and closing balances of paid-up capital, reserves and surplus and borroiwngs (including refinance and deposits).

Profits for the year 1994-95 and 1995-96 stood inflated by Rs 2.31 crore due to non-provision of interest on loans (Rs 1.35 crore) and treating interest as income on loans converted into equity of loanee units (Rs 0.96 crore)

(a) The profits for the year 1994-95 and 1995-96 have been inflated by Rs 78.96 lakh and Rs 16.72 lakh, respectively, due to treating the interest on five term loans as income though all the loans (including interest) were converted into equity of the loanee units and no payment of interest was actually received. The Corporation paid Rs 37.90 lakh as interest tax and income tax on the interest income of Rs 78.96 lakh during 1994-95 not actually received. Conversion of interest into equity had resulted in avoidable payment of Rs 37.90 lakh as the Corporation had been following cash system of accounting since 1983.

(b) The non-provision for interest of Rs 96.13 lakh insisted by the State Government and agreed to by the Corporation on share application money (Rs 8.41 crore) received during 1989-90 to 1993-94 till its conversion into the share capital (May 1994) resulted in the inflation of profit to that extent during 1994-95.

(c) The non-provision of interest of Rs 9.22 lakh and Rs 30.59 lakh during 1994-95 and 1995-96, respectively, on loan received from the State Government in lieu of capital at the minimum guaranteed rate of dividend of 7.5 *per cent* had resulted in inflation of profit to that extent.

(d) The low recovery of principal as compared to amounts due for recovery, which declined from 75 *per cent* in 1992-93 to 49 *per cent* in 1996-97, had increased the dependence of the Corporation on borrowed funds for making disbursement to the loanees. Consequently, it had also affected the profitability due to high incidence of interest on these borrowed funds which had increased from Rs 17.72 crore (in 1992-93) to Rs 84.48 crore in 1996-97.

(e) According to Section 26(1) of the Act, the Corporation shall not enter into any arrangements of granting loans or advances to, or subscribing to debentures of an industrial concern, guaranteeing loan raised by industrial concerns so that the total amount outstanding against that concern in respect of all such arrangements is more than Rs 60 lakh in case of a company or a cooperative society. Provided that the Corporation may with the prior approval of IDBI exceed the limit up to four times. In persuance of this provision, IDBI authorised (March 1995) the Corporation to provide such assistance up to Rs 2.40 crore. The Corporation, however, disbursed loans of Rs 43.20 crore up to March 1996 to 11 Companies with disbursement in each case ranging between Rs 2.51 crore and Rs 8.54 crore in contravention of the provisions of the Act possibly depriving other small/medium scale units of the loans besides enhancing the risk of non-recovery from the companies heavily financed.

3A.6 Implementation of schemes

3A.6.1 Equipment assistance leasing

3A.6.1.1 Equipment leasing

Under equipment leasing, the lesser acquires an equipment by paying its 100 *per cent* cost and gives it for use to the lessee on pre-determined lease/rent for a specific period. The lessor claims depreciation resulting in tax saving apart from charging lease rentals and the lessee saves tax by taking lease rentals as a part of operative expenses. Keeping in view various considerations involved in the activity, the Board approved (September 1993) the scheme for equipment leasing. The scheme, *inter alia*, provided that the finance should be permitted to the concerns (lessees) in existence in the State of Haryana for the last four years (amended to two years in March 1994) having track record of good operational performance and in profit for last two years. A brief appraisal was also required in every case before sanctioning the lease finance. The Corporation on the request of lessee would place order with the supplier as per the commercial terms negotiated by the lessee. On confirmation by the lessee that equipment has been received and in order, the Corporation would make payment to the supplier.

The Corporation disbursed equipment lease assistance aggregating Rs 36.51 crore in 80 cases during February 1994 to June 1996 and thereafter no disbursement has been made so far.

The following points were noticed in audit:

It was noticed that the Corporation opened foreign letters of credit (FLCs) for import of machines/equipment on behalf of seven lessees during 1994-95 and 1995-96 and advanced a sum of Rs 62.24 lakh by way of fixed deposits with two banks for opening of FLCs. As the deposit with the banks was in the shape of advance to the suppliers for import of machines, the Corporation as per terms of agreement and scheme was to charge interest at the rate of 24 *per cent* per annum on Rs 62.24 lakh till the date of release of FLCs. It was noticed that the Corporation had not charged the same as per agreement with the seven lessees resulting in non-recovery of Rs 3.74 lakh from them.

The Management stated (August 1997) that through an oversight, interest on margin money had not been charged and the same was being charged to the respective lessee's accounts.

Some interesting cases under leasing activity noticed in audit are stated below:

(a) Punjab Potentiometers Private Limited, Panchkula

The Corporation sanctioned (27 February 1996) equipment lease assistance of Rs 167.31 lakh to M/s Punjab Potentiometers Private Limited, Mohali promoted by Sh. Inderjit Singh and his two brothers for imported as well as indigenous machines/equipments to set-up an independent Company at Panchkula in the same name. The pre-sanction appraisal was conducted by Manisha Gupta, Manager (leasing). The lease period was 5 years with a rental of Rs 28.50 per Rs 1000 per month. The conditions of sanction, *inter alia*, provided that before disbursement the Company shall:

- furnish proforma invoices in the name of the Corporation; and
- provide 100 *per cent* collateral security for the lease assistance sanctioned to the satisfaction of the Corporation.

The Corporation disbursed (March 1996) a sum of Rs 53.41 lakh (through 4 cheques and 7 bank drafts favouring various suppliers) directly to the lessee alongwith purchase orders contrary to the scheme of lease which provided for disbursement only on receipt of equipments as per purchase specifications. The Corporation also opened (March 1996) foreign letter of credit (FLC) for import of machinery and paid Rs 88.20 lakh in June/July 1996 to supplier through bank to release the documents for imported consignments.

The Branch Manager, Panchkula of the Corporation reported (July 1996) that on his visit at the site of the unit, it was seen that there were no machines and no sign of industrial activities as there was no roof/ flooring of the shed and the area was covered by 4/6 feet high grass. The Branch Manager further reported (August 1996) that the lessee had submitted fake proforma invoices for purchase of machinery, opened fictitious accounts in bank to encash cheques/drafts and fictitious collateral security in the shape of land which did not belong to the persons who had offered it as the record showed that the land was owned by the Government of India and Government of Delhi.

While approaching (September 1996) the customs at Chennai for taking delivery of imported consignments, it was seen that the machinery was not in conformity with the invoices and contained cordless telephones and used moulds for toys which was later seized by the customs to probe further in the matter as import of cordless telephone require special import licence. The Corporation, however, lodged FIR against the lessee with the police on 13 August 1996 for defrauding the Corporation, the results of which are awaited (July 1997). The Corporation has, however, not filed civil suit against the lessee (November 1997).

Although the scheme provided for extending loans to the existing units in the State, the Corporation disbursed a loan of Rs 1.42 crore to a company which was from outside the State

This lead to irregular disbursement of Rs 141.61 lakh which was mainly due to the following lapses :

- the leasing assistance under the scheme was to be permitted to the concerns in existence and situated in the State of Haryana for the last two years whereas the Corporation had sanctioned and disbursed Rs 141.61 lakh to a Company which was not in the State of Haryana at all;
- contrary to the scheme, the Corporation handed over cheques/ drafts and purchase orders to the lessee instead of to the

supplier parties ;

- the pre-sanction appraisal was conducted fraudulently for a unit which never existed in the State of Haryana;
- the Corporation had not even verified the site where the machines were to be installed in the proposed unit at the time of pre-sanction appraisal;
- the Corporation accepted collateral security of land (valued at Rs 167.31 lakh) without any verification of ownership, it was noticed that the land was owned by the Government of India ; and
- the Corporation had violated the provisions of Foreign Exchange Regulation Act, 1973 in not submitting exchange contract copy of custom bills evidencing import of full value of exchange drawn.

The Management stated (August 1997) that the party has defrauded the Corporation and action has been taken against the concerned officers and recovery action has been initiated against the lessee.

(b) Reliance bulk drugs and Formulations Limited, Panchkula

The Corporation sanctioned (March 1996) equipment lease assistance of Rs 235.73 lakh to the above Company having manufacturing units in Himachal Pradesh (HP) and Haryana with registered office in HP for enhancing the existing installed capacity of its unit at Panchkula on a lease rental of Rs 29 per Rs 1000 per month repayable in a period of 5 years. The pre-sanction appraisal of the company promoted by Shri G.S.Gill, V.K.Chawla and their wives, was conducted by Shri Manoj Arora Manager (leasing). The Corporation delivered bank drafts (March 1996) to the unit in the name of three machinery suppliers (M/S Hindustan Trust (P) Limited, New Delhi; Rs 72.26 lakh, M/S Kavidex Engineers (India) Private Limited, New Delhi; Rs 131.69 lakh and M/S Kunal Enterprises, New Delhi; Rs 31.78 lakh). The Branch Manager on investigation pointed out (December 1996) that M/S Kavidex Engineers and M/S Kunal Enterprises were not in existence and third supplier (Hindustan Trust (P) Limited) was in existence but were not manufacturer of the machinery quoted in the proforma invoice. The enquiries made (December 1996) by the Corporation from the bank revealed that the unit had withdrawn the money by opening fictitious bank accounts in the names of the suppliers.

The Corporation was defrauded by Rs 2.93 crore due to extension of undue favours to a unit in disregard to laid down procedure

The Corporation, however, accepted (February 1997) a proposal of the unit for liquidation of the lease finance (including interest) in two quarterly instalments up to August 1997 with an initial payments of Rs 50 lakh by 23 February 1997. The unit did not follow the agreed payment schedule and up to July 1997 deposited Rs 75.83 lakh only towards interest thereby leaving the balance amount of Rs 242.57 lakh (including interest of Rs 6.84 lakh) outstanding. It was observed in audit that the Appraising Officer did not verify the credentials, capacity, existence of suppliers and authenticity of proforma invoices and the Corporation released the cheques direct to the lessee unit which facilitated misappropriation of Rs 242.57 lakh since March 1996.

The Corporation also sanctioned (April 1996) a working capital loan of Rs 246 lakh to the unit with the stipulations that it would furnish collateral security equal to loan in the shape of its Brotiwala (HP) unit and bank guarantee equal to 15 *per cent* of loan as cash margin. The unit, however, did not furnish any security/ bank guarantee. It was noticed that the branch office disbursed (6/18 June 1996) Rs 50 lakh to the loanee without clearance from head office and this amount had also not been repaid by the unit so far (July 1997). The balance loan of Rs 196 lakh was cancelled (January 1997) in view of the misappropriation of funds under lease scheme.

Thus, the Corporation was defrauded by Rs 292.57 lakh due to extending of undue favours by not following the procedure laid down in the scheme. No civil suit has, however, been filed against the lessee (November, 1997).

The Management stated (August 1997) that action has been initiated against the erring officials.

(c) Dhillon Kool Drinks & Bewerages Limited, Panipat

The Corporation sanctioned (January 1996) equipment lease assistance of Rs 100.30 lakh to the above unit for import of machinery for use in bottling plant on lease for a period of 5 years. The pre-sanction appraisal of the unit promoted by Shri Kewal Singh Dhillon and Manjit Kaur Dhillon was conducted by Shri Manoj Kumar Arora Manager (leasing). Two FLCs for US$ 259483 (Rs 90.59 lakh) were opened by the Corporation with Bank of Baroda, Panipat in favour of supplier (M/S Bewerage Service & Equipment Inc. Florida -USA) for supply of imported equipment against proforma invoice and paid (April 1996) a sum of Rs 90.59 lakh. In terms of sanction, the unit was required to pay 24 *per cent* interest on such advance payments.

On inspection (December 1996) conducted by the Corporation and from perusal of the documents submitted by the unit it transpired that the machinery was not in conformity with documents received under the FLC. Further verification (March 1997) revealed that the bill of entry of US$ 1,59,500 (excluding freight of US$ 21602) submitted by the unit was against some other machinery (Barry wehmiller pine bottle washer) which was financed by Haryana State Industrial Development Corporation Limited (HSIDC) and not leased by the Corporation.

Corporation's funds amounting to Rs 0.43 crore were misappropriated due to releasing of amount to a bank without verification of documents etc

It was observed in audit that the

Corporation released the amount to the bank without verification of original bills/documents. This resulted in misappropriation of Corporation's funds by Rs 90.59 lakh.

The unit agreed to liquidate the entire outstanding amount up to June 1997, but it deposited Rs 49 lakh only up to August 1997 thereby leaving balance outstanding amount of Rs 43 lakh (including interest of Rs one lakh) which had not been paid so far (August 1997). The Corporation had not filed civil suit against the unit though a period of more than one year had elapsed.

(d) Apex Multitech Limited, Panchkula

The Corporation sanctioned (January 1994) equipment lease assistance of Rs 58.31 lakh to the above unit promoted by Shri B.C.Puri, R.P.Sarin, Vivek Sarin and Anil Sarin for the import of auto zip slider making machine. The lease assistance sanction was subsequently enhanced (August 1994) to Rs 64.69 lakh due to increase in the cost of equipment. A sum of Rs 64.69 lakh was disbursed to the unit during the period from February 1994 to December 1994. The terms and conditions of sanction, *inter alia*, provided that the unit was to obtain a comprehensive policy of insurance, in the name of the Corporation as owner, at the full cost of the assets against all risks. In case the unit failed to procure the insurance cover the corporation would get the assets insured and would have the right to recover the premium from the unit.

The unit obtained only a fire temporary cover note from New India Assurance Company for Rs 60.05 lakh for the period from October 1994 to October 1995 and from November 1995 to November 1996 in its name. The unit defaulted in making the payments of lease rental with effect from October 1995 but Corporation did not take any action till July 1996. The Corporation recalled (August 1996) the entire amount of outstanding lease finance from the unit and finally acquired (September 1996) its assets. At the time of taking possession, the leased equipments were found missing. An FIR had been lodged (December 1996) against the unit, the results of which were awaited (July 1997). The Corporation has, however, not filed civil suit against the lessee (November 1997).

Failure in obtaining a comprehensive insurance policy resulted in non-recovery of outstanding lease finance amounting to Rs 0.57 crore

Thus, failure of the Corporation in taking comprehensive insurance cover in its name in accordance with the provisions of sanction for leasing assistance knowing well that the unit had obtained only a fire cover note from New India Assurance and that too in its own name instead of comprehensive cover in the name of the Corporation resulted in non-recovery of outstanding lease finance amounting to Rs 57 lakh so far (July 1997).

The Management stated (August 1997) that insurance cover did not protect the recovery of the dues in case of misappropriation of insured assets by the lessee himself. The reply is not tenable as the Corporation could have recovered the cost of insured assets from insurance Company had it obtained comprehensive policy in its name.

(e) Hyrel Enterprises Private Limited, Panchkula

The Corporation sanctioned (April 1996) equipment lease assistance of Rs 9.79 lakh to Hyrel Enterprises Private Limited, Mohali promoted by Shri Harbhajan Singh, G.P.S.Cheema and Harjinder Singh Sodhi for setting up a new unit in the same name at Panchkula to manufacture copper cable on lease for a period of 5 years. Pre-sanction apprisal was conducted by Shri J.P.S. Talwar Manager (leasing). A Banker's cheque payable at Chandigarh for Rs 9.79 lakh in favour of supplier of Rajpura was handed over to the unit in April 1996. The Corporation inspected the unit in August 1996 and found that the rented premises where machines were to be installed were lying vacant and no machinery was available.

On an enquiry from the supplier, the Corporation learnt (October 1996) that they had neither received supply order nor issued any proforma invoice and received any payment thereagainst. The rent deed showing site at Panchkula taken on hire by the unit was also found fictitious as the said plot was in possession of the Haryana Urban Development Authority (HUDA). The Corporation cancelled the lease assistance in November 1996. A sum of Rs 13.37 lakh (including interest) was recoverable from the Company (July 1997).

There was a misappropriation of Rs 0.13 crore by an assisted unit due to non-verification of site before sanctioning of loan and handing over of cheques directly to the unit

Thus, due to non-verification of existence of site at Panchkula, before sanctioning loan, handing over banker's cheque to the unit instead of sending the same directly to the supplier and sanctioning the lease assistance to a unit not in existence in Haryana for the last two years facilitated mis-appropriation of Rs 13.37 lakh by the unit. The Corporation lodged (April 1997) an FIR with the Police against the unit and further progress was awaited (July 1997). No civil suit was, however, filed against the lessee by the corporation (November 1997).

The Management stated (August 1997) that as per practice in the Corporation, the cheques are handed over to the party and not to the supplier so that these are given only after receipt of machinery. The reply is not tenable since as per approved scheme, the Corporation was to make payment to the suppliers after obtaining confirmation from the lessee that the equipment had been received in order.

(f) Hallmark Healthcare Limited, Gurgaon

Before sanction of lease assistance to the above unit, the Advisory Committee observed (December 1995) that the main promoters (Shri H.R. Swaminathan and his wife Smt. Prema Swaminathan) of it were directors of M/S Lifeline Injects Limited, Rewari which had defaulted in repayment of loans given by HSIDC and stood personal guarantor. Pre-sanction appraisal was conducted by Manisha Gupta Manager (leasing). Based on the statement of the promoters that they had been absolved of all liabilities of the said Company, the committee without consulting the HSIDC, sanctioned (December 1995) the lease assistance of Rs 238.83 lakh for expansion of the existing unit named Hallmark Healthcare Limited, Gurgaon with stipulation that the unit would furnish credit worthiness certificate from the Industrial Reconstruction Bank of India (IRBI) from whom the unit had availed a loan of Rs 135 lakh. The Corporation disbursed (December 1995/January 1996) a sum of Rs 228.08 lakh through Bank drafts drawn in the favour of the suppliers by handing over the same to the unit alongwith purchase orders without obtaining credit worthiness certificate of the IRBI.

The Corporation sustained a loss of Rs 3.30 crore due to its failure in obtaining credit worthiness certificate from HSIDC/IRBI before disbursement of loan to a unit

The HSIDC informed (April 1996) the Corporation that it had taken over the assets of M/S Life Line Injects under Section 29 of the Act and the main promoters had not been absolved of the guarantee. On inspection (August 1996) by the officer of the Corporation it was found that there were no machines at the site and the addresses of the two suppliers given in the bills were wrong as there were no factories owned by them at the given addresses. The Corporation had lodged (March 1997) FIR at Gurgaon and further progress was awaited (July 1997). No civil suit was, however, filed against the lessee (November 1997).

