REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2003

COMMERCIAL
GOVERNMENT OF HARYANA

http://cagindia.org/states/haryana/2003

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Preface

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

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

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

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

5. The cases mentioned in this Report are those, which came to notice in the course of audit during the year, 2002-03 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2002-03 have also been included, wherever necessary.

Preface

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OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2003, the State had 30 Public Sector Undertakings (PSUs) comprising 28 Government companies and two Statutory corporations as against 28 PSUs comprising 26 Government companies and two Statutory corporations as on 31 March 2002. Out of 28 Government companies, 19 were working Government companies while nine were non-working Government companies. All the two Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 8,471.33 crore as on 31 March 2002 to Rs. 8,900.86 crore as on 31 March 2003. The total investment in non-working PSUs increased from Rs. 15.54 crore to Rs. 56.25 crore during the same period.

(Paragraphs 1.2 and 1.15)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs. 1,078.82 crore in 2001-02 to Rs. 1,043.32 crore in 2002-03. The State Government guaranteed loans aggregating Rs. 1,159.93 crore to seven PSUs (all working) during 2002-03. The total amount of outstanding loans guaranteed by the State Government to all PSUs decreased from Rs. 6,970.78 crore as on 31 March 2002 to Rs. 5,869.03 crore as on 31 March 2003.

(Paragraphs 1.5 and 1.16)

Out of 19 working Government companies and two working Statutory corporations, only four working companies and one working Statutory corporation had finalised their accounts for the year 2002-03 by 30 September 2003. The accounts of 15 working Government companies and one working Statutory Corporation were in arrears for period ranging from one to six years.

(Paragraph 1.6)

According to the latest finalised accounts, 14 working PSUs (12 Government companies and two Statutory corporations) earned aggregate profit of Rs. 30.35 crore. Of these, two PSUs (both Statutory corporations) declared dividend of Rs. 2.16 crore. Against this, five working PSUs (all Government companies) incurred aggregate loss of Rs. 185.40 crore as per their latest finalised accounts. Of the loss incurring working Government companies, one

Company had accumulated loss aggregating Rs. 2.87 crore, which exceeded its paid-up capital of Rs. 24.04 lakh by more than 11 times.

(Paragraphs 1.7, 1.9 and 1.10)

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

(Paragraph 1.40)

2. Reviews relating to Government companies

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

Purchase, performance and repair of energy meters

In order to assess the quantum of energy sold, the companies (erstwhile Haryana State Electricity Board) were required to install and maintain correct energy meters on each point of supply of energy to consumers for measuring the energy sold as per Section 26 (2) of the Indian Electricity Act, 1910. Assessment and procurement of meters was not commensurate with the requirement for replacement of defective meters and achievement of target of 100 *per cent* metering. Orders for procurement of energy meters were placed at higher rates resulting in extra expenditure. The companies also failed to convert flat rate agricultural connections into metered supply and could not assess actual consumption recorded by them. Some of the important points noticed in the review are as under:

As per decision taken during Power Ministers' conference (February 2000), 100 *per cent* metering up to 11 KV feeders and all other consumers were to be achieved by March and December 2001, respectively. Though the companies procured 15.76 lakh meters at a cost of Rs. 194.59 crore during 1998-2003, these were not adequate to replace the defective meters and achieve target of 100 *per cent* metering.

(Paragraph 2.1.4)

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) ignored the lowest rates against global tenders and subsequently procured three lakh single phase electronic meters at higher rates, which resulted in extra expenditure of Rs. 10.92 crore.

(Paragraph 2.1.9)

Procurement of one lakh meter cupboards on single tender basis at unjustified rates resulted in extra expenditure of Rs. 4.33 crore.

(Paragraph 2.1.10)

Non replacement of defective meters ranging between 6.3 and 8.2 *per cent* of metered connections during three years up to 2002-03 resulted in loss of revenue of Rs. 71.86 crore as the consumers were billed on average basis.

(Paragraph 2.1.27)

2.2 Haryana State Industrial Development Corporation Limited

Disbursement of loans, recoveries and investment activities

Haryana State Industrial Development Corporation Limited was incorporated in March 1967 as a wholly owned Government company with the objective to promote industries in the State. To meet its objective, the Company was engaged in providing financial assistance by extending term loans and making investments in shares of companies. Relaxing the terms of sanction of loans while making disbursements and inadequacy of recovery system led to heavy incidence of non performing assets and locking up of funds. Further, failure of the Company to apply its own laid down procedure in accepting the documents relating to collateral security contributed in accumulation of arrears. There was delay in disposal of the units in its possession resulting in decrease in their realisable value. Some of the important points noticed in the review are as under:

The Company's funds to the extent of Rs. 8.84 crore (principal: Rs. 4.99 crore, interest: Rs. 3.85 crore) were at stake due to acceptance of inflated and defective collateral security, relaxing the conditions of sanction and disbursement of loan to units.

(Paragraph 2.2.7 to 2.2.13)

The non performing assets increased from Rs. 55.12 crore in 1998-99 to Rs. 85.22 crore in 2002-03. The percentage of doubtful and loss assets to total outstanding loans increased from 14.73 during 1998-99 to 22.16 during 2002-03.

(Paragraph 2.2.14)

Due to poor recovery performance, the overdue amount increased from Rs. 49.94 crore in 1998-99 to Rs 88.66 crore in 2002-03. Out of these, Rs. 75.62 crore were overdue for more than three years. In nine cases involving overdues of Rs. 31.98 crore not even a single instalment had been paid and in three cases involving Rs. 8.35 crore only one instalment had been paid since April 1995.

(Paragraphs 2.2.15 and 2.2.16)

The number of units in possession increased from 10 involving Rs. 5.17 crore recoverable in 1997-98 to 19 involving Rs. 16.21 crore recoverable in 2002-03, besides incurring an expenditure of Rs. 1.58 crore during April 1998 to December 2002 on the security of the assets of the units in possession.

(Paragraph 2.2.17)

2.3 Haryana Tourism Corporation Limited

Haryana Tourism Corporation Limited was incorporated in May 1974 with a view to promote tourism in the State. The Company had divided its activities into core (accommodation, catering and liquor) and non-core (leasing, gate entry fee, parking fee, boating and petrol pump). Core activities are directly related to tourism and non-core activities are ancillary to the tourism. The Company suffered losses continuously from its core activities and earned profits from its non-core activities. Most of the complexes had been consistently incurring losses due to low occupancy and poor turnover of catering activity. Further, excessive food, fuel, electricity and salary cost also contributed to the losses in its core activities.

Some of the important points noticed in the review are as under:

Due to non-closure of unviable complexes, low occupancy, excess food, fuel and electricity cost and poor performance of bars, the Company suffered continuous losses of Rs. 17.46 crore in its core activities (accommodation, catering and liquor) during the five years up to 31 March 2002.

(Paragraph 2.3.6)

During 1997-2002, the occupancy in 25 to 30 out of 42 to 44 complexes was below the accepted norm of 60 *per cent* resulting in shortfall of potential revenue of Rs. 10.17 crore. Of these, 15 complexes accounted for 85 *per cent* of the shortfall in potential revenue earnings.

(Paragraph 2.3.12)

Due to high cost of food, fuel and electricity, the operational loss in catering activity amounted to Rs. 4.35 crore during the last five years up to 31 March 2002. The actual cost of food, fuel and electricity in excess of norms resulted in extra expenditure of Rs. 2.21 crore during the five years up to 31 March 2002.

(Paragraph 2.3.14 to 2.3.17)

Due to high food, electricity and salary cost, four fast food counters suffered loss of Rs. 56.99 lakh during the five years up to 31 March 2002.

(Paragraph 2.3.18)

Due to non-availability of popular brands and fixation of higher rates of liquor, three to 16 liquor bars suffered loss of Rs. 56.91 lakh during the four years up to 31 March 2002.

(Paragraph 2.3.20)

3 Miscellaneous topics of interest

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

Haryana Power Generation Corporation Limited

Failure of the Company to ascertain from Bharat Heavy Electricals Limited the time required for commissioning the Unit-VI at Panipat Thermal Power Station after January 2001 resulted in payment of premium on monthly basis instead of quarterly basis thereby entailing extra expenditure of Rs. 51.98 lakh.

(Paragraph 3.1)

Dakshin Haryana Bijli Vitran Nigam Limited

Laxity on the part of the Company to ensure the codal provisions for recovery of its dues followed by implementation of a 'final surcharge waiver scheme' without ensuring that the beneficiaries would pay their bills regularly thereafter led to avoidable loss of Rs. 37.37 crore.

(Paragraph 3.5)

Execution of deposit work relating to Haryana Urban Development Authority without getting advance deposit coupled with subsequent non pursuance resulted in non recovery of Rs. 1.78 crore.

(Paragraph 3.6)

Haryana Forest Development Corporation Limited

The Company suffered loss of interest of Rs. 47.96 lakh due to investment of its surplus funds at lower rate of interest.

(Paragraph 3.13)

Haryana Financial Corporation

Disbursement of loan against fraudulently inflated collateral security led to non-recovery of Rs. 1.67 crore.

(Paragraph 3.16)

Irregular disbursement of loan due to acceptance of grossly unrealistic value of collateral security (114 times of its purchase price) resulted in non-recovery of Rs. 47.29 lakh.

(Paragraph 3.17)

Haryana Warehousing Corporation

Failure of the Corporation to obtain bank guarantee and adequate security from the miller resulted in loss of Rs. 23.71 lakh.