Despite knowing well that the main promoters of the unit were in default in the other unit, the Corporation did not obtain credit worthiness certificate from HSIDC/IRBI before disbursement of loan. This resulted in loss of Rs 329.78 lakh (including interest of Rs 101.42 lakh).

The Management stated (August 1997) that action against the erring officials was being taken.

3A.6.1.2 Sub-Leasing scheme of vehicles

The Corporation introduced (January 1995) the scheme of sub-leasing of vehicles with the total lease assistance under the scheme not exceeding Rs 5 crore. The Corporation, however, disbursed funds under this scheme up to June 1996 and thereafter the scheme was closed. The scheme, *inter alia*, provided that:

- sub-lessor company should be in profits and income tax assessee for the last two years;
- sub-lessor to offer clear marketable collateral security/bank guarantee against the assistance;
- sub-lessor to release 25 *per cent* of the sanctioned amount at the initial stage and subsequent instalment to be released against submission of proof of utilisation of instalment earlier

released; and

– sub-lessor to have its office in Haryana and shall make disbursements under the scheme to Haryana based beneficiaries.

Following points were noticed in case of disbursement of Rs 1.75 crore to five sub-lessors:

(a) The Corporation disbursed Rs 62.50 lakh to M/S Allianz Capital and Management Services Limited (promoted by Shri Ashwajit Singh and Shri Navjeet S. Sobti) and M/S Chaitanya Hire Purchase private limited (promoted by Shri Qimat Rai Garg and Smt. Madhu Garg) without verifying from the returns submitted that they had filed returns of losses with the Income Tax Department for the last two years.

(b) The Corporation had disbursed Rs 125 lakh to M/S Indian Saving and Investment Limited, (promoted by Sh. Bhupinder Singh, Shri Ramesh Kumar and Shri Harinder Singh), M/S Chaitanya Hire Purchase and M/S Sato Leasing Company (promoted by Shri Anadi Nath and Shri R.K. Sharma) under the scheme although they were not having their offices in Haryana which was in contravention of the scheme.

(c) The Corporation accepted collateral security of Rs 146.50 lakh in the shape of shares in respect of M/S Unimate Financial Services Limited (promoted by Shri R. Ramesh, Mrs. Ranju Goel and Shri Satwant Singh) and M/S Allianz Capital and Management Services Limited to whom Rs 50 lakh had been disbursed. Collateral security includes shares of Rs 99 lakh of a private Company which are not marketable at all. M/S Chaitanya Hire Purchase and M/S Sato Leasing Company furnished collateral security valued at Rs 102.50 lakh against the said amount of loan by pledging fake land to the Corporation as it belonged to Government of India.

The Management stated (August 1997) that collateral security had been obtained as a secondary safeguard since the Corporation was having charge on the vehicle financed. The reply is not tenable as the Corporation was required to obtain 100 *per cent* collateral security.

(d) The Corporation released further sum of Rs 37.50 lakh to M/s Unimate Financial Services Limited and M/S Sato Leasing Company without verification of the utilisation of initial advances of Rs 25 lakh.

The Corporation accordingly recalled (December 1996) the entire loans of M/S Sato Leasing Company and Allianz Capital and Management Services Limited to whom a sum of Rs 37.50 lakh had been disbursed (February/March 1996) due to above referred irregularities. Of the above five sub-lessors, pre-sanction appraisal in four cases was conducted by Manisha Gupta and in the case of Unimate Financial Services the same was conducted by Sh. Manoj Kumar Arora, Manager (leasing). The Corporation lodged (April/May 1997) FIRs with Police against all the 5 sub-lessors and further progress was awaited (July 1997). No civil suit was, howerer, filed against the sub-lessors (November 1997).

Hence, in view of the above irregularities in disbursement of funds to these sub-lessors, the Corporation funds amounting to Rs 1.75 crore had been blocked and chances of recovery were also doubtful.

The Management while confirming the fact stated (March 1997) that in all the above cases the erring officers had been placed under suspension.

3A.6.2 Merchant banking

3A.6.2.1 Bought out deals

Injudicious investment by the Corporation in shares having no marketable value resulted in loss of Rs 3.12 crore on account of interest on blocked funds of Rs 10.62 crore the recovery of which was also doubtful

The Companies were facing problems in raising capital through public issue due to high costs and time consuming procedures which were resulting in delay in project implementation and cost escalation. In order to simplify this system Over the Counter Exchange of India (OTCEI) started the system of bought out deal. In bought out deal a member of OTCEI along with co-investors buys the entire amount of equity shares of a Company at a bargained price and off load (sale) to the public at a future date, after the Company has started performing and showing results, at a price fixed by the members. The Corporation approved (May 1994) a scheme of participation in bought out deals and also approved (October 1994) a scheme for equity participation in public issue with a view to gain an attractive premium on investment in short period. Further, it introduced (January 1995) the scheme for conversion of term loans of its borrowers into equity capital of the existing defaulted borrowers.

The Corporation invested a sum of Rs 10.62 crore in bought out deals (Rs 2.29 crore) in 10 Companies, in equity participation (Rs 6.09 crore) in 25 companies and in debt conversion (Rs 2.24 crore) in 5 companies). All these three schemes were discontinued in August 1996 as these were not found profitable. A review of these schemes revealed the following points :

(i) A sub-committee consisting of MDs of HSIDC and the Corporation, Director of industries and Manager SIDBI constituted by the Board to formulate guidelines for operation of the schemes, decided (June 1994) to discuss the aspect of buy back of shares by the Company with an advocate. However, the Corporation continued bought out deals and provided assistance of Rs 2.29 crore till the receipt of advice (October 1995) of the advocate who opined that the assisted Company and its promoters could not buy back its shares.

The Management stated (August 1997) that there was no decision for not considering the assistance till the opinion of the advocate was available. The reply was, however, not tenable as obtaining of legal opinion by the sub-committee implies certain doubts about its implementation which ultimately turned out to be correct.

(ii) Investment decisions as per scheme were to be made by the above sub-committee. However, in six cases involving Rs 1.43 crore in the case of bought out deal and in six cases involving Rs 1.66 crore in respect of equity participation, the decisions were taken by a single member of the committee i.e. the MD of the Corporation which was against the spirit of the scheme.

(iii) Apex Multitech Limited, Panchkula (promoted by Shri B.C. Puri, R.P. Sarin, Vivek Sarin and Anil Sarin) was given accommodation under the bought out deal of Rs 20 lakh by the Corporation in December 1994 which was in contravention of the terms of sanction as this firm was in default in respect of other term loan at the time of investment. The Management stated (August 1997) that action against the erring officials was being examined.

(iv) The Corporation invested Rs 1.30 crore in six companies under bought out deal but could not buy the entire amounts of equity shares of these companies alongwith co-investors as per requirement with the result, the Corporation could not impress these companies for bringing out public issue of equity shares.

Due to irregularities in investment in shares as discussed above and these share holdings either not quoted or where quoted, their listed prices being less than the purchase prices, the shares could not be disposed of and the entire amount of Rs 10.62 crore had been blocked. As the Corporation is arranging its funds for investment mainly through borrowings at an interest rate of 18 *per cent*, the above blockade of funds resulted in loss of Rs 3.12 crore on account of interest. Besides, the recovery of the above blocked funds is also doubtful in the absence of any securities and remote chances of sale through public issue of equity shares.

3A.6.2.2 Bridge loan against public issue (pre-issue stage)

The Corporation disbursed loans of Rs 1.87 crore under different nomenclature to a unit just to adjust the bridge loan outstanding against the unit in violation of instructions of Reserve Bank of India

The Corporation approved (September 1994) a scheme for bridge loan against public issues (pre-issue stage). The scheme *inter alia*, provided that:

- initially loan should not exceed six months from the date of first disbursement with a maximum period of one year;
- mortgage of collateral security in the shape of fixed assets of the value of principal amount and interest for the initial period or unconditional and irrecoverable bank guarantee;
- before disbursement, the loanee Company had filed the

prospectus for the issue with SEBI and issue is fully underwritten; and

- before disbursement, the promoters' contribution in the project has been fully raised and the Company had already availed the term loan as envisaged in the means of finance.

The Reserve Bank of India (RBI) instructed (April 1995) the FIs to ban the sanctioning of bridge loans and, *inter alia* directed that :

(i) under no circumstances, allow extension of time for repayment of loans; and

(ii) FI should not circumvent instructions by purport and/or intent by sanction of credit under a different nomenclature.

In view of RBI instructions the Corporation stopped (October 1995) loaning under the scheme.

The Corporation sanctioned (January 1995) bridge loan of Rs 150 lakh to Shivalika International Limited, Panipat (promoted by Shri Suresh Dahuja and Smt. Ramesh Dahuja) for a period of six months with the stipulations that promoters will raise their contribution and invest in the unit. The Corporation disbursed (24 March 1995) the loan after obtaining collateral security of immovable assets (valued at Rs 70 lakh) and unit's own shares (valued at Rs 154.28 lakh) and on the assurance of the promoters that they would contribute their share of investment of Rs 198 lakh one day before opening public issue. The prospectus was filed (6 March 1995) with SEBI for approval of bringing out public issue at a premium of Rs 20 per share which has not been approved by the SEBI so far (July 1997) with the result the unit could not bring out the public issue and promoters did not contribute their share of investment of Rs 198 lakh.

The unit defaulted in payment of interest on bridge loan and requested (October 1995) the Corporation to extend the currency up to March 1996 which could not be extended formally in view of RBI instructions of April 1995. The Corporation, however, sanctioned (March 1996) a working capital loan of Rs 100 lakh and bill discounting limit of Rs 120 lakh with the stipulation that the entire loan amount be first adjusted against the bridge loan and interest thereon (Principal: Rs 150 lakh; Interest: Rs 42.63 lakh up to March 1996). After adjustment of Rs 187.35 lakh (working capital: Rs 97.35 lakh and bill discounting Rs 90 lakh) between March 1996 and September 1996, the balance bridge loan of Rs 5.28 lakh (interest up to March 1996) was outstanding (as on 13 September 1996).

The loanee did not repay any instalment of working capital loan and discounting limit and an amount of Rs 199 lakh including interest (upto December 1996) was still recoverable (July 1997). The amount of interest due after December 1996 was not intimated by the Corporation.

The Corporation extended all favours to the unit in disbursing the bridge loan by committing the following irregularities:

(a) The instructions of RBI for not allowing extension of time and not sanctioning of credit under a different nomenclature were violated by sanctioning working capital loan of Rs 220 lakh to the unit just to adjust the bridge loan which the unit was not repaying within the stipulated period. Pre-sanction appraisal of working capital loan was conducted by Shri P.C. Gupta, Assistant General Manager of the Corporation.

The reply (August 1997) of the Management that it has not violated the instructions of RBI is not tenable in view of the clear cut guidelines of RBI.

(b) The loanee did not raise his contribution in the unit and term loan was also not availed as agreed before disbursement of bridge loan.

The Management stated (August 1997) that the condition of bringing entire contribution of promoters was relaxed and no note was taken in raising term loans.

(c) In contravention of the scheme, the Corporation accepted collateral security in the shape of shares (valued at Rs 154.28 lakh) which had no market value (being no public issue could come).

(d) The prospectus for public issue was not approved by SEBI and issue was not fully underwritten before disbursement of bridge loan.

3A.6.2.3 Adhoc limits to merchant bankers

The Corporation introduced (January 1995) the scheme of sanctioning of adhoc limits to merchant bankers for participation in bought out deals on OTCEI with a view to help in syndication of deals. The merchant bankers were required to give collateral security in the shape of marketable immovable assets or in shape of pledging of shares of good listed Company.

The Corporation sanctioned adhoc limits of Rs 6 crore to three merchant bankers namely, Allianz Securities Limited (promoted by Shri Ashwajit Singh, Shri Navjeet S. Sobti and Shri Satvinder Singh) (A), Brisk Capital Services (promoted by Shri Naresh K. Aggarwal) (B) and CIFCO Limited (promoters name not made available) (C) which availed the limit to the extent of Rs 1.78 crore during the year 1995-96. Pre-sanction appraisal in case of 'A' and 'B' was conducted by Shri Rajesh Handa, Manager (Merchant Banking). In case of 'C' the name of the officer who conducted the pre-sanction appraisal was not made available. The scheme was, however, discontinued (June 1996) by the Corporation due to investment by merchant bankers in the companies which were not financially sound and in view of the depressed capital market.

Following irregularities were noticed in audit:

(a) The Corporation disbursed (April 1995 to February 1996) the loans of Rs 1.45 crore to 'A' and 'B' merchant bankers against already acquired shares (during

Rs 1.78 crore had been disbursed to merchant bankers without any security and in contravention of the provisions of scheme

December 1994 to August 1995) which was against the spirit of the scheme.

(b) The Corporation released (April 1995 to February 1996) the limit of Rs 1.08 crore to 'A' and 'C' merchant bankers without obtaining any collateral security thereagainst which was contrary to the scheme. A sum of Rs 37.50 lakh was overdue as on 31 March 1997.

Thus, Corporation's funds to the tune of Rs 1.78 crore had been disbursed without any security/adhering to the provisions of the scheme as a result of which the chances of recovery of the funds were doubtful.

3A.6.3 Settlement of loan scheme

3A.6.3.1 Scheme of clearance of default in one go

The Corporation introduced (June 1988) a scheme to clear the total default in one go with 1 *per cent* penal rate of interest over and above the normal rate of interest. The scheme was modified (September 1992) with a stipulation that the maximum benefit will be equal to the amount of recovery to be effected in one go. The table below indicates the details of cases along with amount recovered and benefit passed on to the borrowers during last three years ending 31 March 1996:

Year	No. of cases cleared	Amount due	Recovery effected	Waiver
			(Rupees in crore)	
1993-94	49	7.19	1.76	5.43
1994-95	38	1.62	0.97	0.65
1995-96	51	1.74	1.04	0.70

It would be seen from the table that contrary to the scheme, benefits passed on to the borrowers were more in comparison to recovery during the year 1993-94.

The Corporation suffered a loss of Rs 21.17 lakh in two cases by settling their loan accounts in contravention of scheme of clearance of default in one go

The results of test check of the some cases are as under:

(a) Friends Flour Mills (P) Limited, Panchkula

The Corporation disbursed a loan of Rs 21.99 lakh (October 1983 to August 1984) to the above unit promoted by Shri Khushwant Singh. As the unit was irregular in repayment of loan, the Corporation recalled the loan (January 1985). However, on depositing Rs 0.40 lakh (February 1985) by the unit, reschedulement of loan was allowed (April 1985 and April 1986). The unit again failed to pay the instalments. Possession of the unit under Sections 29 of the Act was stayed (December 1987) by the Punjab & Haryana High Court. The unit deposited Rs 16.50 lakh during the period from December 1987 to May 1989 and Rs 30 lakh (October 1991 and January 1992) as per orders of the court. Thereafter the unit stopped further repayments.

On request (February 1995) of the unit to settle its case under the scheme of 'clearance of default in one go', the Corporation intimated (February 1995) the unit that maximum benefit under the scheme could be passed on to the extent of Rs 20.14 lakh against outstanding (1 December 1994) of Rs 40.27 lakh (including interest). The unit, however, requested (March 1995) to settle the case for a sum of Rs 4.15 lakh which was accepted (March/April 1995) by the Board on the proposal of M.D. and case settled.

It was observed in audit that as per scheme the case was to be settled even for Rs 20.14 lakh but the Corporation settled at Rs 4.15 lakh resulting in a loss of Rs 15.99 lakh.

The reply (August 1997) of the Management that the scheme was relaxed in this case and approval of the Board was taken is not tenable as no such relaxation was envisaged in the original scheme.

(b) Pooja Roller Flour Mills (P) Limited, Panipat

The Corporation disbursed a loan of Rs 23.39 lakh to the above unit (December 1984 and July 1985) promoted by S/Shri Daya Nand, Ranbir Singh Deswal, Shamsher Singh Deswal, Pardeep Singh Deswal and Jagdeep Singh Deswal. Due to persistent default in repayments, the Corporation issued possession notice under Section 29 of the Act when the recoverable amount was Rs 14.78 lakh (Principal Rs 12.70 lakh and interest Rs 2.08 lakh). The unit deposited Rs 1.50 lakh (November 1994) and requested the Corporation to settle its case under one go scheme. The possession notice was kept in abeyance and the case was settled (February 1995) by the MD for Rs 2.21 lakh. The unit deposited the balance amount of Rs 0.71 lakh during June and July 1995.

It was observed in audit that as per scheme, the case was to be settled at a minimum of Rs 7.39 lakh (50 *per cent* of Rs 14.78 lakh). Thus, by settling the case for Rs 2.21 lakh, a loss of Rs 5.18 lakh was incurred by the Corporation.

3A.6.3.2 Scheme for waiver/settlement of irrecoverable loans

The Corporation introduced (January 1993) a settlement scheme to waive/settle irrecoverable loans from defaulter loanees. The scheme, *inter alia*, provided the settlement of loans where:

- the loanee/guarantors has no property;
- security mortgaged has been disposed off;
- the district authorities have declared the amount as irrecoverable; and
- the sole proprietor of the loanee unit has expired and his legal heirs do not have any means to repay the loan.

The Board constituted (January 1991) a standing settlement committee consisting of MD, nominee directors of SIDBI and Punjab National Bank (one each) to consider the cases for settlement under the scheme.

Following were the members of the committee during the five years up to 31 March, 1997 :

Sl. No.		Name of Person		Period
1	S/Sh.	Ajit M, Saran	MD	01-04-92 to 21-05-96
2	,,	Manik Sonawane	MD	22-05-96 to 31-03-97
3	,,	N.K. Maini	Director	01-04-92 to 05-07-95
4	,,	Dharam Dev	-do-	06-07-95 to 31-03-97
5	,,	R.V. Shastri	-do-	01-04-92 to 13-12-93
6	,,	V.N. Saxena	-do-	14-12-93 to 21-04-96
7	,,	P.P. Gupta	-do-	22-04-96 to 31-03-97

The table below indicates the number of cases settled, loans outstanding, amounts settled and amounts waived by the Corporation thereagainst during last four years ending 31 March 1997:

Particulars	1993-94	1994-95	1995-96	1996-97
No. of cases	73	85	49	12
	(Rupees in crore)			
Loans outstanding	10.88	9.21	3.58	0.97
Loans settled/recovered	3.41	2.34	6.87	0.47
Loans waived	7.47	6.87	2.68	0.50
Percentage of recovery	31	25	25	48

The Corporation settled loans of Rs 1.59 crore in four cases for Rs 0.34 crore entailing a loss of Rs 1.25 crore in contravention of terms of the scheme for 'settlement of irrecoverable loans'

It would be seen from the above table that percentage of recovery to total outstandings was just 25 to 48 during these years.

As a result of a test check of 25 cases under the scheme the irregularities noticed in the following cases are discussed below:

(a) Haryana Wire & Allied Industries, Hansi

The Corporation disbursed (April 1981 and July 1984) two loans of Rs 12.19 lakh to the above unit promoted by Devender Singh on personal guarantee of the promoter. Due to persistent default, the unit was auctioned (May 1992) for Rs 9.01 lakh. After adjustment of auction proceeds, Recovery Certificate (RC) for recovery of shortfall amount of Rs 49.50 lakh was issued (April 1993) to the Collector, Hisar for attaching the personal properties of the guarantors valued at Rs 33.05 lakh. The Corporation, on request of a close relative of the guarantor, settled (February 1995) the loan for Rs 3 lakh and this resulted in undue favour to the unit entailing a loss of Rs 46.50 lakh.

The Management stated (December 1995) that the guarantors had already disposed of their personal properties and were not having adequate capacity to pay the dues. The reply is not tenable as the guarantors had sufficient personal properties as evident from the collateral security offered (March 1992) and branch manager categorically indicated (May 1995) that guarantors were reluctant to disclose their present means.

b) Anil Rolling Industries, Hisar

The Corporation disbursed (September 1986 to August 1988) a loan of Rs 13.26 lakh to the captioned partnership firm formed by Shri Mohan Lal Jindal and Smt. Shanti Devi. Due to persistent default in repayment, the unit was taken over (July 1992) and disposed of (October 1993) for Rs 4 lakh by the Corporation. After adjustment of the proceeds, RC for recovery of shortfall amount of Rs 22.28 lakh (including interest) as on September 1993 was lodged with the Collector, Hisar.

Two partners requested (December 1993) the Corporation for settlement of account as none of them was having any property in their name and were not having other source of income. The Corporation settled (September 1994) the outstanding loan of Rs 25.68 lakh (including interest) for a sum of Rs 8.75 lakh which was paid by the firm between June 1994 and September 1995.

It was observed in audit that as per report (June 1994) of the Branch Manager, all the partners were having immovable properties and the district authorities have not declared the amount as irrecoverable. Thus, the firm was not covered under the scheme and settlement of loan in contravention of the provision of the scheme resulted in undue favour to the firm entailing a loss of Rs 16.93 lakh to the Corporation.

(c) Anjani Grinding Industries, Hisar

The Corporation disbursed (August 1979 to August 1981) loan of Rs 4.02 lakh to the captioned firm formed by Smt. Rukmani Devi, Shri Mahesh Kumar and Smt. Shanti Devi for manufacture of saw dust powder, etc. Due to persistent default, the Corporation issued (December 1981) RC to the Collector, Hisar for recovery of Rs 4.99 lakh. The firm was auctioned (January 1988) by the Collector for Rs 3 lakh but the sale was set aside by the Court. The Corporation took the possession (February 1994) of the unit against which the unit obtained stay from the Court. The unit, however, approached (March 1994) the Corporation for settlement of the dues for Rs 8 lakh against the total debt of Rs 36.40 lakh (including interest). The Corporation settled (March 1994) the dues for Rs 8 lakh which was deposited between March 1994 and February 1995 and possession of the unit was restored (March 1995).

It was observed in audit that the case was not covered under the criteria/guidelines of the settlement scheme as neither the securities mortgaged were disposed off nor district authorities had declared the amount as irrecoverable. Thus, settlement of the case in contravention to these guidelines resulted in loss of Rs 28.40 lakh.

d) Indian Induction Castings Private Limited, Faridabad

The Corporation disbursed (June 1981 to January 1983) an amount of Rs 14.11 lakh to the above unit promoted by Shri A.K. Virmani, Shri Arun Kumar and Shri Raj Kumar for manufacture of steel ingots in a leased premises. Due to default from September 1983, the Corporation recalled (September 1987) the entire loan of Rs 24.13 lakh (including interest) after a period of four years in default and issued (November 1987) RC to the Collector, Faridabad against which no recovery had come.

The Corporation again issued (February 1991) a notice under Section 29 of the Act for taking over the possession of the unit. The promoters of the unit, however, approached (February 1993) the Corporation for settlement of its dues for Rs 13.50 lakh. The Corporation settled (July 1993) the loan for Rs 14 lakh against the recoverable amount of Rs 47.66 lakh (including interest) and balance (Rs 0.50 lakh) was received in August 1993.

It was noticed in audit that the unit was not covered under the settlement scheme as neither the mortgaged securities were disposed of nor district authorities had declared the loan irrecoverable. Thus, settlement of loan in contravention of the scheme resulted in loss of Rs 33.66 lakh.

3A.7 Other topics of interest

3A.7.1 Public issue of the Corporation

The public issue of the Corporation for 57,87,500 equity shares of face value of Rs 10 each at a premium of Rs 25 per share was opened on 18 May 1995 which was over subscribed. The Corporation, however, allotted 58,34,000 equity shares to 4183 applicants and incurred an expenditure of Rs 160.28 lakh on the public issue. In terms of allotment of shares, Rs 20 per share was called as application money and Rs 15 per share was to be deposited as allotment money by 11 September 1995 without interest after which the allottees were required to pay interest at 15 *per cent per annum*. The Corporation received Rs 1201.38 lakh as application money and after adjusting excess application money of Rs 34.58 lakh, a sum of Rs 840.52 lakh was due on account of allotment money of which the Corporation received only Rs 251 lakh including interest of Rs 2.75 lakh (March 1996). A sum of Rs 577.27 lakh and interest amounting to Rs 133.49 lakh was due (March 1997) from the allottees on account of allotment money. The Corporation has not forfeited the partly paid shares so far (July 1997). The consultant appointed (January 1997) by the Corporation *inter alia*, pointed out (January 1997) following irregularities in the issue:

(a) Expenditure on non-mandatory items worked out to 3.3 *per cent* of the issued amount against the limit of 2 *per cent* fixed (May 1985) by the Central Government resulted in excess expenditure of Rs 26.57 lakh.

(b) A sum of Rs 6.16 lakh (stay, air tickets lodging & boarding and banquet charges) was paid to M/S Concept Communication Limited., New Delhi, as conference charges. Details of delegates who attended the public issue conference and their deliberations were not furnished by the firm.

The Corporation placed (December 1996) one officer under suspension and a charge sheet was issued (February 1997) to him for these lapses, the results of which were awaited (November 1997).

3A.8 Conclusions

The Corporation was established by the Government to boost industrialisation in the State. The Corporation introduced new schemes of equipment assistance leasing, merchant banking and settlement of loans with a view to earning profits *vis-a-vis* providing assistance to the small and medium scale industries of the State. The execution of these schemes, however, miserably failed to achieve the objectives set under the schemes and the Corporation had been defrauded/made to incur losses due to providing assistance haphazardly in contravention of the terms of the schemes. The Corporation had also favoured the loanees in settling their loans in contravention of the settlement schemes. The recovery performance of the Corporation in respect of term loans was also poor and had drastically declined.

The Corporation needs to strengthen its internal control system, pre and post sanction/disbursement inspection system at prescribed interval with special regard to primary and collateral securities, improve its recovery mechanism and internal fund generation with a view to reduce incidence of interest burden on borrowed funds and strict discipline in its operation and management areas.

The above matters were reported to the Corporation and the Government (June 1997); reply of Government was still awaited (November 1997).

3B HARYANA STATE ELECTRICITY BOARD

Review on the performance of workshops

Highlights

- Haryana State Electricity Board maintains a workshop network consisting of 19 workshops with the objective of manufacturing fittings and accessories and repairing of transformers departmentally for efficient maintenance of transmission and distribution system.

  (Paragraph 3B.1)

- Despite availability of sufficient manpower in its own workshops, the major repairs of 20,839 distribution transformers were got done through outside agencies which resulted in payment of avoidable labour charges amounting to Rs 2.36 crore.

  (Paragraph 3B.4.2)

- There was an abnormal wastage of 51006 litres of transformer oil worth Rs 0.12 crore during dehydration process in nine workshops from 1992-93 to 1996-97.

  (Paragraph 3B.4.4)

- Failure to fix norms for loss in the weight of scrapped brass rods in distribution transformers resulted in shortage of brass scrap of Rs 0.47 crore in six workshops.

  (Paragraph 3B.4.6)

- 3425 out of 18817 repaired transformers failed during testing and had to be got repaired with an additional cost of Rs one crore.

  (Paragraph 3B.4.7)

- Iron losses in the case of 1839 out of 18817 transformers repaired in Dhulkote workshop during 1992-93 to 1996-97 were more than the permissible limits which resulted in recurring annual energy loss of Rs 0.38 crore.

  (Paragraph 3B.4.8)

- Failure to repair 25 KVA transformers during the four years up to 1996-97 and that of 63 KVA during 1993-94 which were economically viable in Board's own workshops had resulted in loss of Rs 0.71 crore.

  (Paragraph 3B.5)

- **Healthy coils worth Rs 0.70 crore were recovered less in repairs carried out through outside agencies.**

  (Paragraph 3B.5.1)

- **Excess weight of coils was allowed in the repairs of transformers carried out by private firms resulting in extra payment of Rs 0.22 crore.**

  (Paragraph 3B.5.2)

- **The Board incurred an extra expenditure of Rs 0.21 crore on procurement of iron casting sets from market at higher cost instead of manufacturing these in its own workshop at lower cost despite availability of capacity and required infrastructure.**

  (Paragraph 3B.8.1(i))

3B.1 Introduction

The Haryana State Electricity Board (Board) maintains a workshop network consisting of 19 workshops with headquarters at Dhulkote with the object of manufacturing fittings and accessories and repairing of transformers and various components departmentally for efficient maintenance of transmission and distribution system. The network consists of :

- twelve transformer repair workshops - ten for repair of distribution transformers and two for repair of power transformers;
- general workshops at Dhulkote and Delhi to manufacture fittings and accessories such as gang operated (GO) switches, transformer platform sets, stay sets, cross arms, lead seals, etc;
- steel structure workshop at Assan (Panipat) to fabricate line towers, sub-station structures for construction and maintenance of transmission system;
- coil winding workshops at Dhulkote, Faridabad and Hisar to fabricate high voltage/low voltage coils to repair damaged transformers; and
- switchgear repair workshop at Dhulkote to repair damaged switchgears.

3B.2 Scope of Audit

The performance of workshops of the Board was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1990-91 (Commercial) -Government of Haryana. Recommendations of the Committee on Public Undertakings (COPU) are contained in their 39th Report presented to Vidhan Sabha on 24 March 1995. The present review conducted during October 1996 to February 1997 covers the performance of all workshops under workshop network for five years up to 1996-97.

3B.3 Organisational set-up

Chief Engineer is the Chief Executive of the workshops who discharges his duties under the administrative control of Member Technical (Operation). He is assisted by one Superintending Engineer, seven Executive Engineers (including three in the field) and a Senior Accounts Officer in the day-to-day functioning of the workshops. Each workshop is headed by an Assistant Executive Engineer/Assistant Engineer.

3B.4 Distribution transformers repair workshops

On an average 24276 distribution transformers of different capacities constituting 25.3 *per cent* installed transformers (95880 as on

31 December 1996) are damaged every year as against about 16 and 13 *per cent* in Punjab State Electricity Board in 1995-96 and 1996-97 respectively.

The Board had not analysed the cause of various types of damages to distribution transformers for taking remedial measure. However, it was noticed that damage of these transformers were mainly due to (i) low tension feeder faults ; (ii) deterioration and failure of interturn insulation; (iii) inferior quality of material used and bad workmanship; and (iv) presence of moisture, shortage of oil and overloading etc.

The transformers damaged in the field are required to be shifted immediately to Board's workshops for their repair either in Board's own workshops or through outside agencies. Since the repair of transformers in workshops is labour oriented the quantity of transformers repaired is directly related with men in position.

3B.4.1 Targets and achievements

The table below indicates the number of transformers damaged, transformers received in workshops, targets fixed for repair on the basis of available manpower and transformers repaired in the previous year by the Board *vis-à-vis* transformers repaired in Board's workshops;

Year	Transformers damaged in the field	Damaged transformers received*	Targets fixed for repair for Board's workshops	Men in position	Transformers repaired in Board's workshops	Shortfall	Percentage of trans-formers repaired to targets
1992-93	17521	16789	12480	807	13051	—	104.6
1993-94	21923	21216	13680	767	11470	2210	83.8
1994-95	24713	25201	12000	768	12279	—	102.3
1995-96	27567	20900	12000	751	11188	812	93.2
1996-97	29658	27526	12000	739	11713	287	97.6
Total	**121382**	**111632**	**62160**	**3832**	**59701**	**3309**	

From the above it transpired that though the number of transformers damaged in the field and those received in the workshops were increasing year after year, the targets fixed for repair in Board's workshops decreased from 13680 transformers during 1993-94 to 12000 transformers during 1994-95 to 1996-97.

A further analysis of the 10 transformer repair workshops revealed the following:

(a) (i) Although men in position at Hisar workshop during five years up to 1996-97 varied from 100 to 107 the achievement had decreased from 2053 transformers in 1992-93 to 1199 transformers in 1996-97. It

* This includes the transformers damaged during the previous years but remained to be transferred to workshops.

was also observed that out of 2243 damaged transformers awaiting repair at Hisar workshop as on 31 March 1997, 557 transformers were lying unrepaired for more than three years. Chief Engineer (workshops) stated (June 1997) that the progress of repair of transformers decreased considerably in 1995-96 due to rivalry of two unions. As regards transformers lying unrepaired for more than three years it was stated that the transformers were not repaired on the basis of 'first come and first repair'.

(ii) The number of transformers repaired in Dhulkote workshop decreased from 3268 in 1992-93 to 3015 in 1996-97 although the manpower deployed had increased from 185 in 1992-93 to 205 in 1996-97 despite the fact that 2679 damaged transformers were lying unrepaired including 604 transformers for more than three years as on 31 March 1997.

(iii) Sonepat workshop had not achieved targets (1200 transformers in 1992-93 and 1080 transformers in 1993-94 to 1996-97) in any of the five years up to March 1997, though manpower deployed during these years remained almost the same. The achievement had decreased from 1089 transformers in 1992-93 to 852 transformers in 1996-97. 1009 transformers were lying unrepaired in the workshop including 424 transformers for more than three years as on 31 March 1997.

(b) (i) 9750 transformers valued at Rs 975 lakh damaged during five years from 1992-93 to 1996-97 were not shifted to repair workshops of the Board (March 1997) despite the recommendations of COPU in its 39th report to fix responsibility of the officials/officers for delay in shifting and repairing the damaged transformers.

The Action Taken Note on the implementation of the recommendations contained in 39th Report of COPU stated (September 1996) that all the damaged transformers ending October 1994 lying in the field had been returned to the nearest workshop/stores except some transformers lying in the field of Operation Circle Sirsa, Rohtak and Sonepat which could not be returned due to shortage of storage space at the respective stores/workshops. However, 10641 transformers were still (August 1997) lying in the field in other circles which remained to be transferred to workshops.

(ii) Of 111632 damaged transformers received during the last five years up to 1996-97, 80586 transformers opened up to December 1996 revealed that old transformer oil valued at Rs 738.01 lakh and old transformer parts valued at Rs 157.54 lakh were received short in all the workshops for which neither any responsibility of the concerned official was fixed nor reasons for such shortages investigated.

(c) The Board had not fixed time limit for repair of damaged transformers received in the transformer repair workshops. At the end of

March 1996, 19877 number of damaged transformers valued at Rs 1987.70 lakh were lying with various workshops. The age-wise analysis of these transformers revealed that 3682 transformers were lying in workshops for more than three years and 7835 transformers for more than one year but less than three years. The Board had not analysed the reasons for non-repair of these transformers for such a long time.

(d) In accordance with the Indian Electricity Rules, the life of a distribution transformer has been fixed as 25 years. However, as per guidelines issued (August 1987) by the Workshops Organisation the transformer be considered for survey off* only if the transformer had already undergone four repairs and the condition of the transformer does not permit it to be repaired.

During the period of five years ended 31 March 1997, 3831 distribution transformers were surveyed off as these were considered beyond economical repair. However, scrutiny of survey off reports pertaining to the period from April 1992 to September 1996 of 2707 transformers revealed that year of purchase and number of repairs done in respect of 1977 transformers was not indicated. Accordingly, it could not be verified whether these transformers had completed their prescribed life and had undergone four repairs as history sheets of these transformers were not maintained. Out of remaining 730 transformers whose year of purchase was recorded but the number of repairs done on these transformers had not been recorded, 421 transformers valued at Rs 42.01 lakh were surveyed off after completion of life of less than 5 years (81), 5 to 10 years (77), 10 to 15 years (90) and 15 to 22 years (173). In the absence of relevant records showing the number of repairs undergone by these transformers, surveying off 248 transformers (value: Rs 24.75 lakh) which had completed less than 15 years of life against the stipulated life of 25 years considering their repair uneconomical lacked justification.

3B.4.2 Manpower productivity

Rural Electrification Corporation (REC) had recommended in 1976 creation of two types of transformer repair workshops;

- transformer minor repair workshop to carry out repairs of minor defects only; and
- transformer major repair workshop to handle all types of repairs including dismantling of core and coil assembly.

Repair of minor defects did not require much skill, manpower and equipment. The staff required for transformer minor repair workshops had been recommended for one supervisor incharge, one skilled electrician-cum-mechanic with a few skilled and unskilled helpers. For major repairs,

* "Survey off" stands for condemnation of demaged transformers found uneconomical for repairs.

the REC had fixed the productivity of staff at 1.139 transformers (40 to 50 transformers per month by deploying 37 to 42 persons) a person per month.

It was observed in audit that the Board had not established minor repair workshops. Transformers requiring minor repairs were also received for repairs in the major repair workshops. It was further observed in audit that targets and achievements of repair of transformers were not segregated by the workshops authorities into minor repairs and major repairs.