(Paragraph 3.19)

Chapter-I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2003, there were 28 Government companies (19 working companies and nine non-working* companies) and two Statutory corporations (all working) as against 26 Government companies (22 working and four non-working companies) and two Statutory corporations as on 31 March 2002 under the control of the State Government. During the year, two companies viz. Haryana State Housing Finance Corporation Limited and Haryana Bus Stand Corporation Limited came under the audit purview of the Comptroller and Auditor General of India (CAG). In addition, the State had formed Haryana Electricity Regulatory Commission whose audit is also being conducted by CAG. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for the audit by the CAG	Audit arrangement
1.	Haryana Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by CAG
2.	Haryana Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2003, the total investment in 21 working Public Sector Undertakings (19 Government companies and two Statutory corporations) was Rs. 8,900.86 crore (equity: Rs. 2,052.23 crore; long-term** loans: Rs. 6,576.58 crore and share application money: Rs. 272.05 crore) as against 24 working PSUs (22 Government companies and two Statutory corporations) with a total investment of Rs. 8,471.33 crore (equity: Rs. 2,033.45 crore, long-term

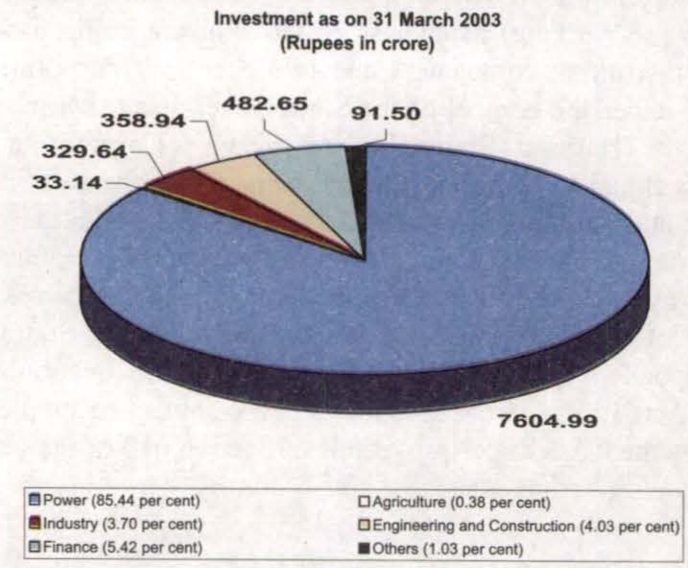
* Non-working companies are those, which are under process of liquidation/ closure/merger etc.

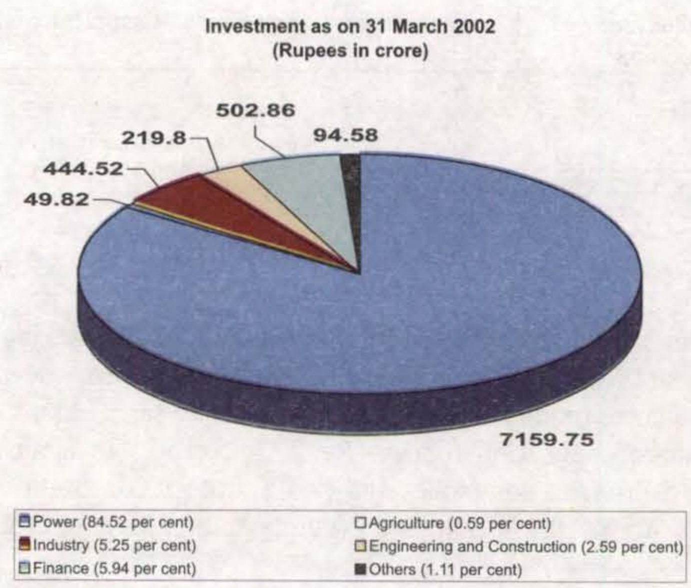
** Long-term loans mentioned in para 1.2, 1.3 and 1.4 are excluding interest accrued and due on such loans.

loans: Rs. 6,256.56 crore and share application money: Rs 181.32 crore) as on 31 March 2002. The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 31 March 2002 are indicated below in the pie charts:

Sector wise investment in working Government companies and Statutory corporations





Working Government companies

1.3 Total investment in 19 working Government companies as on 31 March 2003 was Rs. 8,401.67 crore (equity: Rs. 2,015.46 crore; long-term loans: Rs. 6,114.16 crore and share application money: Rs. 272.05 crore) as against total investment of Rs. 7,961.96 crore (equity: Rs. 1,996.68 crore; long-term loans: Rs. 5,783.96 crore and share application money: Rs. 181.32 crore) as on 31 March 2002 in 22 working Government companies. The increase in total investment was mainly due to investment in the power sector companies. The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure-1.**

As on 31 March 2003, the total investment of working Government companies comprised 27.23 *per cent* equity capital and 72.77 *per cent* loans compared to 27.36 and 72.64 *per cent,* respectively as on 31 March 2002.

Due to increase in long-term loans of engineering, construction and power sectors, the debt equity ratio of working Government companies as a whole increased from 2.66:1 in 2001-02 to 2.67:1 in 2002-03.

Working Statutory corporations

1.4 The total investment in two working Statutory corporations at the end of March 2002 and March 2003 was as follows:

Name of corporation	2001-02		2002-03	
	Capital	Loans	Capital	Loans
	(Rupees in crore)			
Haryana Financial Corporation	30.92	471.94	30.92	451.73
Haryana Warehousing Corporation	5.84	0.66	5.84	10.69
Total	**36.76**	**472.60**	**36.76**	**462.42**

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

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

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

The State Government did not provide financial support in the form of equity capital, loans and grants/subsidies to Statutory corporations during 2000-03. The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies during

2000-03 are given below:

(Amount: Rupees in crore)						
	2000-01 Companies		2001-02 Companies		2002-03 Companies	
Particulars	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
Equity capital	9	273.49	10	58.55	6	147.98
Loans	2	90.26	4	72.04	3	40.99
Grants/Subsidy towards						
i)Projects/ Programmes/ Schemes	9	73.18	5	95.65	2	2.84
ii) Others	3	769.62	5	852.58	6	851.51
Total (i+ii)		842.80		948.23		854.35
Total outgo		**1206.55**		**1078.82**		**1043.32**

During the year 2002-03, the Government had guaranteed loans aggregating Rs. 1,159.93 crore obtained by six working Government companies (Rs. 694.93 crore) and one working Statutory corporation (Rs. 465 crore). At the end of the year, guarantees amounting to Rs. 5,837.19 crore against 12 working Government companies (Rs. 5,337.27 crore) and two working Statutory corporations (Rs. 499.92 crore) were outstanding. The guarantee commission paid/payable to Government by seven Government companies and one Statutory corporation during the year was Rs. 12.37 crore and Rs. 58.41 lakh, respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from **Annexure-2**, out of 19 working Government companies and two Statutory corporations, four working companies and one working Statutory corporation, had finalised their accounts for the year 2002-03 within the stipulated period. During the period from October 2002 to September 2003, 16 working Government companies finalised 17 accounts for previous years. The accounts of 15 working Government companies and one Statutory corporation were in arrears for period ranging from one to six years as on 30 September 2003 as detailed below:

Sl. No.	No. of working companies/corporations		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to serial no. of Annexure – 2	
	Government companies	Statutory corporations				
1.	1	-	1997-98 to 2002-03	6	A8	
2.	3	-	1999-2000 to 2002-03	4	A12, A13, A15	
3.	3	1	2001-02 to 2002-03	2	A9, A14, A16	B1
4	8	-	2002-03	1	A5, A6, A7, A10, A11, A17, A18, A19	

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

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2.** Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in **Annexure 4** and **5**, respectively.

According to the latest finalised accounts of 19 working Government companies and two working Statutory corporations, five companies had incurred loss for the respective year aggregating Rs. 185.40 crore and 12 companies and two corporations earned profit aggregating Rs. 11.21 crore and Rs. 19.14 crore respectively. One company did not prepare profit and loss account as it capitalised excess of expenditure over income and another company neither showed profit nor loss as its total income was equal to expenditure.

Working Government companies

Profit earning working Government companies and dividend

1.8 Twelve profit earning working Government companies, which finalised their accounts by September 2003, earned profit aggregating Rs. 11.21 crore. Of these, nine companies were earning profit for two or more successive years. These companies did not declare dividend. The State Government had not formulated a dividend policy for payment of minimum dividend.

Loss incurring working Government companies

1.9 Of the five loss incurring working Government companies, one[#] company had accumulated loss of Rs. 2.87 crore which exceeded its aggregate paid-up capital of Rs. 24.04 lakh by more than 11 times.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Haryana Financial Corporation finalised its accounts for 2000-01 and Haryana Warehousing Corporation had finalised its accounts for 2002-03. Both the corporations earned profit aggregating Rs. 19.14 crore and declared dividend of Rs. 2.16 crore. The dividend as percentage of total share capital in the above profit-earning corporations worked out to 5.41 *per cent*.

Operational performance of working Statutory corporations

1.11 The operational performance of the working Statutory corporations is given in **Annexure-6**. In Haryana Financial Corporation, the overdue amount of loans had increased from Rs. 724.51 crore in 2000-01 to Rs. 1,069.95 crore in 2002-03. The percentage of overdue loans to total outstanding loans also increased from 36.99 to 48.67 during this period.