Segregation made in audit revealed that of the 59701 transformers repaired during 1992-93 to 1996-97, 31537 transformers required major repairs and balance 28164 transformers (47.18 *per cent*) required only minor repairs. The table below indicates the number of persons deployed, major repair transformers required to be repaired as per REC norms, and transformers actually repaired during 5 years up to 1996-97:

Year	Average number of persons deployed	Transformers required to be repaired as per REC norms (major)	Transformers actually repaired (major)	Shortfall
1992-93	807	11030	6917	4113
1993-94	767	10483	5977	4506
1994-95	768	10497	6706	3791
1995-96	751	10265	6003	4262
1996-97	739	10101	5934	4167
Total		**52376**	**31537**	**20839**

Repair of transformers was much below the normal output in own workshops, resulting in excess expenditure on their repair from outside agencies

It would be seen that achievement in major repair of transformers was far below the normal output recommended by the REC. Management had not analysed the reasons for the same. The Board had paid labour charges (Rs 472.35 lakh) to outside agencies for major repairs of 20839 transformers during 1992-93 to 1996-97 although the same could have been carried out in its own workshops if the norms of productivity as suggested by REC could be achieved. After giving 50 *per cent* allowance for minor repairs of 28164 transformers which the Board had undertaken, the avoidable labour charges for major repair of 20839 transformers worked out to Rs 236.17 lakh.

3B.4.3 Production incentive

In order to clear the backlog of damaged transformers accumulated in various workshops, whole time members of the Board approved

(January 1989) a scheme for payment of incentive to staff deployed in the transformer repair workshops. As per the incentive scheme the incentive bonus was payable if the number of transformers repaired exceeded the target of 1.097 transformers per person per month fixed by the Board. The shortfall in achievement of above in any month was to be carried forward to the next month for calculation of incentive bonus. It was seen in audit that Board had paid production incentive to the extent of Rs 79.22 lakh on the repair of 5200 additional transformers over and above the targets during five years up to March 1997 which was not justified as minor repair transformers were also included in achievement of targets and actual achievement of major repair transformers after giving 50 *per cent* allowance for minor repair during 1992-93 to 1996-97 was only 0.992 per person per month rendering the payment of incentive bonus unfruitful.

Inclusion of transformers requiring minor repairs in the achievements leading to payment of production incentive bonus of Rs 79.22 lakh during the five years up to 1996-97 lacked justification.

Further, during the month of October 1995 shortfall of 44, 34 and 24 *per cent* in achievement of the targets in Dhulkote, Karnal and Narnaul workshops, respectively, was not adjusted/carried forward though the same was being adjusted before October 1995 and after November 1995 which resulted in excess payment of incentive to the extent of Rs 1.69 lakh paid during the months of November 1995 to March 1996.

3B.4.4 Abnormal wastage of transformer oil

Transformer oil drained out from the damaged distribution transformers is re-used in repaired transformers after the process of dehydration. The Board had not fixed any norm for the wastage of transformer oil due to dehydration. The percentage of wastage was not uniform in all the workshops. The Board had not analysed the reasons for variation in percentage wastage in different workshops. A test check in audit revealed that wastage on this account during the years from 1992-93 to 1996-97 was one *per cent* in Bhiwani workshop which was minimum as compared to wastage in other workshops which ranged between 1.2 and 2.7 *per cent*. Taking the minimum one *per cent* as standard wastage, the excess wastage during this period comes out to 51006 litres of transformer oil valued at Rs 12.40 lakh. The Board had not taken remedial action to minimise the loss of transformer oil in the dehydration process.

There was an excess wastage of transformer oil valued at Rs 0.12 crore during dehydration process

3B.4.5 Short recovery of copper scrap

Damaged coils of copper are replaced with new coils during repair of transformers in the workshops. The weight of damaged coils taken out from the tank increase due to soaking of transformer oil. However, workshop authorities had not fixed norms for increase in weight of damaged coils due to soaking of oil. Technical Audit Wing of the Punjab State Electricity Board (PSEB) after actual verification at site found that weight of dismantled coils increases by 8 *per cent* due to soaking of oil.

Scrapped brass rods of Rs 47.43 lakh were short accounted for

A test check in audit of 1069 copper wound transformers repaired in six workshops revealed that the workshops had accounted for 46988 kgs of copper coil scrap against 56280 kgs (including 8 *per cent* for soaking of oil : 4169 kgs) leaving a shortage of 9292 kgs valued at Rs 9.60 lakh. As regards short accountal of 5123 kgs of coil scrap, the reasons attributed by Chief Engineer (Workshops) was due to burning of windings to ashes in a few cases. The contention of the Chief Engineer was not tenable because separate records of coils totally burnt were not maintained. The fact remained that the Board had neither investigated the reasons for short recovery of coil scrap nor taken any action to minimise such losses.

3B.4.6 Short recovery of brass scrap

In each distribution transformer there are three high voltage (HV) and four low voltage (LV) rods made of brass which are replaced with new ones during repair of transformers. No norms for loss in the weight of such scrapped rods had been fixed by the Board.

Scrutiny of records of six transformer repair workshops (Narnaul, Dhulkote, Karnal, Mathana, Sonepat and Bhiwani) for the period 1992-93 to 1996-97 revealed that against 97913 kgs of new brass rods issued to the workshops, 40076 kgs of scrap on account of rods removed from the damaged transformers was accounted for by the workshops resulting in shortage of brass scrap to the extent of 57837 kgs valued at Rs 47.43 lakh. The reasons for shortage of brass scrap though called for (December 1996) has not been intimated.

3B.4.7 Break-down of repaired transformers during testing

3425 transformers broke down during testing in Dhulkote workshop and had to be repaired again at an additional avoidable cost of Rs 99.97 lakh

REC manual for repair of transformers does not provide for break-down of transformers during testing. The Board has also not fixed any percentage of break-down of repaired transformers during testing. During test check it was revealed that of the 18817 transformers repaired in one of the workshops at Dhulkote during 1992-93 to 1996-97, 3425 transformers (18.20 *per* *cent*) broke down during testing and were again repaired in the workshop at the additional avoidable cost of Rs 99.97 lakh. The Board had not analysed reasons for heavy break-down.

3B.4.8 Excessive iron losses

Excessive iron losses led to recurring annual energy loss of Rs 37.81 lakh

In the REC manual for repair of transformers it has been recommended that in repairing a transformer it should be ensured that energy losses (copper losses and iron losses) remain the same as in the original transformer and provide different permissible limits of losses for different capacities of transformers. In nine transformer repair workshops, testing instruments for measurement of energy losses were either not installed or inoperative. A general review of test results of 18817 transformers repaired during 1992-93 to 1996-97 in one workshop at Dhulkote where the testing instruments were available, revealed that iron losses in the case of 1839 transformers repaired and issued after testing for installation in the field were more than the permissible limits and had resulted in recurring annual energy loss of 3.25 MUs valued at Rs 37.81 lakh.

3B.5 Repair of distribution transformers by outside firms

Non-repairing of 25 KVA transformers during the four years up to 1996-97 and that of 63 KVA during 1993-94 in Board's own workshops resulted in loss of Rs 71.05 lakh

In order to reduce the backlog of damaged distribution transformers, the Board decided (May 1991) and placed (September 1991) a trial order of 1000 distribution transformers on the rates, terms and conditions of the Punjab State Electricity Board.

During 1993-94 to 1996-97, transformers of three ratings of 25 KVA, 63 KVA and 100 KVA with aggregate transformer capacity of 2979939 KVA were repaired in Board's workshops and that of 2774647 KVA were got repaired from outside firms.

Though labour cost of repair in Board's workshops in respect of transformers of 25 KVA rating during all the 4 years from 1993-94 to 1996-97 and that of 63 KVA during 1993-94 was lower than the price demanded by outside firms, 8519 transformers of 25 KVA and 2388 transformers of 63 KVA were got repaired from outside firms at higher rates resulting in avoidable loss of Rs 71.05 lakh to the Board. The table below indicates the comparative position of total transformers repaired *vis-a-vis* labour cost paid to outside firms, required economically viable allocation and extra expenditure incurred considering the actual production in Board's workshop as the limiting factor.

Table at page 87

Statement showing Transformers repaired *vis-a-vis* labour cost paid

(Paragraph 3B.5)

Year	Capacity	Transformers repaired				Economically viable allocation				Labour cost per transformer		Differ-ence	Extra ex-penditure
		By Board's workshop		By outiside firms		By Board's workshop		By Outside Firms					
		Num-ber	Rating capacity (in KVA)	Num-ber	Rating capacity (in KVA)	Num-ber	Rating capacity (in KVA)	Num-ber	Rating capacity (in KVA)	Board's work shop	Outside firms		(Rupees in lakh)
										(Amount in Rupees)			
1993-94	25 KVA	1738	43450	1831	45775	3569	89225	-		851	1900	(+) 1049	(+) 19.21
	63 KVA	3839	241857	2388	150444	6227	392301	-		2145	2300	(+) 155	(+) 3.70
	100 KVA	4564	456400	2351	235100	2602	260200	4313	431300	3405	2600	-	
Total		**10141**	**741707**	**6570**	**431319**	**12398**	**741726**	**4313**	**431300**				
1994-95	25 KVA	1694	42350	2344	58600	4038	100950	-	-	1079	1900	(+) 821	(+) 19.24
	63 KVA	5423	341649	3355	211365	8778	553014	-	-	2719	2300	-	
	100 KVA	4091	409100	2433	243300	1391	139100	5133	513300	4316	2600	-	
Total		**11208**	**793099**	**8132**	**513265**	**14207**	**793064**	**5133**	**513300**				
1995-96	25 KVA	2330	58250	1796	44900	4126	103150	-	-	1182	1900	(+) 718	(+) 12.90
	63 KVA	4309	271467	4078	256914	8387	528381		-	2979	2300	-	
	100 KVA	3545	354500	4088	408800	527	52700	7106	710600	4728	2600	-	
Total		**10184**	**684217**	**9962**	**710614**	**13040**	**684231**	**7106**	**710600**				
1996-97	25 KVA	1985	49625	2548	63700	4533	113325	-	-	1272	1900	(+) 628	(+) 16.00
	63 KVA	4657	293391	7423	467649	10279	647577	1801	113463	3206	2300	-	
	100 KVA	4179	417900	5881	588100	-	-	10060	1006000	5090	2600	-	
Total		**10821**	**760916**	**15852**	**1119449**	**14812**	**760902**	**11861**	**1119463**				
G. Total		**42354**	**2979939**	**40516**	**2774647**	**54457**	**2979923**	**28413**	**2774663**				**71.05**

It was observed that the labour cost for 25, 63 and 100 KVA transformers paid to outside firms remained constant during the four years ending 1996-97 despite inflationary trends which means allowing of higher margin to outside firms knowing well that the labour cost for repair of 25 KVA transformers was far less in Board's workshop in the initial years. Had the Board repaired all the transformers of 25 KVA during 1993-94 to 1996-97 and 63 KVA during 1993-94 in its own workshop and allowed the remaining transformers of 63 KVA and 100 KVA repaired from outside firms after fully utilising its own capacity it could have avoided extra expenditure of Rs 71.05 lakh.

3B.5.1 Loss due to non-recovery of healthy coils from damaged transformers

Failure to recover healthy coils from transformers resulted in loss of Rs 69.95 lakh

Despite the fact that contractor was to replace all the HV/LV coils by new ones, and old ones were to be returned to workshop by the contractor, the terms and conditions of the contract agreement did not provide retention of the coils in workshops after taking out these from the damaged transformers. However, the terms and conditions were modified in January 1994 which provided that the HV/LV coils shall be taken out and retained by the workshops while handing over the transformers to the firm. The percentage of healthy coils taken out from the damaged transformers for full one year during April 1995 to March 1996 as worked out by the Board was 22.67 *per cent*.

It was observed in audit that during the period from September 1991 to December 1993, 119784 high voltage (HV) coils and 29946 low voltage (LV) coils weighing 498433 kgs taken out from 9982 damaged transformers at contractor's works, only 282 HV coils weighing 733 kgs were shown as healthy and remaining coils weighing 497700 kgs extracted from the damaged transformers were returned to stores as aluminium scrap and sold at an average rate of Rs 45 per kg. The HV/LV coils replaced in the damaged transformers were procured at an average rate of Rs 107 per kg. Based on percentage rate of recovery of healthy coils during 1995-96 as 22.67 *per cent*, loss due to non-recovery of 112828 kgs healthy coils from 9982 transformers repaired through contractors during September 1991 to December 1993 worked out to Rs 69.95 lakh. The reasons for short recovery though called for (December 1996) have not been intimated.

3B.5.2 Excess payment due to wrong adoption of weight of new coils

Major repairs of transformers requires replacement of HV/LV coils. Weight of the coils taken out from the tank after draining the transformer oil increases by 8 *per cent* due to oil soaked in the coils. The workshop

Allowing excess weight of coils to private firms in contravention of the agreement resulted in extra expenditure of Rs 21.93 lakh

authorities had not fixed norms for increase in weight of damaged coils due to soaking of oil. Technical Audit Wing of the PSEB after actual verification at site found that weight of dismantled coils increases by 8 *per cent* due to soaking of oil. REC recommended that in repairing a transformer, design of the damaged coils of the transformer should be fully copied in respect of the size of wire, insulation used, number of turns, inner and outer dia of the thickness of the coils etc. so that electrical and mechanical characteristics of the newly wounded coils are the same as that of the old one. Accordingly, the terms and conditions of the work orders for the repair of damaged transformers from private firms provided that weight of new coils should be the same as that of coils taken out from damaged transformers and bills for payment for replacement of coils were to be preferred on weight basis.

A test check in audit revealed that Dhulkote workshop delivered 5304 transformers during January 1994 to December 1996 to various firms for major repairs involving replacement of coils (aluminium wound). Weight of taken out coils from these transformers was 258.299 tonnes which was retained by the workshop at the time of delivery of the damaged transformers to the firms. After excluding 8 *per cent* due to oil soaked in the coils, weight of new coils replaced in the damaged transformers should not have exceeded 239.166 tonnes. However, the firms were paid for 258.299 tonnes instead of 239.166 tonnes resulting in excess payment of Rs 21.93 lakh to various firms.

3B.5.3 Avoidable expenditure in re-painting of transformers

As per Indian Electricity Rules, the life of a distribution transformer is 25 years. The workshop authorities had not fixed any periodicity for re-painting of transformers during its repair by private firms. While no painting was done on transformers repaired in Board's workshops, all transformers repaired by the private firms had been painted according to the terms of contract. The Board paid Rs 76.77 lakh on account of re-painting of 37677 transformers at the time of their repairs from private agencies during 1992-93 to 1996-97. 1800 distribution transformers of two workshops were re-painted by private firms at a cost of Rs 3.67 lakh within the period ranging from 2 to 5 years from the year of manufacture. Reasons for getting re-painted only those transformers which were repaired by outside firms were not analysed by the Board.

3B.5.4 Non-recovery of interest on delay in repair of distribution transformers

As per clause 16 of the agreement for repair of damaged distribution transformers of different capacity entered into with the firms, the firms were responsible to repair free of cost all defects noticed within twelve months from the date of commissioning of the repaired transformer. In case the defects are not attended to within two months of intimation of defects, the supplier was under contractual obligation to pay interest at the rate of 12 *per cent* per annum of the value of each complete operational unit, beginning from the date of its becoming defective up to the date of its re-commissioning after repair.

The Board failed to recover/ claim Rs 0.25 crore from the private firms for belated/non-repair of 788 transformers

A test check of records of 788 distribution transformers damaged within warranty period under the central store Dhulkote and Hisar, revealed that 279 transformers were got repaired during July 1993 to June 1996 after a delay ranging from 2 to 43 months (after giving allowance of 2 months for notice to repair) while 509 transformers were still lying unrepaired (October 1996). Interest amounting to Rs 25.14 lakh up to October 1996 as per terms of agreement for delay/non-repairing of 788 transformers had neither been recovered nor claimed from the private firms.

3B.6 Coil winding workshops

High voltage (HV) coils and low voltage (LV) coils required for replacement in damaged transformers are wound in three workshops of the Board at Dhulkote, Faridabad and Hisar.

Review of stock cards as on 31 December 1996 maintained in Coil Winding Workshop Faridabad and Hisar revealed that items of raw material valued at Rs 1.27 lakh for more than 5 years, Rs 4.93 lakh for more than 4 years and Rs 7.86 lakh for more than 3 years were lying unutilised. Besides fabricated coils valued at Rs 4.91 lakh were also lying unutilised in the two workshops for more than three years.

3B.7 Power transformer repair workshops

There are two workshops at Panipat and Ballabgarh to repair power transformers.

3B.7.1 Repair of damaged power transformers

The table below indicates the number of transformers awaiting repairs, target for repairs fixed in annual estimates and transformers actually repaired during the five years ending 1996-97 (up to December 1996):

Year	Damaged transformers lying in workshops at the beginning of year	Damaged transformers received during the year	Target for repair	Transformers repaired	Transformers declared un-repairable	Transformers repaired through private firms	Transformers lying un-repaired at the close of the year
				(Number of transformers)			
1992-93	21	27	22	19	-	-	29
1993-94	29	25	22	15	1	-	38
1994-95	38	11	22	20	2	1	26
1995-96	26	18	20	16	5	1	22
1996-97	22	25 (up to December 1996)	20	14	8	3	22

It would be seen from above that:

(i) The targets and achievements in repair of damaged power transformers were low as compared to the damaged transformers lying in workshops. The Board has not taken action either to enhance repairing capacity of its own workshops or got them repaired from outside parties.

(ii) As on 31 December 1996, 22 power transformers valued at Rs 85.50 lakh were lying unrepaired. Of these 7 transformers valued at Rs 22.50 lakh were lying with the workshop for more than one year due to non-availability of spares.

(iii) Scrutiny of records in these two workshops revealed that 11 transformers were surveyed off after the delay ranged from 5 to 67 months after their receipt in workshops. The delay in surveying off transformers (on the basis of reserve price indicated in the survey off reports) had resulted in the loss of interest of Rs 27.06 lakh besides locking up of Board's funds to the extent of Rs 69.80 lakh.

3B.8 General workshops

General workshops at Dhulkote and Delhi were established to manufacture fittings and accessories for use in distribution system.

3B.8.1 Production performance

The Board had not assessed rated capacity of workshops. Production targets are fixed by the Board in the annual estimates prepared by the Chief Engineer (workshops).

The table below indicates value of production as per targets *vis-a-vis* actual during the five years up to 1996-97:

General Workshop	Year	Value of production		Percentage of actual production to targets
		As per targets	Actual	
		(Rupees in lakh)		
Dhulkote workshop	1992-93	403.00	361.48	89.7
	1993-94	406.74	372.36	91.55
	1994-95	327.89	253.68	77.37
	1995-96	408.73	172.27	42.14
	1996-97	373.73	290.39	77.70
Delhi workshop	1992-93	40.37	34.54	85.56
	1993-94	38.48	32.59	84.69
	1994-95	45.68	28.86	63.18
	1995-96	55.09	30.98	56.24
	1996-97	58.05	30.57	52.66

It may be seen from the above table that targets fixed by the workshops in annual estimates were not achieved during any of the five years ending 1996-97. Production in Dhulkote workshop decreased from 91.55 *per cent* in 1993-94 to 42.14 *per cent* in 1995-96 and in Delhi workshop it decreased from 85.56 *per cent* in 1992-93 to 52.66 *per cent* during 1996-97.

During test audit of the workshop, the following points were noticed:

(i) The Dhulkote workshop manufactured 2518 iron casting sets for use in 20903 gang operated (GO) switches manufactured by it. The balance 18385 iron casting sets were procured from outside firms at rates ranging from Rs 207 to Rs 373 per set as against its estimated cost in the Dhulkote workshop of Rs 163 to Rs 211 per set during the five years up to 1996-97 despite availability of capacity and required infrastructure. Shortfall in manufacture of iron sets resulted in extra expenditure of Rs 20.94 lakh.

The Board incurred Rs 2.19 crore towards wages for idle staff at Dhulkote workshop

(ii) As against the estimates of wages to production ranged between 18.53 to 29.05 *per cent* from 1992-93 to 1996-97 in respect of General workshop, Dhulkote (as provided in the annual estimates), the percentage of actual wages to value of production in this workshop during this period ranged between 21.49 to 57.76 *per cent*. Compared with the percentage of wages provided in the annual estimates, expenditure on wages to idle staff incurred in Dhulkote workshop worked out to Rs 218.61 lakh.

3B.9 Steel structure Fabrication workshop

Steel Structure Fabrication workshop located in periphery of Panipat Thermal Power Plant is engaged in fabrication of various types of line towers, sub-station structure and supporting structures for construction and maintenance of transmission system. After the steel is fabricated in fabrication shop, the same is galvanised/painted in galvanising/painting shops before their despatch to the construction divisions.

The project report envisaged fabrication of steel structure (3300 tonnes), galvanisation (3300 tonnes) and painting of steel structures (1500 tonnes), respectively, with the manpower strength of 365 employees. The envisaged annual output per employee works out to 22.19 tonnes in the aggregate. The table below indicates manpower, structures fabricated, galvanised/painted and production per employee during each of five years up to 1996-97 :

Year	Average manpower strength	Steel structures			Total	Output per employee
		Fabricated	Galvanized	Painted		
		(In tonnes)				
1992-93	107	1174	Nil	703	1877	17.54
1993-94	113	982	717	200	1899	16.81
1994-95	114	880	Nil	283	1163	10.20
1995-96	108	905	503	120	1528	14.15
1996-97	108	875	846	30	1751	16.21

There was a shortfall of steel structure production valued at Rs 4.87 crore during the 5 years up to 1996-97 in regard to projected out put

Against the projected output of 22.19 tonnes per employee, the actual output ranged between 10.20 tonnes and 17.54 tonnes per employee during the five years up to 1996-97. Based on production estimates of the Board the value of short production during these years worked out to Rs 486.79 lakh. The reasons for shortfall in output per employee had not been analysed by the workshop authorities. It was observed in audit that output suffered due to non functioning of pickling tank and acid storage tank during the period which affected the galvanising plant adversely.

3B.9.1 Undesirable formation of zinc scrap

Indian Hot Dip Galvanizing Association envisage by-products in the shape of zinc ash and zinc dross only. It was, however, seen in audit that the galvanizing workshop generated third scrap in the shape of unuseable zinc scrap of 18.619 MT during operation of galvanizing plant in three years. The unuseable zinc scrap (11.880 MT) consists of zinc contents to the extent of 91 *per cent* and could be re-used as raw material in manufacturing of bushing rods in Board's workshop at Dhulkote. The workshop authorities disposed off the unuseable scrap at the rate of Rs 34.25 per kg resulting in loss of Rs 4.42 lakh (calculated at the rate of zinc contents of 91 *per cent*).

3B.9.2 Delay/non-recovery of zinc solution from abandoned bath tub

The use of 3 meter long zinc bath tub required to dip steel was abandoned from May 1990. At this time 18.748 MT zinc was lying in the bath tub. It was only in May 1995 that 13.046 MT zinc was retrieved from the abandoned bath tub, while 5.702 MT zinc valued at Rs 2.91 lakh has not so far been retrieved. As such, Board's funds of Rs 9.56 lakh for the retrieved zinc and Rs 2.91 lakh for the zinc yet to be retrieved remained blocked for a period of 5 and 6.5 years, respectively, resulting in loss of interest amounting to Rs 9.39 lakh. The possibility of non-retrieval of 5.702 MT after a lapse of 6.5 years can not be ruled out which needs to be investigated.

3B.9.3 Inventory control

As on 31 March 1997 the value of finished and semi finished structures lying in the steel structure fabrication workshop was Rs 165.41 lakh and Rs 60.92 lakh, respectively. Of this 412.584 tonnes finished towers valued at Rs 64.34 lakh were lying in workshops for different periods, age wise break-up of which was as under:

Particulars	Quantity (in tonnes)	Value (Rupees in lakh)
More than 10 years	85.202	6.09
More than 5 years but less than 10 years	72.280	8.72
More than 2 years but less than 5 years	255.102	49.53
Total	**412.584**	**64.34**

The workshop authorities had neither taken up the matter with indenting units regarding liftment of finished tower structures, nor had taken action to utilise the material elsewhere so as to reduce the inventory of the Board as the finished tower structure might have lost strength due to their prolonged storage.

3B.9.4 Non-installation of weigh bridge

A purchase order for the procurement of one electronic weigh bridge with weighing capacity of 40 MT for its installation and commissioning in the Panipat workshop was placed (26 July 1991) with M/s Avery India Ltd., New Delhi at a cost of Rs 5.20 lakh. The weigh bridge was received in the workshop on 26 November 1991 against ninety *per cent* payment of Rs 4.62 lakh (December 1991). Though a work order for construction of civil foundation of weigh bridge and cabin was placed on 28 June 1993 at a cost of Rs 1.74 lakh, the civil work has been completed for Rs 0.28 lakh so far (March 1997) which resulted in lying of weigh bridge un-installed (March 1997).

Failure of the workshop authorities in installation of weigh bridge expeditiously had resulted in blockade of Board's funds to the tune of Rs 4.62 lakh besides loss of interest of Rs 4.37 lakh for five years up to March 1997.

3B.10 Internal audit

Shortage/mis-appropriation of transformers spare parts valued at Rs 4.92 lakh though accepted in June 1996 recovery process was yet to start (March 1997)

Special audit of transformer repair workshop, Hisar for the period from April 1991 to July 1991 was conducted by an Internal Audit of the Board in September 1992. Interim report pointing out mis-appropriation/ shortages, non-accountal and less accountal of new/ old copper/ aluminium coils and rods valued at Rs 4.92 lakh was submitted to the Member Finance and Commercial of the Board in October 1992. Final report covered the period up to September 1992 and pointed out further mis-appropriation and shortages amounting to Rs 10.54 lakh. Both the interim as well as final reports put up to the Board were considered (January 1994) by Whole Time Members (WTMs) who decided to obtain comments of the Chief Engineer (workshops). The Chief Engineer admitted (10 June 1994) the shortages/mis-appropriation of spare parts to the extent of Rs 4.92 lakh against 15.46 lakh. Neither any action for recoveries of Rs 4.92 lakh from the defaulting officials was initiated nor remaining shortages for Rs 10.54 lakh reconciled so far (March 1997).

3B.11 Conclusions

The Board had conceived a network of workshops for carrying out timely repairs of equipments for efficient maintenance of transmission and distribution system. Following deficiencies were noticed in the working of these workshops:

- lower manpower productivity;
- non-fixation of norms of wastage of transformer oil in dehydration process and recovery of scraps from damaged transformers ;
- break down of repaired transformers during testing;
- excessive iron losses in repaired transformers;
- repairs of 25 KVA and 63 KVA transformers at higher labour cost from private parties instead of repairing in its own workshops;
- short recovery of healthy coils from transformers issued to private parties for repair; and
- excess payment to private firms due to wrong adoption of weight of coils.

Remedial steps need to be taken by the Board in this respect for efficient working of these workshops.

The matter was reported to the Board/Government in May 1997; their reply had not been received (November 1997).

Section-4

Miscellaneous topics of interest relating to Government companies and Statutory corporations

4A GOVERNMENT COMPANIES

4.1 Haryana State Industrial Development Corporation Limited

4.1.1 Loss in renunciation of equity rights at lower rates

The Company subscribed (April 1986 to June 1988) 4,52,000 equity shares (Rs 45.20 lakh) of Haryana Leather Chemicals Limited (HLCL) under its joint sector scheme in pursuant to financial collaboration agreement entered into in October 1984. The Company further subscribed 85,000 equity shares (Rs 8.50 lakh) in March 1991 raising the total number of shares to 5,37,000 (Rs 53.70 lakh) being 28 *per cent* of the equity of HLCL.

Decision to renounce 4,03,200 shares in favour of the collaborator at a meagre premium of paise 25 only as against the then prevailing market rate of Rs 25 per share resulted in loss of Rs 59.47 lakh

In March 1992, Company received an offer from HLCL to subscribe in the right issue for 5.37 lakh shares in the ratio of 1:1. The offer of HLCL was considered by the Company and it decided (May 1992) to subscribe for 1,33,800 equity shares (valued at Rs 13.38 lakh) with a view to restrict its total contribution to Rs 67.08 lakh (26 *per cent* of equity of HLCL). The remaining 4,03,200 equity shares were decided to be renounced for which sealed quotations were invited (13 August 1992) from Public Mutual Funds including the collaborator. Only one offer from the collaborator at a premium of 25 paise per share was received (20 August 1992) and the Company renounced rights of all the 4,03,200 shares at a premium of Rs 1.01 lakh in favour of the collaborator in September 1992 though the market price of the share was Rs 25 per share in September 1992.

It was noticed in audit that the Company at the later stage, on the completion of financial collaboration agreement, disposed off (February 1994) 2,98,000 equity shares at the rate of Rs 35 per share after negotiating with the different parties at Bombay against the prevalent market rate ranging between Rs 31 and Rs 33 per share.

The decision of renouncing 4,03,200 shares in favour of the collaborator at a meagre premium of paise 25 only as against the then prevailing rate of Rs 25 per share in the market resulted in loss of Rs 59.47 lakh.

The contention of the Management (January 1997) that the increase in market rate of the shares was artificially created and all the right shares could not be subscribed due to funds constraint with the Company, is not tenable being self contradictory. Moreover the Company was having sufficient funds available for purchase of these shares.

The matter was reported to the Company and the Government in February 1997; their replies had not been received (November 1997).

4.1.2 Avoidable loss due to ignoring reports of Banks

Overlooking the information given by the Banks before sanctioning and disbursing the loan, the Company had to suffer a loss of Rs 183.41 lakh.

The Company sanctioned (November 1986) a term loan of Rs 90 lakh to Haryana Equipments Limited for setting up a project for the manufacture of ceiling fans. Of this, Rs 74.78 lakh were disbursed between February 1988 and August 1988 and the balance loan was cancelled as the unit did not purchase the required imported machinery. The loan carrying interest of 15.5 *per cent* was recoverable in 16 half yearly instalments starting from November 1989. The unit came into production in November 1988 but did not make payment of any instalment (August 1992). Besides, the Company had also contributed Rs 20 lakh towards equity capital (March 1987 and March 1988) in the unit. As per financial agreement, the collaborator was to buy back the shares held by the Company within a period of five years from start of commercial production failing which the Company was entitled to sell them at the risk and cost of the promoters.

Due to some differences between the promoters, the unit was taken over by other promoters with the approval (December 1989) of the Company. As the unit continued to be in default, its assets were finally taken over by the Company in September 1993. Sensing that full recovery would not be possible, the Company wrote off (March 1995) Rs 33.84 lakh out of 'principal and expenses' of Rs 78.54 lakh. Besides this, Rs 163.37 lakh being interest including expenses of Rs 3.70 lakh were also recoverable (August 1996) making the total recoverable amount to Rs 241.91 lakh. After many advertisements the unit was sold (January 1997) for Rs 93.50 lakh (to be shared alongwith other creditors) and the Company's share worked out to Rs 58.50 lakh resulting in loss of Rs 183.41 lakh.

The Company had also not disposed of the shares which the promoter had failed to buy back but issued a recovery certificate through Collector, Chandigarh. As such recovery of Rs 26.59 lakh including interest of Rs 15.09 lakh up to March 1995 on account of equity had also become doubtful.

It was noticed in audit that United Bank of India (UBI) and Industrial Reconstruction Bank of India (IRBI) had informed (March 1986 and June 1986, respectively) the Company that (i) one of the promoters was a man of moderate means and earned low income and (ii) the promoters should concentrate on the revival of a sick unit at Calcutta rather than embarking upon another project for manufacture of ceiling fans. The Company, however, overlooked these factors, while recommending (November 1986) for sanction of the loan. Had these facts been kept in view, the loss of Rs 183.41 lakh could have been avoided.

The Management stated (September 1995) that Adhoc Advisory Committee of the Company had recommended sanction of the loan keeping in view the report of UBI and IRBI and the discussions with the bankers at Calcutta. It was, however, noticed in audit that even during the discussions two bankers had emphasised (June 1986) that presence of one of the promoters was more required in the Calcutta Unit. Therefore, extending of loan without safeguarding the interest of the Company was not justified.

The matter was reported to the Company and Government in March 1997; their replies had not been received (November 1997).

4.2 Haryana Police Housing Corporation Limited

4.2.1 Excess deployment of staff

Deployment of staff in excess of the requirement resulted in avoidable expenditure of Rs 17.88 lakh

Instructions issued by the State Government (August 1984 & January 1988) require all proposals for creation of new posts, after the recommendations of the Administrative Department and approval of the Board of Directors of the Company, be referred to the Finance Department (FD) for prior clearance. According to these instructions such proposal was to be submitted to the Board of Directors for sanction only after receiving the clearance from FD.

The Company was incorporated on 29 December 1989 with the main object to construct buildings both residential and administrative specially for the requirement and use by the Police Department. It appointed 106 personnel (56 on deputation and 50 direct recruitment) during October 1989 to January 1992 without assessment of staff required at initial stages and thereafter without obtaining prior clearance of the FD. The Company referred (February, May and August 1990) the case to Government for *ex-post facto* sanction for the staff appointed with the approval of Board of Directors. The Company (April 1990 and February 1991) also asked for exemption from the instructions *ibid*, to which the FD directed the Company (March 1991) to refer the case to a Standing Committee of the Government which conveyed its approval (February 1992) for 64 posts only and annuled the excess posts.

Consequently, the Company immediately (February to July 1992) terminated the services of 19 persons, repatriated 18 persons to their parent department and accepted resignation of 5 persons. It was observed that the Company had incurred Rs 17.88 lakh on the salaries and allowances of the staff recruited in excess of the requirement as the same, having been found surplus by the Government, had to be terminated/ repatriated.

The Management stated (May 1995) that the prior approval of the Government for creation of new posts could have resulted in considerable delay in the construction work and therefore, case was moved to Government for *ex-post facto* sanction. The reply is not tenable as the Company should not have appointed staff in excess of its requirement.

Thus, appointment of excess staff without prior sanction of the FD and incurring of an expenditure of Rs 17.88 lakh thereof on their wages and salaries lacked justification.

The matter was reported to the Company and the Government in February 1997; their replies had not been received (November 1997).

4.3 Haryana Land Reclamation and Development Corporation Limited

4.3.1 Excess payment to the contractor

Decision to allow 100 per cent increase in the quoted transportation rates instead of allowing proportionate increase with the increase of rates of diesel component only had resulted in excess payment of Rs 3.81 lakh to two transporters.

The Company procures gypsum from Rajasthan for supply in all parts of the State through road and rail transport. For transporting the gypsum for the period from 1 February 1994 to 31 January 1995, the Company executed agreements with M/s Yadav Transport Company, Hisar and M/s S.K. and Company, Hanumangarh on 1 February 1994. The agreements, *inter alia*, provided that escalation would be allowed in case there was any increase in the rates of diesel/statutory levies or taxes. The extent of escalation in such cases was solely at the discretion of the Managing Director of the Company.

Due to hike in the rates of diesel by 12.8 *per cent* (Rs 6.10 per litre to Rs 6.88 per litre) with effect from 2 February 1994, the Hisar based transporter requested (April 1994) the Company to increase the rates by 12.8 *per cent* retrospectively. The Company, however, allowed (May 1994) increase of 12.8 *per cent* with effect from 2 February 1994 to both the transporters on their quoted transportation rates (which include other elements such as diesel consumption, interest on investment, depreciation, hire charges, repairs, maintenance and profit etc.) instead of allowing increase on the diesel component only. It was observed in audit that the Company was giving only proportionate increase in transportation charges due to hike in the price of diesel.

Therefore, the decision of the Company to allow 12.8 *per cent* zone-wise increase in transportation cost on the quoted rates instead of allowing proportionate increase with the increase of rates of diesel component only resulted in avoidable loss of Rs 3.81 lakh for which neither any responsibility on the concerned officer had been fixed nor the amount paid in excess to the contractor recovered from him.

The Government stated (May 1997) that increase in transportation cost was given by the competent authority in accordance with the agreement and to ensure un-interrupted supply of gypsum to the farmers. The reply is not tenable as the hike in freight rate should have been given for the increase in the rates of diesel component only and not on the quoted rates.

4.4 Haryana Minerals Limited

4.4.1 Loss of revenue due to defective terms of agreement

The Company carried out the mining of road metal and masonry stone through labour contractors and exercised supervisory control including control on sale of material through check posts fixed at various places of mines.

Non-inclusion of any punitive clause in the agreement, the Company had to suffer loss of revenue of Rs 11.62 lakh due to non-extraction of minimum required stone by the contractor from the mines taken on lease from the State Government.

The Company entered into an agreement (January 1993) with M/s Indian Railway Construction Company Limited (IRCON) for extraction of stone from plot numbers 34 to 39 in Pali mines (district Faridabad) which was leased to the company in March 1989 for the period from April 1989 to March 1994. The terms of agreement, *inter alia*, provided that the contractor was required to extract minimum of 6000 trucks of stone per month after three months of the agreement failing which appropriate action would be taken. However, the exact action like punitive clause was not made clear. The contractor deposited (December 1992) Rs 0.80 lakh (Rs 0.20 lakh as registration fee and Rs 0.60 lakh as refundable security) as per terms of agreement. The Company was to earn Rs 63 per truck of stone (rate per truck Rs 95 minus royalty per truck Rs 32).