Return on capital employed

1.12 As per the latest finalised accounts (up to September 2003), the capital employed* worked out to Rs. 5,809.98 crore in 19 working companies and total return** thereon amounted to Rs. 322.02 crore (5.54 *per cent*) as compared to total return of Rs. 236.53 crore on capital employed of Rs. 5,131.87 crore in previous year (accounts finalised up to September 2002) in 22 working companies. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per latest finalised accounts (up to September 2003) worked out to Rs. 1,138.68 crore and Rs. 86.58 crore (7.60 *per cent*), respectively as against capital employed of Rs. 1,257.27 crore and the total return of Rs. 89.59 crore (7.13 *per cent*) thereon for previous year (accounts finalised up to September 2002). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**.

\# Sl. No. A 9 of Annexure-2.

* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

** For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from the loss as disclosed in the profit and loss account.

Reforms in Power Sector

Status of implementation of Memorandum Of Understanding between the State Government and the Central Government

1.13 Memorandum of Understanding (MOU) was signed on 13 February 2001 between the Ministry of Power, Government of India (GOI) and the Department of Power, Government of Haryana (State Government) as a joint commitment for implementation of reforms programme in power sector with identified milestones. Status of implementation of reforms programme against each commitment made in the MOU is detailed below:

Sl No.	Commitment as per MOU	Targeted completion schedule	Status (As on 31 March 2003)
	Commitments made by the State Government		
1	Reduction in transmission and distribution (T&D) losses	T&D losses set at 40.76 *per cent* by HERC during 2000-01 were proposed to bring down by 5 *per cent* each year (30.76 *per cent* by 2002-03)	39 *per cent*
2	100 *per cent* metering of all distribution feeder	31 March 2001	Completed in March 2001
3	100 *per cent* metering of all consumers	31 December 2001	Metering of all consumers except agriculture (2.85 lakh) has been completed.
4	Securitise outstanding dues of Central Public Sector Undertakings.	Outstanding dues were to be securitized and current dues were not to exceed two months billing	Regular payments were being made since October 2001 after securitisation of old dues.
5	Haryana Electricity Regulatory Commission (HERC)		
	(i) Establishment of HERC	-	Already established in August 1998
	(ii) Implementation of tariff orders issued by HERC during 2002-03.	-	Implemented
	Commitments made by the GOI		
6	Supply of additional power	Not fixed	During 2002-03, additional power ranging between 18 and 30 *per cent* out of unallocated quota was given
	General		
7	Monitoring of MOU	Quarterly	Being monitored regularly

39.77
11.94
51.71

State Electricity Regulatory Commission

1.14 Haryana Electricity Regulatory Commission (Commission) was formed on 17 August 1998 under the Haryana Electricity Reforms Act, 1997 (Act) with the object of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. As per Section 8(3) of the Act, all expenditure of the Commission are to be charged to the Consolidated Fund of the State. The audit of accounts of the Commission has been entrusted to CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 for the period 1998-2003. The Commission had finalised its accounts up to 2001-02.

Non-working PSUs

Investment in non-working PSUs

1.15 As on 31 March 2003, the total investment in nine non-working PSUs (all Government companies) was Rs. 56.25 crore (equity: Rs. 23.99 crore; long-term loans: Rs. 32.19 crore and share application money: Rs. 7.05 lakh) as against total investment of Rs. 15.54 crore (equity: Rs. 8.21 crore; long-term loans: Rs. 7.26 crore and share application money: Rs. 7.05 lakh) as on 31 March 2002 in four non-working Government companies. The increase in investment was due to increase in number of non-working companies and release of loans to pay retrenchment benefits to staff of three closed companies. The summarised statement of Government investment in non-working Government companies in the form of equity and loans is detailed in **Annexure-1**. The classification of the non-working PSUs was as under:

Sl. No.	Status of non-working PSUs	Number of companies	Investment in companies	
			Equity	Long-term loans
			(Rupees in crore)	
(i)	Under liquidation#	2	6.85	3.69
(ii)	Others (non-working)*	7	17.21	28.50
	Total	**9**	**24.06**	**32.19**

Budgetary outgo

1.16 The State Government released Rs. 86.19 crore as short-term loan to two non-working Government companies and Rs. 52.25 crore as subsidy to one non-working Government company during the year 2002-03. At the end of the year, guarantees amounting to Rs. 31.84 crore against two non-working Government companies were outstanding as against the same amount as on 31 March 2002.

Haryana Dairy Development Corporation Limited on 28 February 2001 and Haryana Concast Limited on 11 November 1999.

* Sl No. C2, 3, 4, 6, 7, 8 and 9 of Annexure – 2.

Total establishment expenditure of non-working PSUs

1.17 The year-wise details of total expenditure of non-working PSUs and the sources of financing them during 2000-03 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs	Total establish-ment expenditure	Financed by			
			Disposal of investment/ assets	Government by way of		Others
				Loans	Subsidy	
Government companies						
2000-01	2	0.21	-	-	-	0.21
2001-02	1[x]	0.39	-	-	-	0.48
2002-03	3[xx]	49.96	31.41	8619.06	5225.00	-

Finalisation of accounts by non-working PSUs

1.18 Out of nine non-working Government companies, one company (Sl. No. C4 of **Annexure –2)** finalised its accounts for 2002-03 and the accounts of other companies were in arrears for period ranging from one to five years as on 30 September 2003 as could be noticed from **Annexure-2**.

Financial position and working results of non-working PSUs

1.19 The summarised financial results of non-working Government companies as per latest finalised accounts are given in **Annexure-2.** The net worth of nine non-working companies against their paid-up capital of Rs. 29.63 crore was (-) Rs. 101.23 crore. These companies suffered cash loss of Rs. 23.34 crore and their accumulated loss worked out to Rs 149 crore.

Status of placement of Separate Audit Reports of Statutory corporations and Commission in Legislature

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

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Haryana Financial Corporation	1999-2000	2000-01	8 January 2003	SAR is yet to be translated in Hindi.

[x] Sl. No. C3 of Annexure-2.

[xx] Sl. No. C2, 6, 8 of Annexure-2.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
2	Haryana Warehousing Corporation	1999-2000	2000-01	13 February 2002	The accounts of 2000-01 were placed in the Annual General Meeting (AGM) and agenda for placement in the Legislature was approved (September 2003). It is expected that same would be placed in the next session.
			2001-02	25 April 2003	SAR for 2001-02 would be sent to the Vidhan Sabha after placing the same in the AGM, which is likely to be held in September 2003.
3.	Haryana Electricity Regulatory Commission	-	1998-99 1999-2000 2000-01	28 March 2002 - do - 26 April 2002	Hindi version of Audit Report and replies of the Commission thereto was sent to the State Government on 6 September 2002.

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

1.21 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2002-03.

Results of Audit by Comptroller and Auditor General of India

1.22 During the period from October 2002 to September 2003, the accounts of 19 Government companies (17 working and two non-working) were selected for review. The net impact of important audit observations as a result of review of the PSUs were as follows:

Sl No.	Details	No. of Accounts		(Rupees in crore)	
		Government companies	Statutory corporations	Government companies	Statutory corporations
(i)	Decrease in profit	4	1	12.13	37.04
(ii)	Increase in loss	4	-	2.25	-
(iii)	Decrease in loss	-	1	-	5.75
(iv)	Non disclosure of material facts	4	2	131.62	3.96
(v)	Errors of classification	2	1	225.85	1.40

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

Errors and omissions in case of Government companies

Haryana State Industrial Development Corporation Limited (2001-02, 2002-03)

Accounts for 2001-02

1.23 Short provision for bad and doubtful debts for loss assets had resulted in overstatement of profit by Rs. 1.84 crore.

1.24 Non-provision of leave encashment on accrual basis (Rs. 1.41 crore) and short provision for bad and doubtful debts (Rs. 1.84 crore) had resulted in overstatement of profit and understatement of liabilities by Rs. 3.25 crore.

Accounts for 2002-03

1.25 Investments and profit were overstated by Rs. 1.40 crore due to non-valuation of investments in six units as per RBI guidelines (Rs. 48.80 lakh) and non-provision in respect of investments in four units (Rs. 90.94 lakh), due for disinvestments for seven to thirteen years since these units were closed/under liquidation and promoters were not traceable.

1.26 Short provision for bad and doubtful debts for loss assets had resulted in overstatement of profit by Rs. 77.59 lakh.

Haryana Agro Industries Corporation Limited (2001-02)

1.27 Closing stock and profit were overstated by Rs. 1.62 crore due to inclusion of Rural Development Cess at 2 *per cent* against 1 *per cent* being paid by Food Corporation of India (FCI).

Haryana State Minor Irrigation and Tubewells Corporation Limited (1997-98)

1.28 Non-provision of penal interest had resulted in understatement of current liabilities as well as loss by Rs. 60.03 lakh.

Haryana Vidyut Prasaran Nigam Limited (2001-02)

1.29 Non-provision of the fuel surcharge adjustment amounting to Rs. 4.98 crore had resulted in overstatement of profit and understatement of liabilities by Rs. 4.98 crore.

Uttar Haryana Bijli Vitran Nigam Limited (2001-02)

1.30 Non-provision of interest (Rs. 14.17 lakh) and penal interest (Rs. 35.11 lakh) had resulted in understatement of loss and current liabilities by Rs. 49.28 lakh.