It was noticed (September 1996) in audit that the contractor did not extract even a single truck of stone during the currency of contract though it was required to extract minimum of 19400 trucks of stone during the period from 17 June 1993 to 23 September 1993. The mine was subsequently leased (September 1993) to other private party by the State Government on the principle of 'one area one lessee'. In the absence of clear and specific clause of penalty for non-extraction of minerals by the contractor apart from forfeiture of security, the Company could not take any action against contractor to recover the loss of revenue of Rs 12.22 lakh to the Company except forfeiting the security amounting to Rs 0.60 lakh. Thus, non-inclusion of any specific punitive clause in the agreement with the contractor, the Company had to suffer a loss of revenue of Rs 11.62 lakh.

The matter was reported to the Company and the Government in May 1997; their replies had not been received (November 1997).

4.4.2 Loss due to undue favour to a contractor

Allowing further allowance in the disposal of stock on "as is where is basis" resulted in a loss of Rs 3.70 lakh to the Company.

The Company extracts slate stones from the mines taken on lease from the State Government. The extraction and cutting work of slate stones into saleable sizes are done departmentally and also through the contractors.

In December 1994, the Company decided to dispose of slate stone raw material (including rejected and breakages etc.) lying with a contractor of the Company on 'as is where is basis' due to space problem. A total quantity of 37030.49 m2 (raw material: 28531.07 m2 and machine cut rejected: 8499.42 m2) was identified for disposal. The Management decided to dispose of the whole material, good and rejected, at Rs 40 per square metre as against the realisable average rate of Rs 50.73 per square metre for the good material after carrying out cutting process. The contractor offered to accept the whole quantity including rejected and breakages on 'as is where is basis' at Rs 40 per m2 which was accepted by the Company.

The Company, however, billed for 27772.86 m2 against the quantity of 37030.49 m2 giving 25 *per cent* allowance on account of quantity loss due to breakages which was neither claimed by the contractor and also was not according to management decision. This was un-justified (as lower selling rate was accepted in view of the breakages and rejection in material), and in contravention of the principle of 'as is where is basis' which forbid any afterward concessions.

Thus, allowing 25 *per cent* allowance in the disposal of stock on 'as is where is basis', resulted in a loss of Rs 3.70 lakh to the Company for which no responsibility had been fixed.

The matter was reported to the Company and the Government in March 1997; their replies had not been received (November 1997).

4.5 Haryana State Minor Irrigation and Tubewells Corporation Limited

4.5.1 Extra expenditure on purchase of PVC winding wire at higher rates contrary to the instructions of the Board

The Company had installed tubewells for direct irrigation and augmentation of water supplies in the canals in the State. There was regular demand of PVC wires of various sizes for repair of motors of tubewells. The Company had been procuring PVC winding wires from Finolex cables limited, Pune whose quality was considered one of the best in the country. The annual

Procuring the material from firm "A" at higher rates in contravention of the directions of the Board, the Company incurred an extra expenditure of Rs 4.35 lakh.

requirement of PVC winding wires of the Company was about Rs 24 lakh *per annum*. To ensure continuity in supplies of PVC wires and to cut short the procedural delays, the Company decided to enter into rate contract for a period of one year with the above firm. As per clause 2.3 of the purchase manual of the Company, for purchases of items not available on rate contracts and costing more than Rs 25000, open tenders were required to be invited. However, the Company called for (January 1993) rates from only one firm i.e. Finolex cables limited (Firm 'A') and accepted (30 April 1993) its rates for a period of six months up to October, 1993.

While the rate contract with Firm 'A' was in process, the Company invited (February 1993) another tenders for the purchase of PVC winding wires of various sizes for open market purchase against which it received three tenders which were opened in February 1993. The lowest rate received (February 1993) against the above tender inquiry from Ordinance Cable Factory, Chandigarh, a Government of India Undertaking (Firm 'B') were lower than those of firm 'A'.

Moreover, it was noticed in audit that while approving the proposal to enter into a rate contract with firm 'A' the Board of Directors (Board) decided (March 1993) that the Managing Director of the Company would certify that:

- *the prices quoted by the firm were reasonable;*
- *efforts should be made to call the tenders from other firms engaged in the manufacture of similar nature of winding wires to decide about the fairness of the rates and quality of material supplied by firm 'A'; and*
- *the rate contract should specify that the contract can be terminated by the Company, if the quality and rates were not found suitable.*

Despite higher rates of firm 'A' and above instructions of the Board, the Company placed three purchase orders valued at Rs 13.61 lakh on firm 'A' (in April, June and October 1993 for Rs 4.54 lakh, Rs 4.54 lakh and Rs 4.53 lakh, respectively) and placed only two supply orders on firm 'B' for Rs 1.04 lakh (March and May 1993) the lowest tenderer which were duly executed to the entire satisfaction of the Company. The Company did not consider either to cancel the proposal to enter rate contract with firm 'A' or terminate issuing future orders on this firm as per decision (March 1993) of the Board.

It was observed in audit that rates of PVC winding wires (various sizes) of firm 'B' were lower by Rs 138.39 (1.5 mm), Rs 190.47 (1.8 mm), Rs 231.93 (2 mm), Rs 238.73 (2.12 mm), Rs 349.73 (2.24 mm) and Rs 393.32 (2.50 mm) per hundred meters as compared to the rates of firm 'A' despite the fact that the Company was well aware (February 1993) before entering into rate contract and placing the orders on firm 'A' that the rates of firm 'B' were lower.

Thus, by procuring the material from firm 'A' at higher rates from April 1993 to October 1993 in contravention of the directions of the Board, the Company had incurred extra expenditure of Rs 4.35 lakh.

The Management stated (May 1997) that quality of cables supplied by firm 'A' is one of the best in India and ISI marked whereas cables of firm 'B' were as per same specification ISS 8783 but not ISI marked. The contention of the Company is not tenable as the material of firm 'B' was of same ISI specification and the Company procured material worth Rs 1.04 lakh from it without any complaints etc. Therefore, placement of orders on firm 'A' without review lacked justification.

The matter was reported to the Government in March 1997; the reply had not been received (November 1997).

4.6 Haryana Agro Industries Corporation Limited

4.6.1 Avoidable loss due to improper storage of wheat.

Storing the wheat bags on brick flooring on the ground and not shifting the same to plinth despite availability of sufficient space, resulted in a loss of Rs 8.54 lakh.

The Company has 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 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 FCI at rates fixed by Government of India.

The *Mandi* supervisors, storekeepers 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 procured 3,86,648 bags of wheat from the *Mandis* of Kaithal area during Rabi from April to May 1995. The Company hired (April 1995) the plinths having a storage capacity of 2 lakh bags from four parties at the rate of 20 paise per bag per month and stored 1,75,526 bags of wheat. While full capacity of the plinths remained under-utilised, the Company hired (May 1995) additional brick flooring on ground (in between the plinths) for storage of 20000 to 30000 bags at the rate of 17 paise per bag per month on actual basis. The Company stored 24212 bags from May 1995 to August 1995 and 18000 to 13000 bags from September 1995 to October 1995 on the brick flooring.

The Company informed (September 19, 1995) FCI that one/two bottom layers of 18 stacks stored on hired brick flooring had been affected due to heavy and continuous rain from 27 August 1995 onwards and requested FCI for inspection so that the same could be delivered. A committee of officers of FCI found (September 29, 1995) that the affected 18 stacks were stored on the brick flooring on ground (in between the plinths) which were not store worthy places. Of the above affected wheat, 1429 bags had to be dumped and 167 bags had to be used as cattle feed. The Company had suffered a loss of Rs 8.54 lakh (including expenditure of Rs 1.55 lakh on segregation) due to improper stocking of wheat bags on brick flooring instead of at plinths.

Interestingly, the Company delivered 27251 bags of wheat to FCI during the months of June and July 1995 from its own plinths instead of delivering the wheat from the hired brick flooring (on the ground) which was more prone to damage in case of rains/floods. Neither, the Company shifted equivalent number of bags from brick flooring (on ground) to its own plinth where the sufficient storage capacity was available.

Had the wheat been first delivered from the brick flooring instead of from the plinths, the loss of Rs 8.54 lakh could have been avoided..

The Company stated (July 1997) that they had to supply wheat on first come first basis and on inspection report. Therefore, the wheat delivered to FCI from April 1995 to July 1995 pertained to previous years and the same was also stored on the road of the Company's premises. The reply that Company had stored the delivered wheat on the road of its own plinth is not tenable as it had only 1.40 lakh bags against the available capacity of 1.75 lakh bags in its own plinth. 24212 bags of 1995-96 stock lying on hired brick flooring could have been easily shifted to the space available on its own plinths to prevent damage due to ensuing rain.

The matter was reported to the Government in May 1997; the reply had not been received (November 1997).

4.6.2 Short claim of interest

Failure of the Company to claim interest from FCI as per Government of India rates, terms and conditions had resulted in short recovery of Rs 10.46 lakh.

The Company had been procuring wheat on behalf of the State Government for onward sale and delivery to Food Corporation of India (FCI). The Company was reimbursed the cost of wheat alongwith incidental charges by FCI at rates fixed by Government of India from time to time. Incidental charges are received provisionally at the time of delivery of wheat to the FCI and differentials are received subsequently on fixation of final rates. The terms of incidental fixation orders for Rabi 1994-95, *inter alia*, provided that procuring agencies would be allowed interest at the prevalent RBI rates on the differential amount between the provisional and final bill for the period from the date of payment of provisional bill to the date of payment of final bill.

A test check in audit (December 1996/April 1997) revealed that

Farmers Service Centre (FSC) of the Company at Sirsa had claimed interest on the differential amount from the beginning of next quarter instead of claiming interest from the date of receipt of actual payment of provisional bills in contravention of the instructions *ibid*. The interest, thus, less claimed worked out to Rs 3.49 lakh.

Further the Company claimed interest on differential amount of Rs 230.08 lakh up to 23 July 1996 (FSC Sirsa) and of Rs 193.28 lakh up to 30 June 1996 (FSC Hisar) instead of claiming the interest on differential amount up to the date of receipt of actual payment which was received on 12 and 14 August 1996, respectively. The interest, thus, less claimed by the Company worked out to Rs 6.97 lakh (FSC Sirsa: Rs 2.62 lakh and FSC Hisar: Rs 4.35 lakh). The Company had not claimed the short recovery of interest so far (April 1997).

The failure of the Company to claim interest from FCI according to instructions *ibid*, had resulted in short recovery of Rs 10.46 lakh.

The Government stated (July 1997) that the concerned FSCs had been asked to lodge the claim for the differential amount, if any, reimburseable by the FCI as pointed out in audit. However, the amount has not been recovered so far. (July 1997)

4.7 Haryana Roadways Engineering Corporation Limited

4.7.1 Avoidable loss of Rs 2.60 lakh

Non-settlement of terms and conditions of payment before undertaking the job and delivery of the bus body without realising the fabrication cost resulted in a loss of Rs 2.60 lakh.

The Company fabricates bus bodies mainly for the State Transport Department and recovers 95 *per cent* of fabrication cost *plus* service charges at the time of delivery of the vehicle and the balance 5 *per cent* after issue of certificate of fitness as per agreement (February 1988) between Haryana Government and the Company.

During 1989-90 the Company fabricated one air conditioned deluxe bus body for a political party without any formal written orders. Neither terms of payment were settled with the party nor was formal order for fabrication obtained. The delivery of the vehicle was made in October 1989 without raising any bill and without taking 95 *per cent* of the cost of fabrication. Subsequently, two bills of Rs 2.56 lakh and Rs 0.04 lakh were raised in November 1989 and December 1989, respectively. The Company reminded (September 1994 and September 1995) the party for the payment but no response was received. Realising the remote chances of recovery the Board of Directors decided (November 1995) to treat this amount as bad debt.

Thus, non-settlement of terms and conditions of payment before

Chapter - IV

Miscellaneous topics of interest

undertaking the job and delivery of the bus body without realising the fabrication cost has resulted in a loss of Rs 2.60 lakh.

In its reply (August 1996), the Company stated that delivery was made due to political compulsions.

The matter was reported to the Company and the Government in February 1997; their replies had not been received (November 1997).

4B STATUTORY CORPORATIONS

4.8 Haryana State Electricity Board

4.8.1 Locking up of funds due to un-planned execution of work

> ***Without synchronising the project of additional Ash Pipe Line as per PERT, the Board procured (May 1993) ERW pipes worth Rs 102.07 lakh which were yet to be utilised (April 1997). This resulted in blockage of scarce resources of the Board.***

With a view to increase the plant load factor of the Faridabad Thermal Power Station, the schemes of renovation and modernisation (R and M) (Phase -II) were formulated by the Board under 8th Five Year Plan. Accordingly, the Board accorded (August 1990) administrative approval of Rs 120 lakh for the activity of providing additional (3rd) Ash Slurry Pipe Line. The Board also decided (August 1990) to avail the consultancy services from Central Electricity Authority (CEA) for providing additional Ash Slurry Pipe Line. The activity involved the work of execution of civil works and supply, erection, testing, commissioning of pipe lines, bends, coupling etc. and was slated for completion by 1993-94.

The CEA finalised the draft specifications for pipes in April 1992 and revised specifications alongwith other works completed in August 1993. On the basis of those specifications, the Board, issued (November 1992) letter of indent to the Steel Authority of India for supply of 9000 metres of ERW pipes for which detailed purchase order was placed in March 1993. The material of 8998.21 metres valued at Rs 102.07 lakh was received in May 1993.

The specifications for 3rd Ash Slurry Pipe Line had to be modified in view of the raising of level of two existing ash slurry lines. The modified specifications were ,however, received in September 1995. The work (valuing: Rs 44 lakh) for execution of civil works though started in June 1996 was yet to complete and pipes were yet to be erected (April 1997).

Thus, without synchronising the project as per PERT (Programme Evaluation and Review Techniques) the Board procured (May 1993) the pipes worth Rs 102.07 lakh, which could not be used so far (June 1997). This has resulted in locking up of scarce resources of the Board for a period of 4 years and 1 month and loss of interest of Rs 77.60 lakh calculated @ 18.25 to 20.75 *per cent per annum*.

The matter was reported to the Board and the Government in March 1997; their replies had not been received (November 1997).

4.8.2 Avoidable payment of service charges

Providing additional facility to the bulk consumers of Panchkula for deposit of their energy bills through local Bank otherwise required to pay by local cheques only without assessing viability vis-a-vis work load involved, the Board had incurred an avoidable expenditure of Rs 10.41 lakh on payment of commission to the Bank.

With a view to provide additional facility to the consumers of Panchkula for deposit of their energy bills through local bank, the board entered into an agreement (November 1988) with the Haryana State Co-operative Bank for collection of energy bills with effect from December 1988. The agreement *inter alia* provided that:

- the consumers have the option either to deposit the amount of their energy bills with the bank at its Panchkula branch or Board's collection centres for which a rubber stamp was affixed on each bill indicating the option;
- the board would pay service charges to the bank for collection at 30 paise per hundred on the total amount collected by the bank from the consumers; and
- these arrangements will be reviewed after a quarter from the date of commencement.

On the request of the Bank (19 December 1988) the Board also allowed (20 December 1988) the Bank to receive energy bills of two bulk supply consumers, though the bills above Rs 2000 are accepted through cheque/demand draft only. Had the Board collected the bills of two bulk supply consumers at its own collection centres instead of depositing in the bank, it could have avoided the commission of Rs 10.41 lakh on their collection.

As only 14 *per cent* of consumers has availed the facility, the scheme was a failure and its viability was not assessed till its discontinuation in March 1997.

The Board in its reply stated (March 1997) that the scheme has been withdrawn from 15 March 1997 on pointing out by audit. However, the fact remains that by acceding to the request of the bank for accepting the deposit which was not in the interest of the Board, the Board had to incur avoidable expenditure.

The matter was reported to the Government in February 1997; the reply had not been received (November 1997)

4.8.3 Avoidable extra expenditure due to non-incorporation of interest clause in the purchase order.

Against the tender enquiry for the purchase of 1850 Km Weasel Conductor, six firms quoted their variable rates ranging between Rs 9150

Issuing purchase order not as per offer/directions of the WTMs and without acceptance by the supplier, resulted in extra expenditure of Rs 3.45 lakh to the Board.

to Rs 10374 per Km inclusive of excise duty, sales tax, packing, forwarding, insurance and freight charges. Four out of the six firms demanded payment of interest at the rate of 24 *per cent per annum* if 100 *per cent* payment is not made within 30 days against receipted challan. The sixth lowest tenderer M/s Subham Conductor (P) Limited, Noida who had quoted at Rs 10374 per km demanded interest at the rate of 24 *per cent per annum* if payment was not made within 10 days. However, during negotiations (February 1995) the firm reduced its rates to Rs 9360 per Km and agreed to accept payment within 30 days.

The Whole Time Members (WTMs) decided (February 1995) to place orders on the five tenderers at Rs 9150 to Rs 9360 per Km as per their terms and conditions and allowed interest on delayed payment as per their offers. Even in the case of two firms which had agreed to withdraw the interest clause during negotiation on persuation of store purchase committee, the Board agreed to allow the interest on the delayed payment as per their original offers.

The purchase orders issued (March 1995) on four firms contained a clause for the interest at 24 *per cent per annum* in case of payment of the supplies is delayed beyond 30 days. However, no interest clause was incorporated in the purchase order placed (March 1995) on M/s Subham Conductor (P) Limited, Noida for supply of 550 Kms of material.

The Noida based firm represented (April 1995) the Board for amendment of the purchase order so as to include interest clause as per their original offer which was turned down (July 1995) by the Chief Engineer being not as per purchase order and not feasible. The letter of refusal was, however, received undelivered (August 1995) by the Board. The Noida firm resultantly did not supply the material. On non-supplying of the material, the Board could not even issue risk purchase notice to the firm, because there existed no valid contract between Board and the firm as the purchase order was placed in variance of terms of offer and the letter (July 1995) rejecting the request of the firm was not received and accepted by the firm.

The Board subsequently (December 1995) met its requirement of material from another firm at variable rate of Rs 10450 per km involving extra expenditure of Rs 3.45 lakh on the purchase of 550 Km Weasel Conductor.

Thus, by not issuing the purchase order to the Noida based firm including interest clause as per offer of the firm and directions of the WTMs, the Board had incurred extra expenditure of Rs 3.45 lakh.

The matter was reported to the Board and the Government in March 1997, their replies had not been received (November 1997).

4.8.4 Loss due to making of payments without receipt of material

Obtaining despatch documents from Bank and directly from the party knowing well that the material thereagainst had not reached the destination put the Board to a loss of Rs 3.26 lakh.