Dakshin Haryana Bijli Vitran Nigam Limited (2001-02)

1.31 Loss and other liabilities had been understated by Rs. 49.70 lakh due to overstatement of miscellaneous receipts (Rs. 44.70 lakh) on account of penalty for delayed supplies and non-provision for processing fee (Rs. 5 lakh) in respect of a loan.

Haryana Power Generation Corporation Limited (2000-01)

1.32 Loss and current liabilities had been understated by Rs. 54.30 lakh due to non-provision of penal interest (Rs. 34.59 lakh), liability for pay and allowances (Rs. 10.28 lakh) and short provision of commitment charges (Rs. 9.43 lakh).

Errors and omissions in case of Statutory corporations

Haryana Warehousing Corporation (2001-02)

1.33 Non-provision of storage losses deducted by the FCI from the storage bills had resulted in overstatement of recoverables from parties and profit to the extent of Rs. 98.21 lakh.

1.34 Inclusion of incidentals recoverable from FCI as per provisional rate (Rs. 111.28 per quintal) on stock of 27.12 lakh quintal against the actual expenditure (Rs. 102.73 per quintal) had resulted in overstatement of income and profit by Rs. 2.32 crore.

1.35 Inclusion of storage charges and interest of Rs. 4.95 crore and Rs. 28.99 crore respectively as income on undelivered stock had resulted in overstatement of profit by Rs. 33.94 crore.

Haryana Financial Corporation (2000-01)

1.36 Non-provision for fraudulent drawal of advances by loanee units had resulted in overstatement of loans and advances and understatement of accumulated loss by Rs. 3.17 crore.

1.37 Non-provision of depreciation on leasing assets, which have outlived their usual life, had resulted in overstatement of assets and profit by Rs. 11.95 crore.

1.38 Non-provision of Rs. 1.57 crore on account of loan disbursed to four sub-lessors against fake documents resulted in overstatement of loans and advances and understatement of accumulated loss to that extent.

Internal audit/internal control

1.39 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major recommendations made/comments made by Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of State Government companies is indicated below:

Sl. No.	Nature of comment	Number of the companies in which defects were noticed	Reference to serial number of the companies as per Annexure-2
1.	Non preparation of periodical trial balances	1	A13
2.	Absence of system of monitoring and timely recovery of outstanding dues	2	A13, A15
3.	Non-preparation of segment-wise profit and loss account	2	A13, A15
4.	Non-fixation of minimum/maximum limits of store and spares and economic order quantity for procurement of stores	2	A13, A15
5.	Absence of internal audit system commensurate with the nature and size of business of the company	2	A13, A15
6.	Absence of regular procedure for identifying and monitoring disposal of non-moving, obsolete or surplus material	2	A13, A15
7.	Absence of internal control/audit system for reconciliation of control ledger with individual ledger in respect of loanees under various benefit schemes	1	A13
8.	Absence of internal control/audit system to check recovery of loans along with interest from defaulters	1	A13

Recommendations for closure of PSUs

1.40 Even after completion of eight to 38 years of their existence, the individual turnover of seven Government companies (four* working and three** non-working) had been less than Rs. 5 crore in each of the preceding five years of latest finalised accounts. Two*** Government companies (both non-working) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of above nine Government companies or consider their closure.

* Sl. No. A-7, 12, 13 and 14 of Annexure - 2.

** Sl. No. C-1, 3 and 4 of Annexure - 2.

*** Sl. No. C-2 and 8 of Annexure - 2.

Response to Inspection Reports, Draft paragraphs and Reviews

1.41 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2003 pertaining to 25 PSUs disclosed that 795 paragraphs relating to 385 Inspection Reports remained outstanding at the end of September 2003. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2003 is given in **Annexure-7**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 14 draft paragraphs and two draft reviews forwarded to the various departments during February to May 2003 as detailed in **Annexure-8** had not been replied to so far (September 2003).

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

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

1.42 Details of reviews and paragraphs relating to Audit Reports (Commercial) that were yet to be discussed by the COPU as on 30 September 2003 was as under:

Period of Audit Report	Number of reviews/paragraphs appeared in Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1999-2000	3	18	1	9
2000-01	4	16	4	16
2001-02	2	14	2	14

During the year 2002-03, the COPU completed discussion of six reviews and seven paras in respect of Audit Reports for the year 1998-99. The COPU also discussed two reviews and nine paragraphs of Audit Report for the year 1999-2000. Audit Report (Commercial) for the year 2001-02 was placed before the State Legislature on 5 March 2003.

619-B Companies

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

Chapter-II

2 Reviews relating to Government companies

2.1 Haryana Vidyut Prasaran Nigam Limited (HVPNL), Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) (erstwhile Haryana State Electricity Board)

Purchase, performance and repair of energy meters

Highlights

The power sector companies are required to install and maintain correct energy meters on each point of supply of energy under Section 26 (2) of the Indian Electricity Act, 1910.

(Paragraph 2.1.1)

As per decision taken during Power Ministers' Conference (February 2000), 100 *per cent* metering up to 11 KV feeders and all other consumers were to be achieved by March and December 2001, respectively. Though the companies procured 15.76 lakh meters at a cost of Rs. 194.59 crore during 1998-2003, these were not adequate to replace the defective meters and achieve target of 100 *per cent* metering.

(Paragraph 2.1.4)

UHBVNL ignored the lowest rates against global tenders and subsequently procured three lakh single phase electronic meters at higher rates, resulting in extra expenditure of Rs. 10.92 crore.

(Paragraph 2.1.9)

Procurement of one lakh meter cupboards on single tender basis at unjustified rates resulted in extra expenditure of Rs. 4.33 crore.

(Paragraph 2.1.10)

Failure to avail benefit of downward trend in prices of energy meters against three purchase orders resulted in extra expenditure of Rs 2.35 crore. Further, the companies short recovered liquidated damages of Rs 1.25 crore against three purchase orders due to incorrect application of delivery clause of purchase orders.

(Paragraph 2.1.11 to 2.1.14)

Targets for installation of three phase electro mechanical meters on agriculture connections and low tension current transformer operated meters were not achieved by UHBVNL in the nine schemes sanctioned by Rural Electrification Corporation during 2001-02 under 100 *per cent* metering schemes. Similarly, the DHBVNL could not implement four schemes sanctioned by Power Finance Corporation due to non-procurement of meters during the scheme period up to March 2002. Non-replacement of these meters resulted in loss of additional revenue of Rs 72.06 crore during 2002-03 as envisaged in the schemes.

(Paragraph 2.1.16 to 2.1.18)

Decision to abandon testing and calibration of meters in departmental laboratories before their installation led to blockade of funds to the extent of Rs 8.31 crore due to receipt of defective supply of 21,150 three phase electronic meters.

(Paragraph 2.1.21)

Non-replacement of defective meters ranging between 6.3 and 8.2 *per cent* of metered connections during three years up to 2002-03 resulted in loss of revenue of Rs 71.86 crore as the consumers were billed on average basis.

(Paragraph 2.1.27)

Introduction

2.1.1 Energy meters are static electronic/electro mechanical equipments installed for recording the quantum of energy supplied. Energy meters are of five types viz. Single phase, poly phase, low tension (LT), high tension (trivector) and feeder meters. First four types of meters are installed at supply points for measuring the energy supplied to consumers, the feeder meters are installed on sub-stations for recording the electricity received through incoming feeder meter and electricity supplied from the sub-station through outgoing feeder meter to a number of consumers or a single high tension (HT) consumer. Meters are also installed at the generating stations and sub-stations for preparing energy account and determining system losses.

In order to assess the quantum of energy sold, the companies (erstwhile Haryana State Electricity Board) were required to install and maintain correct energy meters on each point of supply of energy to consumers for measuring the energy sold as per Section 26 (2) of the Indian Electricity Act, 1910.

At the end of March 2003, there were 33.45 lakh metered consumers for domestic (28.22 lakh), commercial (3.54 lakh), industrial (0.74 lakh), and agriculture supply (0.95 lakh) and 2.75 lakh unmetered consumers for agriculture supply.

Organisational set up

2.1.2 The procurement of feeder meters was made by the Chief Engineer (Design and Procurement) of Haryana Vidyut Prasaran Nigam Limited (HVPNL), whereas that of meters of other types by Chief Engineer (Material Management) of Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) up to November 2000. Thereafter, the work of procurement of these meters was transferred to Chief Engineer (Material Management) of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). The receipt and issue of meters was controlled by respective Controller of Stores of UHBVNL and DHBVNL through 32 central/divisional stores under the charge of Executive Engineers/Assistant Executive Engineers.

The work of installation, replacement, reading of meters and billing to consumers was done through outside agencies as well as departmentally by 13 operation circles (UHBVNL: seven and DHBVNL: six). The work of testing and calibration of meters was done in eight laboratories under the control of two Superintending Engineers (Metering and Protection) one each of UHBVNL and DHBVNL. Checking of connections of single phase, poly phase and low tension (whole current) meters was done by operation circles and that of low tension/high tension current transformer/potential transformer (CT/PT) operated meters was done by Metering and Protection (M&P) circles under overall control of Chief Engineers (Operation) of distribution companies.

Scope of Audit

2.1.3 Mention was made in paragraphs 2A.6.11 and 2A.6.12 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial)-Government of Haryana regarding defective energy meters and periodical checking of connections, included in the review on 'tariff, billing and collection of revenue' which had not been discussed by the Committee on Public Undertakings (March 2003).