The Chief Engineer (Thermal) Faridabad placed five purchase orders worth Rs 20.92 lakh during September 1992 and November 1993 on M/s SKF Bearings India Limited, Mumbai for supply of various types of bearings. The terms of purchase orders, *inter alia*, provided 'firm' rate FOR Mumbai, supply of material through Rail on 'to pay' basis and 100 *per cent* payment through bank against the despatch documents.

Of seven consignments of bearings valued at Rs 3.99 lakh despatched between September 1993 and February 1994 from Mumbai to Faridabad by rail, six consignments did not reach its destination. The Board obtained (October 1993 and February 1994) RRs from the Bank for three consignments of Rs 0.68 lakh and approached Faridabad Railways for its delivery. Only one consignment of Rs 0.35 lakh despatched in December 1993 received at Faridabad was delivered and that too short by Rs 0.05 lakh and other two consignments of Rs 0.33 lakh despatched in September 1993 and December 1993 could not be delivered because they did not reach the destination. While all the balance six consignments did not reach their destination and the Board had taken up (March 1994) the matter with Chief Claims Officer, of Railways Mumbai, it continued retiring the documents through bank/ the supplier, amounting to Rs 3.26 lakh for the remaining three consignments during April 1994 to August 1994 knowing well that these consignments had not reached their destination. The documents of seventh consignment of Rs 0.34 lakh were rightly not retired because it did not reach the destination.

The Board lodged (November 1994) the claims of non-receipt of consignment with the Railways for Rs 3.99 lakh. The Railways settled (December 1996) the claim for Rs 0.16 lakh only on the basis of actual weight of consignments to which the Board did not agree (January 1997), except one claim of Rs 0.05 lakh settled for Rs 0.03 lakh. The Board besides approaching (June 1996, December 1996 and June 1997) the United India Insurance Company, also asked (December 1996 and June 1997) the supplier to make good the loss of Rs 3.94 lakh for which no response has been received so far (July 1997).

Thus, obtaining despatch documents by making payments knowing well that the material thereagainst had not reached the destination, had put the Board to a loss of Rs 3.26 lakh.

The matter was reported to the Board and the Government in May 1997; their replies had not been received (November 1997).

4.8.5 Infructuous expenditure on installation of tubewell without conducting field test

With a view to provide water for washing, bathing, cleaning and sewerage disposal for the Board's employees residing in the colony of 33 KV Sub-station, Kalanwali, a proposal for installation of deep boring tubewell at a total estimated cost of Rs 2.22 lakh was sanctioned during 1993-94 by the Superintending Engineer 'Operation' Circle, Sirsa without obtaining approval from the Design wing of the Board. The work of boring and installation of 419 ft. deep tubewell undertaken (December 1993) by the Executive Engineer, Civil works (T) Division, Hisar was completed (February 1994) at a total cost of Rs 3.23 lakh. The water of the tubewell was got tested (August and September 1994) and found neither fit for human consumption nor for agriculture and sanitation purposes. Field test carried out (January/March 1996) by the Sub-Divisional Officer 'Operation', Sub-division, Kalanwali indicated water from this tubewell had considerable corrosion effect on CI pipes used for water supply and sewerage system.

Installation of tubewell without conducting field tests of water to ascertain its suitability for the residents and without approval of the Design Wing of the Board resulted into infructuous expenditure of Rs 3.23 lakh

The Engineer-in-Chief 'OP', Hisar observed (April 1996) that the tubewell was installed haphazardly without any approval of the Design wing of the Board and without ascertaining the local conditions and suitability of ground water in the area and as such the concerned officers were directed not to takeover this tubewell as the water from this tubewell could not be used for any purpose. He further observed that as per the field report the underground water up to 40-60 feet depth, if tapped, could be used for horticulture as well as flushing system without effecting adversely water supply fittings and fixtures and the cost of installing the tubewell would have not exceeded Rs 0.40 lakh.

The tubewell installed at a cost of Rs 3.23 lakh has not been takenover (February 1997) by the Operation Sub-division, Kalanwali because the water was not usable for any purpose and was lying idle since its installation (February 1994) rendering the whole expenditure as infructuous.

Although the enquiry against the Executive Engineer was initiated in June 1995, the same was yet to be finalised (February 1997).

Thus, execution of work of installation of tubewell to cater the requirement of non-drinking water of the colony without conducting field tests of water, ascertaining its suitability for the residents and without approval of the Design wing of the Board had resulted into an infructuous expenditure of Rs 3.23 lakh.

The matter was reported to the Board and the Government in March 1997; their replies had not been received (November 1997).

4.8.6 Extra expenditure of Rs 4.25 lakh due to injudicious splitting up of purchase order

The Board invited tender inquiry (30 October 1991) in two parts for procurement of 27 Nos. 220 KV 1600 A Isolators and 10 Nos. 220 KV 1600 A Isolators-cum-earth Switches . Five firms quoted their rates to this tender enquiry.

Purchase of part supply at higher rates by ignoring the lowest firm competent to supply the full quantity resulted in extra expenditure of Rs 4.25 lakh

The quoted rates of first three lowest firms were on 'Firm' basis while of the fourth firm on variable basis. As the Ist and 2nd lowest offers were not found technically suitable as well as these firms were new to the Board, the Store Purchase Committee (SPC) recommended (September 1992) for placement of supply order on the 3rd lowest firm for entire quantity subject to the negotiation of rates with the firm as the firm did supply 55 Nos. Isolators and 18 Nos. Isolators-cum-earth switches in the past (including 20 Nos. Isolators in a single order against Purchase Order No. HD-2448) and performance of its material was generally found to be satisfactory. However, the WTMs decided (October 1992) to call the 3rd and 4th lowest firms for negotiation. While the 3rd firm telegraphically refused to reduce already quoted 'FIRM' rates, the fourth firm agreed to allow 5 *per cent* discount on their quoted variable rate.

The negotiation committee recommended (October 1992) to place order for 10 Nos. Isolators and 5 Nos. Isolators-cum-earth switches on the 3rd lowest firm and 10 Nos. isolators on 4th lowest firm (at negotiated rates) on the apprehension that the firm quoting 'FIRM' rates may not be in a position to honour the commitment as per past experience (with some another party) of the Board and to have better reliability of supply of equipment. The Board decided (October 1992) to accept the recommendations of the negotiation committee. Accordingly, two supply orders were issued (November 1992). The contention of the Board is not tenable as 3rd lowest party had supplied 20 Nos. Isolators against a single order in the past also.

Thus, the decision of the Board to split up the supply order and purchase of 10 Nos. Isolators on higher price by ignoring the lowest rates has resulted in extra expenditure of Rs 4.25 lakh.

The matter was reported to the Board and Government in April 1997; their replies had not been received (November 1997).

4.8.7 Undue financial aid

> ***Grant of interest free advance in contravention of the terms and conditions of the purchase order resulted in undue financial aid entailing loss of interest amounting to Rs 6.14 lakh to the Board***

The Board invited (28 June 1991) sealed tenders for purchase of 12 Nos. of 12.5/16 MVA, 66/11 KV Power Transformers. Ten firms quoted for the supply of these transformers. The Whole Time Members (WTMs) in their in-house meeting held on 3 August 1992 considered the recommendations of Store Purchase Committee (SPC) and decided that the prices and the commercial terms as recommended by SPC be negotiated with the firms by a committee consisting of Member Technical (OP) and Member (Finance & Commercial) on 10 August 1992. Negotiations were accordingly held. As a result of such negotiations Nagpur Transformers and Industrial Meters Limited (IMP) did not demand advance payment. Bharat Bijlee Limited, Bharat Heavy Electrical Limited (B.H.E.L) and General Electric Company of India Limited (G.E.C) reiterated their demand of 10 *per cent* of the contract value as interest free advance. ECE Industries Limited (ECE) and Andrew Yule & Co. withdrew their condition for grant of 10 *per cent* of the contract value as interest free advance vide their undertakings dated 10 August 1992. In the meantime demand was assessed to 18 transformers and accordingly orders were placed (Nagpur Transformers : 1, IMP : 1, ECE : 6, Andrew Yule : 4, Bharat Bijlee : 2, GEC :2 and BHEL :2) as per the above negotiations. Detailed orders dated 28 September/15 October 1992 on ECE and Andrew Yule & Co., respectively, did not contain stipulation for payment of interest free advance as these firms had withdrawn this condition at the time of negotiations.

In January 1993, ECE and Andrew Yule & Co., however, demanded that they be allowed 10 *per cent* of the contract value as interest free advance on the ground that at the time of negotiations they were given the understanding that in case 10 *per cent* of the contract value was allowed to any other party as interest free advance , the same would be allowed to them. Though, no such minutes were recorded by the negotiation Committee in their proposal submitted to WTMs/Board yet the Board accepted their representations and allowed interest free advance amounting to Rs 21.07 lakh (paid on 26 March 1993 and 11 May 1993) and Rs 15.14 lakh (paid on 9 March 1993 and 18 March 1993) to ECE and Andrew Yule & Company, respectively.

The grant of interest free advance to ECE & Andrew Yule & Co. in contravention of the terms and conditions of the purchase order was thus, undue financial aid involving blockade of scarce funds of Rs 36.21 lakh and resultant loss of interest to the Board amounting to Rs 6.14 lakh calculated at the bank rate of 17.25 to 19.25 *per cent per annum* for the period from 9 March 1993 to 26 March 1995.

The matter was reported to the Board and Government in January 1996 and April 1997; the reply of the Government had not been received (November 1997).

4.8.8 Extra expenditure of Rs 2.20 lakh

Ignoring the first lowest firm technically capable to supply five vacuum circuit breakers (VCBs) resulted in an avoidable expenditure of Rs 2.20 lakh

Sealed tenders for the procurement of 20 Nos. 36 KV, 630A 1000 MVA rupturing capacity vacuum circuit breakers (VCBs) for outdoor use, strictly conforming to Board's specification No. HGD/S-664/DGM-86 complete with all accessories and spares were invited in November 1992.

After ascertaining the technical competency and past performance of the 5 participating firms, part-II of the tender of only 4 firms were opened on 21 September 1993. The rate of Aluminium Industries Limited (ALIND) were the lowest with landed cost of Rs 3,16,008.40 per VCB (excluding the cost of spares), but Store Purchase Committee (SPC) recommended for placement of trial purchase order for supply of 5 Nos. VCBs on the grounds that the firm had supplied only 46 Nos. VCBs to other Boards. For the balance quantity of 15 Nos. VCBs, SPC recommended for placement of purchase order with S&S Power Switchgear Limited being the second lowest.

Even though the SPC found ALIND technically competent to execute the order the Whole Time Members (WTMs) in its meeting held on 20 December 1993 decided to ignore the lowest offer of ALIND instead of negotiating with other three firms on the rates offered by ALIND. The WTMs decided to place orders for 5 Nos. VCBs on S&S Power Switchgear Limited at the negotiated landed cost of Rs 3,60,077.25 (excluding the cost of spares). The other two firms Bharat Heavy Electricals Limited (BHEL) and GEC Alsthom India Limited (GEC) also agreed to execute the supply at the rate of quoted rate of second lowest. Accordingly, purchase orders were placed for supply of 5 Nos. VCBs each on S&S Power Switchgear Limited and BHEL (1 March 1994) and 10 Nos.VCBs on GEC (16 March 1994), respectively.

It was observed in audit that the reasons assigned for ignoring the lowest offer of ALIND especially when its technical capability had been okayed by the SPC on the ground that the firm had not executed any supply to the Board was not justified as other firms Viz. S&S Power Switchgear Limited and GEC had also not supplied the VCBs of the specification to the Board.

Thus, failure to purchase of 5 Nos. VCBs on trial basis from ALIND (First Lowest) who was technically capable to execute the supply of VCBs of the required specification as recommended by SPC, the Board incurred an avoidable expenditure of Rs 2.20 lakh.

The reply of the Management (June 1997) that M/s ALIND had manufactured only 46 Nos. 33 KV VCBs and as such it had little manufacturing experience was not tenable as the SPC had recommended for a trial order of 5 Nos. VCBs keeping in view the technical capability of the firm.

The matter was reported to the Government in April 1997; the reply had not been received (November 1997).

Chandigarh
Dated:
13 JAN 1998

(B.K. CHATTOPADHYAY)
Accountant General (Audit) Haryana

Countersigned

V. K. Shunglu

New Delhi
Dated:
19 JAN 1998

(V.K. SHUNGLU)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

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

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

Sl. No.	Name of company	Total investment up to 1996-97
		(Rupees in lakh)
1	Hartron Communication Limited	20.80
2	Essen Connectors Limited	15.00
3	Integrated Technologies Limited	44.00
4	Profit Money Market Limited	16.18
	Total	**95.98**

ANNEXURE-2

Statement showing particulars of up-to date capital, Budgetary outgo, loans given out from Budget and outstanding loans as on 31 March 1997

(Referred to in paragraph 1.2.2)

Sl. No.	Name of the Department/company	Paid-up capital as at the end of 1996-97					Loans given out of Budget during the year	Loans outstanding
		State Government	Central Government	Holding Company	Others	Total		
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
						(Rupees in lakh)		
(A)	**Agriculture Department**							
1	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10 (Nil)	-	-	-	1089.10 (Nil)	850.00	2544.00
2	Haryana Dairy Development Corporation Limited	557.48 (Nil)	-	-	-	557.48 (Nil)	-	257.66
3	Haryana Agro Industries Corporation Limited	253.83 (Nil)	160.21	-	-	414.04 (Nil)	-	238.55
4	Haryana Land Reclamation and Development Corporation Limited	136.64 (Nil)	-	-	19.66	156.30 (Nil)	-	-
5	Haryana Seeds Development Corporation Limited	274.87 (Nil)	111.50	-	61.37	447.74 (Nil)	-	401.00
	Total	**2311.92 (Nil)**	**271.71**	**-**	**81.03**	**2664.66 (Nil)**	**850.00**	**3441.21**
(B)	**Industries Department**							
6	Haryana State Industrial Development Corporation Limited	5836.47 (294.98)	-	-	-	5836.47 (294.98)	200.00	14384.78
7	Haryana State Small Industries and Export Corporation Limited	159.05 (40.38)	10.00	-	-	169.05 (40.38)	-	56.25
8	Haryana Tanneries Limited	117.15 (Nil)	-	-	18.00	135.15 (Nil)	-	569.53

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
					(Rupees in lakh)			
9	Punjab State Irons Limited	7.45 (Nil)	-	-	-	7.45 (Nil)	-	-
10	Haryana Concast Limited	290.00 (Nil)	-	340.51	54.99	685.50 (Nil)	-	442.74
11	Haryana Matches Limited	-	-	12.50	-	12.50	-	-
	Total	**6410.12 (335.36)**	**10.00**	**353.01**	**72.99**	**6846.12 (335.36)**	**200.00**	**15453.30**
(C)	**Engineering Department**							
12	Haryana Roadways Engineering Corporation Limited	200.00 (Nil)	-	-	-	200.00 (Nil)	-	8523.00
	Total	**200.00 (Nil)**	**-**	**-**	**-**	**200.00 (Nil)**	**-**	**8523.00**
(D)	**Electronics**							
13	Haryana State Electronics Development Corporation Limited	660.76 (96.00)	-	-	-	660.76 (96.00)	-	17.50
14	Hartron Informatics Limited	-	-	50.00	-	50.00	-	-
	Total	**660.76 (96.00)**	**-**	**50.00**	**-**	**710.76 (96.00)**	**-**	**17.50**
(E)	**Handloom and Handicrafts**							
15	Haryana State Handloom and Handicrafts Corporation Limited	253.82 (5.82)	10.00	-	-	263.82 (5.82)	-	122.50
	Total	**253.82 (5.82)**	**10.00**	**-**	**-**	**263.82 (5.82)**	**-**	**122.50**
(F)	**Forest Department**							
16	Haryana Forest Development Corporation Limited	40.46 (Nil)	-	-	-	40.46 (Nil)	-	-
	Total	**40.46 (Nil)**	**10.00**	**-**	**-**	**40.46 (Nil)**	**-**	**-**

(Rupees in lakh)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
(G)	**Mining**							
17	Haryana Minerals Limited	-	-	24.04	-	24.04	-	-
	Total	**-**	**-**	**24.04**	**-**	**24.04**	**-**	**-**
(H)	**Construction**							
18	Haryana Police Housing Corporation Limited	1875.00 (470.00)	-	-	-	1875.00 (470.00)	-	1774.21
	Total	**1875.00 (470.00)**	**-**	**-**	**-**	**1875.00 (470.00)**	**-**	**1774.21**
(I)	**Economically weaker section**							
19	Haryana Harijan Kalyan Nigam Limited	2583.00 (422.61)	-	-	-	2583.00 (422.61)	5.00	89.52
20	Haryana Backward Classes Kalyan Nigam Limited	670.99 (46.00)	-	-	-	670.99 (46.00)	-	807.55
21	Haryana Women Development Corporation Limited	309.72 (50.00)	109.98	-	-	419.70 (50.00)	-	-
	Total	**3563.71 (518.61)**	**109.98**	**-**	**-**	**3673.69 (518.61)**	**5.00**	**897.07**
(J)	**Tourism Department**							
22	Haryana Tourism Corporation Limited	1140.45 (52.61)	-	-	-	1140.45 (52.61)	-	-
23	Hayana Hotels Limited	-	-	362.91	-	362.91	-	-
	Total	**1140.45 (52.61)**	**-**	**362.91**	**-**	**1503.36 (52.61)**	**-**	**-**
	Grand Total	**16456.24 (1478.40)**	**401.69**	**789.96**	**154.02**	**17801.91 (1478.40)**	**1055.00**	**30228.79**

Note - Figures in bracket 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)

(Figures in Columns 6 to 10 are in lakh of Rupees)