The present review conducted during October 2002 to February 2003 covers aspects relating to assessment of requirement, procurement, installation and replacement of defective meters for five years up to 2002-03. The audit findings, as a result of test check of records relating to purchases at headquarters of HVPNL/UHBVNL/DHBVNL and six* out of 13 operation circles, both the Controller of Stores and both the Superintending Engineers (M&P) of UHBVNL/DHBVNL in the field, were reported to Government/companies in April 2003 with the request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that the view point of Government/Management was taken into account before finalising the review. The meeting of ARCPSE was held on 4 July 2003 which was attended by the Managing Director of UHBVNL.

Plan for metering

2.1.4 The State Government in its Power Sector Policy Statement resolved (January 1996) to expeditiously install energy meters on all un-metered agriculture connections so that consumers are charged on the basis of actual metered supply. Power Sector Reform Programme (November 1997) of erstwhile Board, *inter alia,* envisaged replacement of 7.5 lakh low tension (LT) single phase/poly phase defective meters, installation of meters on existing un metered agriculture consumers and high tension (HT) feeder meters on sub-stations, at a total cost of Rs 92.50 crore during 1998-2003.

Further, during Power Ministers' conference held in February 2000, and in Memorandum of Understanding (MOU) signed (February 2001) between Central Government and the State Government, it was decided to implement programme of 100 *per cent* metering up to 11 KV feeders and HT consumers by March 2001 and other consumers by December 2001 under loan assistance from Rural Electrification Corporation (REC) and Power Finance Corporation (PFC).

Though the companies procured 15.76 lakh meters at a cost of Rs 194.59 crore during 1998-2003 with loan assistance from World Bank (3.07 lakh meters valuing Rs 47.46 crore) and REC/PFC/internal resources (12.69 lakh meters valuing Rs 147.13 crore), these were not adequate to replace the defective meters and achieve target of 100 *per cent* metering, as discussed in para 2.1.16, 2.1.17,2.1.18, 2.1.24 and 2.1.25 *infra*.

Purchase procedure

2.1.5 The purchases were required to be made as per procedure laid down in the Purchase Regulations of erstwhile Board. As regards the purchases of material against World Bank financed projects, the detailed procedure was laid down by World Bank authorities. The purchase of material up to Rs. 15 lakh required by companies was decided by the Stores Purchase Committee (SPC) headed by Chief Engineer. The cases above Rs 15 lakh were decided by

* UHBVNL: Ambala, Karnal and Sonepat; DHBVNL: Hissar, Gurgaon and Faridabad.

Special High Powered Purchase Committee (SHPPC) under the chairmanship of Chief Minister of the State.

Assessment of requirement

2.1.6 The companies assessed the requirement of meters for each year on the basis of estimated number of new connections to be released, meters to be provided to flat rate consumers for agriculture supply and number of defective/damaged meters to be replaced. Orders for supply of meters were placed with loan assistance from World Bank (up to December 2000), REC, PFC and internal resources.

Suppliers' rating cards

2.1.7 Purchase Regulations provided maintenance of suppliers' rating cards in the prescribed form by purchasing authority for rating their performance in terms of quality and quantity. Audit noticed that such rating cards were not maintained by the management. In the absence of proper system of suppliers' rating, decisions for awarding contracts were taken on recommendations made by the management based on their own judgment in respect of each supplier.

The management of UHBVNL/DHBVNL stated (July 2003) that the suppliers' rating cards would be maintained in future.

Placement of orders

2.1.8 For purchase of meters during 1998-2003, UHBVNL and DHBVNL placed 47 purchase orders (value: Rs 164.99 crore) and 38 purchase orders (value: Rs 109.43 crore) respectively. A test-check of these orders in Audit revealed that system of procurement of meters was marred by non-acceptance of tenders of the lowest firm, purchases against non-competitive rates, short/non-availing of the benefit of reduction in rates and non-effecting liquidated damages clause, as discussed in succeeding paragraphs.

Extra expenditure due to non-procurement of meters against global tender

2.1.9 For replacement of defective meters with loan assistance from World Bank, UHBVNL received (21 October 1999) global tenders from five to six firms for supply and installation of three lakh single phase electronic meters (10-40 Ampere) with Meter Cup Boards (MCBs) under three packages of one lakh meters each. Against all the three packages, rate quoted by Shaanxi Machinery Equipment Import and Export Corporation, China (firm 'S') at Rs. 859.72 per meter (total cost: Rs. 25.79 crore) was the lowest and rate quoted by Emco Limited Thane (firm 'E') at Rs. 987 per meter (total cost: Rs. 29.61 crore) was the second lowest.

Though the Store Purchase Committee of UHBVNL recommended (November 1999) placement of order on firm 'S', the Board of Directors of the Company did not consider (January/February 2000) the offer on the grounds that in respect of supply of 1.15 lakh meters against an earlier order (March 1998), the firm did not pay for extra expenditure on MCBs procured to counter the effect of external magnets.

UHBVNL recommended (January and March 2000) to the World Bank for cancellation and re tendering against one package and placement of order on the firm 'E' at equivalent rate of Rs. 987 against other two packages. Asserting that the meters supplied by firm 'S' against earlier contract conformed to the specified provisions for magnetic capabilities and that provision for supply of MCBs was not in the scope of supply, the World Bank objected (March 2000) to the retendering of the package and rejection of firm 'S'.

UHBVNL finally decided (June 2000) to procure meters from its own sources and dropped the proposal on the plea of non-availability of sufficient funds under World Bank loan.

UHBVNL ignored the lower rates against global tenders and subsequently procured three lakh meters at higher rates resulting in extra expenditure of Rs. 10.92 crore.

This action was not in the interest of UHBVNL as purchase of meters was already covered under the loan which was available for receipt of material up to December 2000 and loan of US $ 7.654 million (Rs 35.21 crore at exchange rate of Rs. 46 per US $ as on 20 August 2001) lapsed on the closing of loan. Audit further noticed that the Uttar Pradesh Power Corporation Limited had placed two purchase orders on firm 'S' in June 2000 for supply of 4.70 lakh such meters. Subsequently, UHBVNL procured (July 2000) three lakh meters from Emco Limited, Dadra at equivalent rates of Rs. 1,144 to 1,290 at a total cost of Rs. 36.71 crore.

Thus, ignoring the lowest offer against global tender enquiry and subsequent procurement of three lakh meters at higher rate resulted in extra expenditure of Rs. 10.92 crore.

The management stated (July 2003) that offer of firm 'S' was not considered as meters supplied by it against an earlier order were prone to tampering with magnets for which it had to procure MCBs. It further stated that funds under the World Bank loan were insufficient for the purchase. The reply was not tenable as the management had earlier (July 2001) stated that the meters were procured from firm 'S' as per prescribed specifications and only after installation of these meters, it came to notice that some unscrupulous consumers had used magnets of a very high strength affecting the working of the meters and that MCBs were essential to protect and secure the meters from tampering. Further, the supply of MCBs was not in the scope of earlier order and World Bank loan of Rs. 35.21 crore was available.

Extra expenditure in purchase of meter cup boards

2.1.10 For supply and installation of one lakh MCBs for three phase electro mechanical meters under World Bank loan scheme, UHBVNL received (March 2000) only one tender from Capital Meters Limited, Noida at

Rs. 873.21 per MCB (excluding 4 *per cent* CST and Rs. 80 for freight and installation).

Tender Evaluation Committee comprising of two executive engineers and an accounts officer of UHBVNL, worked out rate of Rs. 703 per MCB on the basis of price of Rs. 238 per MCB for single phase electronic meters allowed against purchase order placed (March 2000) on the same firm. The Committee justified the rate by adding cost due to increase in quantity of material (121.25 *per cent*) and increase in labour (74.25 *per cent*). UHBVNL awarded (July 2000) the contract to Capital Meters Limited, Noida at Rs. 873.21 per MCB. The supply was received between December 2000 and April 2001.

Since procurement cost of Rs. 238 per MCB for single phase meters comprised cost of material, labour, overheads and profit, percentage increase in components of material and labour should have been applied separately. Justifiable rates could not be worked out in audit as break up of these components was not available with UHBVNL. It was, however, observed that on the basis of cost data prepared according to REC standards, the Design Directorate of UHBVNL had estimated during 1999-2000 the cost of MCB at Rs. 300 for 2000-01. It was further observed that DHBVNL had approved (June 2001) cost of the MCB of similar type at Rs. 440.

Award of contract for purchase of MCBs on faulty justification resulted in extra expenditure of Rs. 4.33 crore.

Awarding the contract, as a result of faulty justification of the rates, had entailed extra expenditure of Rs. 4.33 crore (compared with rate of Rs. 440 per MCB) in the procurement of one lakh MCBs.

The management stated (July 2003) that rates were not comparable as the sizes and specifications of MCBs supplied by firm of 'Chennai' were different. The reply was not tenable as the sizes and specifications (length: 43 cm; width: 27 cm; and height: 16 cm with MS sheet of one mm thickness) of MCB of both the suppliers were similar and rates allowed to the firm of Noida were unjustified.

Incorrect application of delivery clause and short recovery of liquidated damages

2.1.11 The terms and conditions of the purchase orders issued by erstwhile Board/HVPNL/UHBVNL/DHBVNL stipulated the period of commencement, receipt of material per month/quarter and the scheduled completion period. In case of delayed supplies, the companies had a right to recover liquidated damages (LD) at 0.5 *per cent* per week subject to a maximum of 5 *per cent* of the value of delayed/undelivered material. The companies, however, did not recover liquidated damages as per monthly delivery schedule provided in purchase order but, wrongly recovered it by considering the overall delivery schedule.

Further, in case of failure of the supplier to deliver the material within the contracted delivery period, the Company had the right to refuse/accept the supplies. The Whole Time Members of the erstwhile Board decided (October 1994) that while accepting delayed supplies, the prevalent market rates should be compared with the rates of delayed supplies. However, no such clause was incorporated in the tender documents/purchase orders and no mechanism to ascertain and compare the prevalent market rates while accepting delayed supplies was devised resulting in short/non-availing of benefit of reduction in rates.

A few such cases are discussed below:

2.1.12 On the basis of tenders received on 29 March 2000, UHBVNL placed (28 July 2000) an order on Emco Limited, Dadra for supply and installation of 2,68,950 single phase electronic meters with MCBs at Rs. 1,290 (meter cost: Rs. 1,215 and installation charges: Rs. 75) per meter. Though the purchase order provided for supply and installation of meters, the Company did not specifically mention that the date of installation of meters would be reckoned as the date of delivery.

Delivery schedule stipulated commencement of supply and installation within two months from the receipt of order and completion within six months in equal monthly lots. After allowing seven days for receipt of order by the supplier and two months for commencement of supplies, supply and installation schedule for the entire quantity worked out to 44,825 meters per month between 4 October 2000 and 3 April 2001. After supplying 1,26,000 meters up to 3 May 2001, the supplier offered (April 2001) to supply the balance 1,42,950 meters at reduced rate of Rs. 1,152 with the condition that delivery schedule for such supplies would be extended up to 31 July 2001 to which the Company agreed on 21 May 2001.

It was noticed that 2,58,230 meters were installed during 18 December 2000 to 30 June 2002. Meanwhile, SHPPC finalised (28 December 2000, 25 October 2001 and 12 October 2002) lower rates of Rs. 1,152, Rs. 1,120 and Rs. 600 per meter (for the year 2002-03), respectively for similar type of meters.

The Company incurred extra expenditure of Rs. 1.81 crore by not enforcing lower rates while accepting delayed supplies after the expiry of overall delivery period. The Company also short recovered LD amounting to Rs. 1.11 crore by accepting supplies after a delay ranging between seven and 48 weeks (considering commencement of supply and installation as per monthly schedule instead of overall delivery period and date of installation as the date of delivery) as shown in the following table:

Scheduled supply and installation		Acceptance of delayed supply & installation		Rate allowed	Rate prevailing at the time of acceptance of delayed supply	Extra expenditure	Liquidated damages (Rupees in lakh)	
Date	**Quantity (in numbers)**	**Date**	**Quantity (in numbers)**	**Rupees**	**Rupees**	**(Rupees in lakh)**	**Leviable**	**Actually levied**
3.11.2000	44,825	Up to 27.12.2000	1,359	1,215	1,215	-	80.91	6.28
3.12.2000	44,825	28.12.2000 to 3.4.2001	54,192	1,215	1,152	-		
		4.4.2001 to 1.7.2001	70,445	1,215	1,152	44.38		

Scheduled supply and installation		Acceptance of delayed supply & installation		Rate allowed	Rate prevailing at the time of acceptance of delayed supply	Extra expenditure	Liquidated damages (Rupees in lakh)	
Date	Quantity (in numbers)	Date	Quantity (in numbers)	Rupees	Rupees	(Rupees in lakh)	Leviable	Actually levied
3.1.2001	36,350	1.7.2001to 28.10.2001	49,744	1,152	1,152	-	18.60	20.92
	1,26,000	29.10.2001 to 31.3.2002	66,198	1,152	1,120	21.18	38.18	13.44
31.7.2001 (Extended delivery schedule)	1,42,950	-do-	1796	1,120	1,120	-		
		1.4.2002 to 30.6.2002	22,204*	1,120	600	115.46	14.39	-
		-do-	3,000	Payment withheld	600	-		
	2,68,950		**2,68,938**			**181.02**	**152.08**	**40.64**

The management stated (July 2003) that the matter regarding allowing of lower rates based on the dates of installation had been referred (April 2003) for the advice of the State Advocate General, whose advice was awaited (July 2003). The management further stated that the issue regarding recovery of liquidated damages on monthly lots due to delayed supply of lots would be discussed in the future Board meetings to arrive at a decision.

2.1.13 While finalising (25 October 2001) rate of Rs. 1,120 for single phase electronic meters with MCBs, SHPPC advised the management not to accept supplies beyond the prescribed supply period in view of downward trend in prices.

UHBVNL placed (15 November 2001) purchase orders on Avon Meters Private Limited, Dera Bassi (firm 'A') and HPL SOCOMAC Private Limited, New Delhi (firm 'H') for supply of 65,000 meters each with delivery schedule of 10,000 meters up to 30 November 2001, 20,000 meters up to 20 January 2002 and 35,000 meters up to 31 March 2002. Terms and conditions of the orders provided that delayed supply would not be accepted. Both the firms did not supply 20,000 meters due up to 30 November 2001 and firm 'H' did not supply 12,388 meters due up to 20 January 2002. Without ascertaining market rates, the Company accepted 32,388 meters belatedly during 21 to 30 March 2002 from both the firms.

Acceptance of delayed/supplies without ascertaining the market rates resulted in extra expenditure of Rs. 54.41 lakh.

Acceptance of delayed supply of 32,388 electronic meters by UHBVNL at Rs. 1,120 per meter (including Rs 250 being cost of MCB) resulted in extra expenditure of Rs. 54.41 lakh when compared with the lower rate of Rs. 702 paid in January 2002 by Punjab State Electricity Board.

2.1.14 UHBVNL placed (3 July 2000) two orders on Capital Meters, Noida for supply of 1,00,000 (50,000 against each order) three phase

* Includes 7,708 meters awaiting installation (March 2003).

electro-mechanical meters. Delivery was to be made during 9 October 2000 to 9 February 2001 at 12,500 meter per month against each order. The firm supplied 50,000 meters against each order during 28 November 2000 to 23 March 2001 and 5 December 2000 to 1 April 2001 respectively. UHBVNL recovered LD of Rs. 9.31 lakh only considering overall delivery period of 9 February 2001 instead of Rs. 23.22 lakh based on monthly supply schedule. Thus, UHBVNL failed to recover LD to the extent of Rs. 13.91 lakh due to non-adherence to the delivery clause of the purchase order.

The management stated (July 2003) that the firm was to supply complete material in four lots in overall period of four months and month wise penalty was not chargeable. This contention was, however, to be viewed in the light of provisions of the purchase order requiring monthly supply in equal lots.

Non-implementation of decision for amending warranty clause

2.1.15 HVPNL decided (February 1999) to abandon repair of meters and procure meters with longer warranty period for five years instead of standard warranty clause for one year. Without amending the warranty clause, UHBVNL invited and received (December 1999 and March 2000) tenders for procurement of meters with warranty clause of only one year and accordingly placed (August 2000) two orders on EMCO Limited, Dadra for supply of 2,68,950 and 80,000 single phase meters at Rs. 1,215 per meter to be supplied up to 3 April 2001 and 15 February 2001 respectively. Meanwhile, SHPPC finalised (28 December 2000 and 25 October 2001) lower rate of Rs. 1,152 and Rs. 1,120 respectively for similar type of meters with warranty period for five years. On being asked (March 2001) by UHBVNL, the firm accepted lower rates (Rs 1,152 per meter) in respect of delayed supply of 1.94 lakh meters, but amendment of warranty clause from one to five years was not insisted upon.

As a result of failure of UHBVNL to amend warranty clause at the time of tendering and impress upon the firm to accept extended warranty clause for delayed supplies, the Company was deprived of the benefit of longer warranty of five years for 3,48,950 meters.

Non-amending warranty clause from one to 5 years would deprive the Company of benefit of replacement/repair of meters valuing Rs. 9.88 crore.

Audit noticed that out of 3,38,230 EMCO make meters installed in UHBVNL/DHBVNL, 21,396 meters were damaged up to December 2002 (one year warranty) and the damaged rate worked out to 6.32 *per cent* per annum. Based on this rate, companies would be deprived of the benefit of replacement/repair of 88,215 meters valuing Rs. 9.88 crore due to short warranty period by four years.

In reply (July 2003), the management did not give any reasons for non-implementation of decision for amending warranty clause in tender specifications/purchase orders.

Implementation of metering schemes

Non-achievement of 100 per cent metering target

2.1.16 During Power Ministers' Conference held in February 2000 and in MOU signed (February 2001) between Central Government and the State Government, it was decided to implement the programme of 100 *per cent* metering up to 11 KV feeders and HT consumers by March 2001 and other consumers by December 2001.

The REC and PFC were to finance the metering schemes which covered installation of energy meters for new connections, replacement of defective single phase and three phase meters for various categories of consumers, providing electronic meters on industrial and non domestic connections. The schemes were formulated under Accelerated Generation and Supply Programme (AG&SP) and Accelerated Power Development Programme (APDP), wherein interest subsidy of 4 *per cent* and grant equivalent to 25 *per cent* of the cost of scheme respectively were admissible. The schemes, envisaged additional revenue realisation to the extent of 10 to 18 *per cent* by way of recording of correct energy consumption and curbing pilferage of energy from tampering the meters, thereby reduction in line losses. Applications for sanction of the schemes were to be submitted by January 2001.