Sl.No.	Name of the Company	Date of Incorporation	Period of accounts	Year in which finalised	Profit (+) /Loss (-)	Paid up Capital	Accumulated profit(+)/ Loss (-)	Capital employed A	Return on Capital employed	Percentage of total return on Capital employed
1.	2.	3.	4.	5.	6.	7.	8.	9	10	11
(A)	**Agriculture Department**									
1	Haryana State Minor Irrigation and Tubewells Corporation Limited	9 January 1970	1990-91	1995	(-)616.04	1089.10	(-)3993.80	15548.28	391.62	2.52
2	Haryana Dairy Development Corporation Limited	3 November 1969	1995-96	1996	(-) 21.91	557.48	(-) 717.62	192.36	(-) 0.62	-
3	Haryana Agro Industries Corporation Limited	30 March 1967	1995-96	1996	(-)656.80	414.04	(+)139.50	6341.57	1555.47	24.53
4	Haryana Land Reclamation and Development Corporation Limited	27 March 1974	1996-97	1997	(+)42.30	156.30	(+)471.66	629.12	55.93	8.89
5	Haryana Seeds Development Corporation Limited	12 September 1974	1995-96	1996	(+)116.49	457.91	(+)58.34	1578.35	208.48	13.21
	Total				**1135.96**	**2674.83**	**(-)4041.92**	**24289.68**	**2210.88**	**9.10**
(B)	**Industries Department**									
6	Haryana State Industrial Development Corporation Limited	8 March 1967	1996-97	1997	(+)790.31	5836.47	(+)174.34	20411.80 B	2804.25	13.74
7	Haryana State Small Industries and Export Corporation Limited	19 July 1967	1996-97	1997	(+)54.76	169.05	(+)21.90	620.41	177.42	28.60
8	Haryana Tanneries Limited	12 Sept., 1972	1996-97	1997	(-)5.79	135.15	(-)716.95	(-)213.58	(-)5.79	-

1.	2.	3.	4.	5.	6.	7.	8.	9	10	11
					(Figures in Columns 6 to 10 are in lakh of Rupees)					
9	Punjab State Irons Limited	1 July 1965	1994-95	1997	(-)0.02	7.45	(-)1.79	5.33	(-)0.02	-
10	Haryana Matches Limited	17 Nov. 1970	1993-94	1995	(-)0.02	12.50	(-)12.50	-	(-)0.02	-
11	Haryana Concast Limited	29 Nov. 1973	1995-96	1996	(-) 341.83	685.50	(-) 1379.75	2005.17	(-) 35.03	-
	Total				**497.41**	**6846.12**	**(-)1914.75**	**22829.13**	**2940.81**	**12.88**
(C)	**Engineering Department**									
12	Haryana Roadways Engineering Corporation Limited	27 Nov. 1987	1990-91	1997	(-)11.38	200.00	(-)1.40	3063.67	355.00	11.59
	Total				**(-)11.38**	**200.00**	**(-)1.40**	**3063.67**	**355.00**	**11.59**
(D)	**Electronics**									
13	Haryana State Electronics Development Corporation Limited	15 May 1982	1996-97	1997	(+) 52.44	660.76	(+)186.37	691.88	52.44	7.51
14	Hartron Informatics Limited	8 March 1995	1995-96 C			50.00	-	-	-	-
	Total				**(+)52.44**	**710.76**	**(+)186.37**	**691.88**	**52.44**	**7.51**
(E)	**Handloom and Handicrafts**									
15	Haryana State Handloom and Handicrafts Corporation Limited	20 February 1976	1993-94	1996	(-)25.47	254.00	(-)260.15	139.84	(-)15.13	-
	Total				**(-)25.47**	**254.00**	**(-)260.15**	**139.84**	**(-)15.13**	**-**
(F)	**Forest Department**									
16	Haryana Forest Development Corporation Limited	7 December 1989	1993-94	1997	(+) 8.88	20.00	(+)4.32	25.64	9.07	34.62
	Total				**(+) 8.88**	**20.00**	**(+)4.32**	**25.64**	**9.07**	**34.62**
(G)	**Mining**									
17	Haryana Minerals Limited	2 December 1972	1994-95	1995	(+)79.00	24.04	(+)233.94	281.11	79.10	28.11
	Total				**(+)79.00**	**24.04**	**(+)233.94**	**281.11**	**79.10**	**28.11**

1	2	3	4	5	6	7	8	9	10	11
					(Figures in Columns 6 to 10 are in lakh of Rupees)					
(H)	**Construction**									
18	Haryana Police Housing Corporation Limited	29 December 1989	1995-96	1997	(D)	1875.00	-	-	-	-
	Total					**1875.00**				
(I)	**Economically Weaker section**									
19	Haryana Harijan Kalyan Nigam Limited	2 Jan. 1971	1993-94	1997	(-)49.40	1741.27	(-)683.47	1353.92	(-)41.15	-
20	Haryana Backward Classes Kalyan Nigam Limited	10 Dec. 1980	1992-93	1997	(-)11.11	499.99	(-)169.45	361.13	(-)11.10	-
21	Haryana Women Development Corporation Limited	31 March 1982	1992-93	1997	(+)35.47	216.35	(-)70.02	252.61	35.47	14.04
	Total				**(-)25.04**	**2457.61**	**(-)922.94**	**1967.66**	**(-)16.78**	-
(J)	**Tourism Department**									
22	Haryana Tourism Corporation Limited	1 May 1974	1995-96	1997	(+)132.29	1087.84	(+)429.44	1273.46	132.29	10.39
23	Haryana Hotels Limited	11 April 1983	1995-96	1997	(+)180.17	362.91	344.94	707.86	180.17	25.45
	Total				**(+)312.46**	**1450.75**	**(+)774.38**	**1981.32**	**312.46**	**15.75**

Note :

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

(B) 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.

(C) First accounts are awaited.

(D) Excess of expenditure over income capitalised and no profit and loss account prepared.

ANNEXURE - 4

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

(Referred to in paragraph 1.2.3)

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
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)
		(Figures in bracket indicate subsidy unutilised)				(Figures in bracket indicate guarantees outstanding)								
						(Rupees in lakh)								
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	-	4100.00 (Nil)	-	4100.00 (Nil)	-	-	-	-	-	-	-	-	-
2	Haryana Dairy Development Corporation Limited	-	-	-	-	-	- (257.66)	-	-	- (257.66)	-	-	-	-
3	Haryana Agro Industries Corporation Limited	-	83.52 (Nil)	-	83.52 (Nil)	- (1158.00)	- (311.55)	-	-	- (1469.55)	-	-	-	-
4	Haryana Land Reclamation and Development Corporation Limited	217.64 (Nil)	141.34 (Nil)	-	358.98 (Nil)	-	-	-	-	-	-	-	-	-
5	Haryana Seeds Development Corporation Limited	-	252.93 (3.73)	-	252.93 (3.73)	-	-	-	-	-	-	-	-	-

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)
		(Figures in bracket indicate subsidy unutilised)				(Figures in bracket indicate guarantees outstanding)								
						(Rupees in lakh)								
6	Haryana State Industrial Development Corporation Limited	-	74.61 (Nil)	-	74.61 (Nil)	-	4350.00 (4350.00)	-	-	4350.00 (4350.00)	-	-	-	-
7	Haryana State Small Industries and Export Corporation Limited	-	204.50 (Nil)	-	204.50 (Nil)	-	-	-	-	-	-	-	-	-
8	Haryana Tanneries Limited	-	-	-	-	-	- (233.43)	-	-	- (233.43)	-	-	-	-
9	Punjab State Irons Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Haryana Concast Limited	-	-	-	-	-	-	-	-	-	-	-	-	
11	Haryana Matches Limited	-	-	-	-	-	-	-	-	-	-	-	-	
12	Haryana Roadways Engineering Corpora-tioin Limited	-	-	-	-	-	3002.00 (8523.00)	-	-	3002.00 (8523.00)	-	-	-	-
13	Haryana State Electronics Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Hartron Informatics Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Haryana State Handloom and Handicrafts Corporation Limited	16.00 (Nil)	80.07 (Nil)	-	96.07 (Nil)	-	-	-	-	-	-	-	-	-
16	Haryana Forest Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-

1	2.	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)
		(Figures in bracket indicate subsidy unutilised)				(Figures in bracket indicate guarantees outstanding)								
		(Rupees in lakh)												
17	Haryana Minerals Limited	-	-	-	-	-	-	-	-	-		-	-	-
18	Haryana Police Housing Corporation Limited	-	-	-	-	-	- (1774.21)	-	-	- (1774.21)	-	-	-	-
19	Haryana Harijan Kalyan Nigam Limited	558.53 (Nil)	-	-	558.53 (Nil)	-	217.70 (492.41)	-	-	217.70 (492.41)	-	-		
20	Haryana Backward Classes Kalyan Nigam Limited	-	25.00 (Nil)	-	25.00 (Nil)	-	214.00 (807.55)	-	-	214.00 (807.55)	-	-	-	-
21	Haryana Women Development Corporation Limited	-	17.56 (Nil)	-	17.56 (Nil)	-	-	-	-	-	-	-	-	-
22	Haryana Tourism Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Haryana Hotels Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	**792.17 (Nil)**	**4979.53 (3.73)**	-	**5771.70 (3.73)**	- **(1158.00)**	**7783.70 (16749.81)**	-	-	**7783.70 (17907.81)**	-	-	-	-

ANNEXURE-5

Statement showing arrears in finalisation of accounts of Government companies

(Referred to in paragraph 1.2.4)

Sl. No.	Name of Company	Year from which accounts are in arrears	Number of years in arrears
1	Haryana State Minor Irrigation and Tubewells Corporation Limited	1991-92	6
2	Haryana Roadways Engineering Corporation Limited	1991-92	6
3	Haryana Backward Classes Kalyan Nigam Limited	1993-94	4
4	Haryana Women Development Corporation Limited	1993-94	4
5	Haryana Matches Limited	1994-95	3
6	Haryana State Handloom and Handicrafts Corporation Limited	1994-95	3
7	Haryana Forest Development Corporation Limited	1994-95	3
8	Haryana Harijan Kalyan Nigam Limited	1994-95	3
9	Punjab State Irons Limited	1995-96	2
10	Haryana Minerals Limited	1995-96	2
11	Hartron Informatics Limited	1995-96	2
12	Haryana Dairy Development Corporation Limited	1996-97	1
13	Haryana Agro Industries Corporation Limited	1996-97	1
14	Haryana Seeds Development Corporation Limited	1996-97	1
15	Haryana Concast Limited	1996-97	1
16	Haryana Tourism Corporation Limited	1996-97	1
17	Haryana Hotels Limited	1996-97	1
18	Haryana Police Housing Corporation Limited	1996-97	1

ANNEXURE - 6

Statement showing the capacity utilisation of manufacturing companies during the year 1996-97

(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)	NA (18000)	NA (749.05)	— (4.16)
(ii)	Pesticides (in MT)	NA (6200)	NA (979.36)	NA (15.80)
	(in litres)	NA (500000)	NA (70968)	— (14.19)
(b)	Jind Cattle feed plant (in MT)	36000 (12000)	5255.40 (6370.70)	14.60 (53.09)
(c)	Murthal plant (in numbers)	NA (12000)	110549 (107042)	— (892.02)
2.	**Haryana Seeds Development Corporation Limited (in MT)**	27000 (27000)	20439 (20903)	75.70 (77.42)
(B)	**Industries**			
1.	**Haryana Concast Limited**			
(i)	Ingots/billets(in MT)	50000 (50000)	11100	22.2
(ii)	Rolled products (in MT)	36000 (12000)	9400	26.11
(C)	**Engineering**			
1.	**Haryana Roadways Engineering Corporation Limited**	362 (360)	NA (NA)	— (—)

Note : Previous year figures are given in brackets.

ANNEXURE-7

Summarised financial results of Statutory corporations for the latest year for which annual accounts were finalised.

(Referred to in paragraph 1.3.6)

Sl. No.	Name of the Corporation/ Board	Name of department	Date of incorporation	Period of accounts	Surplus Profit (+)/ Deficit Loss (–)	Total interest charged to Profit and Loss Account	Capital employed A	Total return on capital employed (6+7)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10
					(Figures in columns 6 to 9 are in crore of rupees)				
1	Haryana State Electricity Board	Irrigation and Power	3 May1967	1995-96	(+)78.21	197.72	2214.08	275.93	12.5
2	Haryana Financial Corporation	Industries	1 April1967	1995-96	(+)5.13	59.64	514.28 B	64.77	12.6
3	Haryana Warehousing Corporation	Agriculture	1 November 1967	1996-97	8.98	0.44	105.79	9.42	8.9

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

B. 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 '8'

Statement showing the installation of additional facilities by Haryana Concast Limited

(Referred to in paragraph 2.6.2)

			Estimated			
Sl. No.	Particulars of proposed facility	Date of approval of proposal by the Board	Cost (Rs. in lakh)	Date of installation/ commis-sioning	Actual expen-diture (Rs. in lakh)	Remarks
a)	10 inch rolling mill for rolling 12000 tonnes of steel *per annum*	December 1990	29.00	Not available	94.52	The mill was actually commis-sioned in September 1991. Initially Rs 11 lakh was proposed to be met from sale of third billet casting machine (BCM). The BCM had not been sold (July 1997).
b)	16 inch roughing rolling mill for rolling of 20000 tonnes steel *per annum*	March 1991	20.00	May 1992	97.50	The mill was operated only for two days in February 1994. It is lying unutilised since then (see para 7.4 *infra*).
c)	8 inch rolling mill for rolling of 4000 tonnes steel *per annum*	Approval of Board not obtained	1.00	Not available	20.57	The mill was operated for 48 days only between April 1993 and September 1994 and 441 tonnes of material was rolled. The operation was stopped due to shortage of re-rollable material, increase in price of re-rollable material and consumables.
d)	Conversion of arc furnace into ladle refining furnace (LRF) for reducing heat time and produc-tion of better quality steel	Approval of Board not obtained	13.41	Not available	47.06	Operation of LRF was suspended after refining 1526 tonnes of liquid metal during June 1993 to March 1994 as its finished products were not economical.
e)	Steel foundry for production of 2400 tonnes of steel alloy casting *per annum*	May 1993	4.86	December 1993	14.33	36 tonnes of steel was produced between December 1993 and April 1995. No production was carried out thereafter on the plea that the production process required huge investment.
f)	Argon oxygen decarburiza-tion (AOD) for rolling alloys/ stainless steel of 1000 tonnes *per month*	March 1991	40.00	Not available	48.14	The AOD was ready for commissioning in 1995 but production had not started due to shortage of working capital. The Company had decided (September 1996) to undertake job work of other parties. However, the work had not yet started (July 1997).
g)	Induction furnace for melting mild steel at a saving of Rs 600-700 *per tonne*	April 1992	69.99	August 1993	84.23	The furnace was put into operation in August 1993.
	Total		**178.26**		**406.35**	

ANNEXURE - 9

Statement showing names of Chairmen/Managing Directors/ Directors of Haryana Financial Corporation alongwith period of their stay and name of Government/Agency by whom they were appointed/nominated during the five years up to 1996-97

(Referred to in Paragraph 3A.3)

Sl. No.	Name	Period	Appointed/ nominated by
	Sarvshri—		
1.	R.S. Malik, IAS, Chairman	01.04.92 to 08.06.95	Govt. of Haryana
2.	L.M. Goyal, IAS, Chairman	09.06.95 to 24.05.96	Govt. of Haryana
3.	M.L. Tayal, IAS, Chairman	27.05.96 to 25.09.96	Govt. of Haryana
4.	R.S. Verma, IAS,Chairman	26.09.96 to 05.02.97	Govt. of Haryana
5.	L.M. Jain, IAS, Chairman	06.02.97 to 31.03.97	Govt. of Haryana
6.	Ajit M.Saran, IAS, M.D.	01.04.92 to 21.05.96	Govt. of Haryana
7.	Manik Sonawane, IAS, M.D.	22.05.96 to 31.03.97	Govt. of Haryana
	Directors		
8.	V.S. Chaudhary, IAS	01.04.92 to 01.09.93	Govt. of Haryana
9.	N.K. Jain, IAS	02.09.93 to 24.06.96	Govt. of Haryana
10.	P.K. Gupta, IAS	25.06.96 to 31.03.97	Govt. of Haryana
11.	P.K. Chaudhary, IAS	01.04.92 to 06.09.93 25.06.96 to 21.11.96	Govt. of Haryana
12.	Ashok Lavasa, IAS	07.09.93 to 24.06.96	Govt. of Haryana
13.	Y.S. Malik, IAS	22.11.96 to 31.03.97	Govt. of Haryana
14.	V.S.Kundu, IAS	01.04.92 to 27.08.96	Govt. of Haryana
15.	Hoshiar Singh Sharma	28.08.96 to 31.03.97	Govt. of Haryana
16.	B.S. Ratra	01.04.92 to 30.11.94	IDBI
17.	R.K.Bansal	01.12.94 to 31.03.97	IDBI
18.	N.K. Maini	01.04.92 to 05.07.95	SIDBI
19.	Dharam Dev	06.07.95 to 31.03.97	SIDBI
20.	J.D.Gupta	01.04.92 to 25.05.93	RBI
21.	Radhey Sham	26.05.93 to 31.03.97	RBI
22.	R.V. Shastri	01.04.92 to 13.12.93	Scheduled Banks
23.	V.N. Saxena	14.12.93 to 21.04.96	Scheduled Banks
24.	P.P. Gupta	22.04.96 to 31.03.97	Scheduled Banks
25.	R.K. Jindal	01.04.92 to 16.08.93	Insurance Companies
26.	G.S. Pangti	17.08.93 to 27.07.95	Insurance Companies
27.	N.P.Bali	28.07.95 to 31.03.97	Insurance Companies
28.	Surinder Singh Maan	01.04.92 to 31.03.97	Cooperative Banks
29.	Vineet Virmani	01.04.92 to 17.10.94	Share holders
30.	S.P.Virmani	18.10.94 to 31.03.97	Share holders

ANNEXURE-10

Glossary of Abbreviations

CAG	Comptroller and Auditor General of India
PSUs	Public Sector Undertakings
MW	Mega Watt
MKWH	Million Kilo Watt Hour
KWH	Kilo Watt Hour
KV	Kilo Volt
COPU	Committee on Public Undertakings
BIFR	Board for Industrial and Financial Reconstruction
HSIDC	Haryana State Industrial Development Corporation Limited
MD	Managing Director
Board	Board of Directors/Haryana State Electricity Board
PNB	Punjab National Bank
FIs	Financial Institutions
MC	Managing Committee
FIR	First Information Report
IDBI	Industrial Development Bank of India
RBI	Reserve Bank of India
SIDBI	Small Industries Development Bank of India
FLC	Foreign Letter of Credit
IRBI	Industrial Reconstruction Bank of India
OTCEI	Over the Counter Exchange of India
REC	Rural Electrification Corporation
PSEB	Punjab State Electricity Board
KVA	Kilo Volt Ampere
HV/LV	High Voltage/Low Voltage
MT	Metric Tonnes
FD	Finance Department
FCI	Food Corporation of India
R&M	Renovation & Modernisation
CEA	Central Electricity Authority
PERT	Programme Evaluation and Review Techniques
WTMs	Whole Time Members
FOR	Free on Rail
SPC	Store Purchase Committee
VCBs	Vaccum Circuit Breakers