The implementation of the schemes is discussed below:

2.1.17 During 2000-01, REC sanctioned nine schemes with loan assistance of Rs. 64.09 crore for 100 *per cent* metering in UHBVNL. The schemes were scheduled to be completed by December 2001. The table at **Annexure-9** shows the targets and achievements of the schemes.

It would be seen from the Annexure that targets for installation of three phase electro-mechanical meters on agriculture connections and LT CT operated meters were not achieved. Non-replacement of LT CT operated meters resulted in loss of envisaged additional revenue of Rs. 30 lakh during 2002-03. Audit analysis revealed that the Company did not invite tenders for purchase of LT CT operated meters for industrial consumers for which reasons were not on record.

In reply, UHBVNL stated (July 2003) that delay in implementation of scheme for agricultural consumers was mainly due to stiff resistance from farmers and procurement of LT CT operated meters was in process. However, the fact remained that these schemes had not been implemented.

2.1.18 Similarly, PFC sanctioned four schemes with loan assistance of Rs. 48.86 crore during 2001-02 for 100 *per cent* metering in DHBVNL, which were scheduled to be completed up to March 2002. The targets and achievements of the schemes are detailed in **Annexure-10.**

Non replacement of meters as envisaged in the schemes resulted in loss of additional revenue of Rs. 71.76 crore during 2002-03. Audit noticed that out of four schemes, three were submitted to PFC for sanction in May and December 2001 against the completion schedule of March 2002.

Thus, due to delay in formulation and improper implementation of the schemes, the companies could not derive the benefit of additional revenue realisation of Rs. 72.06 crore besides non-availing of benefit of subsidy/grant.

The management stated (July 2003) that though these schemes were sanctioned by PFC, two schemes under APDP were not cleared by the Ministry of Power (MOP) and interest subsidy in respect of remaining two schemes under AG&SP were not available after March 2002. The reply was, however, not acceptable as there were delays in formulation and implementation of the schemes.

Schemes for replacement of defective meters

2.1.19 Superintending Engineer (Planning) of DHBVNL reported (October 1999) that conventional meters were sluggish and prone to tampering. The Company got sanctioned (10 December 1999) two schemes from REC which, *inter alia*, provided for replacement of 14,000 three phase meters of industrial supply consumers in various Operation Circles at a cost of Rs. 16 crore. The procurement and installation of meters was to be completed by March 2001. The schemes envisaged additional revenue of Rs. 1.33 crore per annum on their completion. Audit observed that the DHBVNL did not finalise and place orders during the currency of the scheme. However, the Company placed the order for purchase of electronic meters only in June 2001 on Omni Agate Systems Private Limited, Chennai. The meters were not tested in laboratories of the Company and subsequently were found defective after installation (as discussed in Para 2.1.21).

Thus, due to delayed placement of order and acceptance of defective meters, the DHBVNL could not derive the benefit of additional revenue of Rs. 1.33 crore per annum.

Unfruitful expenditure on installation of meters on unmetered tubewell connections

2.1.20 For the purpose of assessment of energy consumed by unmetered tubewell connections in 74 sub-divisions (UHBVNL: 44; DHBVNL: 30), UHBVNL purchased one lakh three phase electro mechanical meters (10-30 Amp) for Rs. 8.59 crore and same number of MCBs at Rs. 9.53 crore. The meters and MCBs were received by March and April 2001 respectively.

The Board of Directors of UHBVNL decided (February 2001) that meter readings/energy audit would be done once in a year preferably in September/October and that some sample meters (5 *per cent*) would be read every month to work out the energy consumption by un metered tubewells. Keeping in view the resistance by the farmers, it was further decided (June 2001) that meters should be installed on transformers feeding tubewell loads only.

Investment of Rs. 13.31 crore in installation of meters on unmetered connection remained unfruitful as yearly meter readings had not been taken for conducting energy audit.

Up to October 2002, out of 73,324 unmetered tubewell connections in 44 operation sub-divisions selected by UHBVNL, only 45,619 meters (62 *per cent*) were installed. Similarly, out of 31,984 unmetered tubewell connections in 30 operation sub-divisions selected by DHBVNL, only 29,761 meters (93 *per cent*) were installed. Thus, target of 100 *per cent* metering up to December 2001 in the selected sub-divisions was not achieved. As yearly meter readings of all the meters for the period ending September/October 2002 had not been conducted, and the companies were taking reading of only 5 *per cent* sample meters to work out energy consumption by unmetered tubewells, investment of Rs. 13.31 crore in the installation of 95 *per cent* meters (71,611) remained unfruitful (February 2003).

The management stated (July 2003) that in view of inadequacy of meter reading staff, monthly reading of only 5 *per cent* meters was taken and energy computed on sample basis and consumption of balance 95 *per cent* meters could be computed annually by taking reading once in a year and the power consumption by un metered consumers adjusted on the annual basis. However, the fact remained that energy audit was not conducted by taking readings of these metered tubewell connections.

Testing and installation of meters

Testing of Meters

2.1.21 Electro-mechanical and electronic meters were required to be manufactured as per Indian Standard Specification (ISS). Before installation at consumers' premises, these were required to be tested at manufacturer's premises and in departmental laboratories to ensure their conformity to ISS. Whole Time Directors (WTDs) of HVPNL, however, decided (February 1999) that meters would be tested and calibrated at the manufacturer's premises only on the ground that their laboratories were not equipped with proper equipments.

Decision to abandon testing and calibration of meters in departmental laboratories before their installation led to blockade of funds to the extent of Rs. 8.31 crore due to receipt of defective supply.

DHBVNL placed (25 June 2001) an order for purchase of 21,150 three phase electronic meters (20-60Ampere) on Omni Agate Systems Private Limited, Chennai, which were received between 16 February and 2 April 2002 at a total cost of Rs. 8.31 crore. Though, UHBVNL/DHBVNL had installed (2001-02) nine test benches (cost: Rs. 2.76 crore) in their various laboratories, WTDs of the companies did not review its decision and meters were not tested before installation. Consequently, 979 out of 9,169 meters installed up to 16 September 2002, were reported by field offices to be defective as discrepancies such as break in continuity in the potential links and jumping of the reading in meters were found. The firm was asked (December 2002) to replace software of all the meters but replacement in only 5,000 meters were carried out by the firm by March 2003.

Thus, the decision to abandon testing and calibration of meters in laboratories of UHBVNL/DHBVNL before their installation led to procurement of defective meters.

The Company stated (July 2003) that problem of jumping of readings could only be detected after installation of meters. The reply was not tenable as the faulty meters could have been identified before hand if tested in its modernised laboratories before their installation. The Managing Director of UHBVNL also stated that, a decision on testing meters at departmental test benches would be taken in consultation with DHBVNL.

Defects in installation of metering equipments

2.1.22 In order to curb chances of theft of energy, instructions contained in Meter Manual of the erstwhile Board, *inter alia,* provided that:

- Standard meter cubicles for HT/LT connections should be installed. Further, as per instructions (November 2001) of UHBVNL, standard cubicles could be provided at the cost of consumers and charges recovered through energy bills;
- LT poles from which the connection is to be tapped should be on common road and not in the factory premises; and
- LT cable used in releasing connections should not be laid underground and should be easily visible and it should not have any joints.

It was, however, observed in audit that these instructions were not being followed by field offices of UHBVNL/DHBVNL, as discussed below:

2.1.23 As per information compiled by Superintending Engineer (M&P) of UHBVNL, there were 1,272 (out of 6,176) connections of industrial supply where non-standard (theft prone) cubicles were installed which had not been replaced with standard cubicles. Similarly, in DHBVNL there were 125 connections where non-standard cubicles had not been replaced with standards cubicles.

2.1.24 A test check of records revealed that there were 160 connections (UHBVNL: 122, DHBVNL: 38) of low tension industrial supply consumers in operation circles where transformers and LT poles existed in premises.

2.1.25 A test check of records of six operation circles, revealed that there were 93 connections (UHBVNL: 7, DHBVNL: 86) of industrial supply consumers where cable was laid underground and was not visible.

Thus, due to non-adhering to instructions contained in Meter Manual, the companies continued to suffer revenue loss (indeterminable) due to theft of energy.

The management of UHBVNL stated (July 2003) that meter cubicles were to be provided by the consumers at their own cost and they resist to provide the same. The reply, however, contradicts company's own instructions issued in November 2001. The DHBVNL stated (July 2003) that action for replacement of non-standard cubicles, shifting of transformers/LT poles and cable having joints would be taken.

Performance of meters

2.1.26 According to the Central Government's notification of January 1992, life of an energy meter was 15 years. None of the operation sub-divisions, test-checked in audit, maintained history cards, resultantly, the performance of meters was not being monitored.

Defective energy meters

2.1.27 Mention of defective energy meters leading to loss of Rs. 93.54 crore was made in para 2A.6.11 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial)-Government of Haryana. It was noticed in audit that the problem of defective meters was persisting as shown in the following table:-

Year / Name of the Company	Total No. of metered connections	Opening balance of defective meters	Additions during the year	Defective meters replaced during the year	Closing balance of defective meters	Percentage of defective meters to meters
2000-01						
UHBVNL	17,99,241	1,58,024	79,624	84,033	1,53,615	8.5
DHBVNL	14,62,308	1,07,660	85,027	78,230	1,14,457	7.8
Total	**32,61,549**	**2,65,684**	**1,64,651**	**1,62,263**	**2,68,072**	**8.2**
2001-02						
UHBVNL	17,72,134	1,53,615	66,345	95,758	1,24,202	7.0
DHBVNL	14,91,343	1,14,457	96,157	68,971	1,41,643	9.5
Total	**32,63,477**	**2,68,072**	**1,62,502**	**1,64,729**	**2,65,845**	**8.1**
2002-03						
UHBVNL	18,27,141	1,24,202	74,615	91,717	1,07,100	5.9
DHBVNL	15,17,993	1,41,643	59,620	97,929	1,03,334	6.8
Total	**33,45,134**	**2,65,845**	**1,34,235**	**1,89,646**	**2,10,434**	**6.3**

Failure to replace defective meters resulted in loss of revenue of Rs. 71.86 crore.

Though the sample survey conducted (1997-98) by the erstwhile Board indicated that nearly 20 *per cent* of the meters installed were either defective or dead stop, the companies were declaring the meter defective only when it became dead stop. Average period taken in replacement of defective meters ranged between 13 and 24 months. Since billing of consumers having defective meters is done on average basis, the companies could not recover charges on actual consumption. A study carried out by HVPNL during 1998-99 worked out loss of 388 units per connection per annum due to defective meters. On that basis, loss of revenue worked out to Rs. 71.86 crore during three years up to 2002-03.

Audit further noticed that a large number of meters were lying in the stores as shown in the following table:

Year	Available	Installed	Closing balance
	(Number of Meters)		
1998-99	2,50,623	1,90,720	59,903
1999-2000	68,603	11,841	56,762
2000-01	2,98,294	1,80,406	1,17,888
2001-02	7,89,329	5,66,053	2,23,276
2002-03	6,40,994	5,60,123	80,871

The management stated (July 2003) that defective meters had been replaced as soon as possible and in the cases where delays occurred, consumers were charged on the basis of connected load and hence no loss had been suffered. The reply was not acceptable as the consumers should have been charged on the basis of actual consumption by providing a correct meter and not on the basis of connected load which is generally on lower side.

Non replacement of defective meters, which were to the extent of 60 *per cent* (during 2001-02 and 2002-03), resulted in annual revenue loss of Rs. 100.61 crore.

2.1.28 A scrutiny of records revealed that while replacing the electro-mechanical meters with the electronic ones, the companies removed 3.86 lakh electro-mechanical meters (UHBVNL: 2.58 lakh and DHBVNL: 1.28 lakh) during 2001-02 and 2002-03. Of these, 2.31 lakh meters (UHBVNL: 1.20 lakh and DHBVNL: 1.11 lakh) representing 60 *per cent* were found slow/defective on testing in the laboratories. Based on this rate, slow/defective meters in the companies as a whole worked out to 10.25 lakh (60 *per cent* of 17.09 lakh general connections having electro-mechanical meters). Thus, due to non-replacement of 10.25 lakh slow/defective meters, UHBVNL/DHBVNL had been suffering revenue loss of Rs. 100.61 crore per annum*.

While admitting facts the management stated (July 2003) that it was not possible to replace large number of meters in a limited period of time in view of requirement of huge funds as well as extra manpower, problems at site during replacement and that such works could be executed in phases. Reply was not tenable as all the defective meters should have been replaced up to December 2001 by formulating metering schemes under AG&SP and APDP with loan assistance from PFC/REC as per MOU (referred to in paragraphs 2.1.4 and 2.1.16, 2.1.17 & 2.1.18 *supra*).

Non recovery of cost of defective meters

2.1.29 In view of poor quality and un-economical cost of repairs, HVPNL decided (February 1999) to abandon repair of meters and recover cost (fixed at Rs. 1,215 per defective meter by UHBVNL in May 2001) of defective meters from the concerned consumers.

It was noticed in audit that during replacement of electro-mechanical meters with electronic meters, status of existing electro-mechanical meters was not checked so as to determine whether the meters were in working condition or not. Out of 2,58,467 electro-mechanical meters dismantled for replacement

* Worked out at loss of 388 units per connection per annum as referred to in paragraph 2.1.27 above.

with electronic meters received in various meter-testing laboratories of UHBVNL during March 2001 to December 2002, 87,727 meters were found defective. Similarly, out of 1,11,506 meters received in various laboratories of DHBVNL between March 2001 and December 2002, 5,213 meters were found defective. As such recovery of Rs. 11.29 crore, being the cost of 92,940 defective meters replaced by new meters, was not effected.

While admitting the facts, the Company stated (July 2003) that it did not recover cost of defective meters and felt more prudent to bring out accurate and tamper proof meter even at its cost. The reply was not tenable as the Company had to recover the cost of defective meters from consumers as per its own instructions of February 1999.

Delay/non-providing MCBs

2.1.30 The erstwhile Board purchased (March 1998) 1.15 lakh single phase electronic energy meters from Shaanxi Machinery and Equipments, China at Rs. 6.63 crore. Supply of these meters was completed in February 1999.

After installing 0.88 lakh meters up to March 1999, a committee headed by the Managing Director of DHBVNL observed (May 1999) that the meters could be tampered by placing a strong magnet on their surface and this problem could be overcome by providing MCBs on these meters. Accordingly, UHBVNL procured 1.15 lakh MCBs at Rs. 2.74 crore which were received up to December 2000 for installation on these meters.

Out of 1.15 lakh MCBs procured to counter the magnetic effect on electronic meters, 0.63 lakh MCBs valuing Rs. 1.49 crore were not installed.

It was observed in audit that out of 1.15 lakh, only 0.52 lakh MCBs were installed and balance 0.63 lakh MCBs were lying in stores of UHBVNL (0.30 lakh) and DHBVNL (0.33 lakh) at the end of March 2003.

Thus, the companies continued to suffer revenue loss (not ascertainable) due to non-installation of MCBs procured to counter external magnetic effect on meters besides blockage of funds of Rs. 1.49 crore on 0.63 lakh MCBs for two years.

Energy audit

2.1.31 Energy audit aims at accounting for energy received and sent out on each stage of power system to determine separately the technical losses (occuring due to inherent characteristic of conductors and equipments used in the system) and commercial losses (occurring due to pilferage of energy, defective meters, meter reading errors and un metered supply of energy and energy not accounted for). Mention was made in para 2A.5.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial)-Government of Haryana regarding non carrying out energy audit in a scientific and systematic manner and excessive distribution losses on 11 KV feeders. The Central Electricity Authority (CEA) reiterated (May 1992) its earlier instructions (February 1986) regarding introduction of energy audit of power received and sold, fixation of annual targets for reducing system losses and monitoring the actual loss against the targets.

Energy audit introduced (January 1990) for checking distribution losses on 11 KV feeders emanating from various sub-stations was conducted by field staff of respective operation circles on monthly basis. Feeder-wise energy audit reports were received from field offices by Chief Engineer (Operation). These were not submitted to the Board of Directors of the companies. Out of 2,915 feeders of 11 KV (UHBVNL: 1,553 and DHBVNL: 1,362), 1,080 feeders (UHBVNL: 667 and DHBVNL: 413) were having losses of more than 25 *per cent* during 2002-03 (up to December 2002 in respect of UHBVNL) as against norm of 7 *per cent* fixed by CEA.

Further, analysis in audit revealed that extent of distribution losses on 667 feeders during 2002-03 in UHBVNL ranged between 25 and 30 *per cent* (217 feeders); 31 and 40 *per cent* (245 feeders), 41 and 50 *per cent* (97 feeders) and above 50 *per cent* (108 feeders). No specific reasons for excessive losses were indicated in the energy audit reports. Areas/feeders where apprehension of pilferage of energy existed, were required to be reported to vigilance wing of the companies but such information had never been supplied to it for probing. Yearly targets by taking corrective measures for loss reduction on feeders where the losses were excessive were not fixed.

Periodical checking of connections

2.1.32 With a view to check the working of energy meters and to curb unauthorised extensions and theft of energy, the erstwhile Board had prescribed the system of periodical checking of connections by the field staff. The percentage of connections checked against the norms fixed by the erstwhile Board and recoverable revenue detected and realised for the last five years ended 31 March 2003 were as under:

The shortfall in checking of connections by the operation staff of the companies ranged between 37 and 71 *per cent.*

Year	No. of connections		Shortfall in checking		Cases of theft/incorrect metering detected		
	Due for checking	Actually checked	Number	Percentage	Number	Penalty imposed	Realised
						(Rupees in lakh)	
1998-99	9,41,972	4,03,665	5,38,307	57	17,642	2,428.63	622.09
1999-2000	9,05,976	4,23,043	4,82,933	53	15,912	1,305.63	498.49
2000-01	9,94,700	6,21,899	3,72,801	37	51,411	3,800.15	1,888.00
2001-02							
UHBVNL	3,94,289	2,42,222	1,52,067	39	46,602	1,829.71	876.71
DHBVNL	5,97,998	1,93,964	4,04,034	68	20,731	1,380.72	616.51
	9,92,287	4,36,186	5,56,101	56	67,333	3,210.43	1,493.22
2002-03							
UHBVNL	5,07,479	1,56,019	3,51,460	69	29,789	1,393.60	793.51
DHBVNL	5,10,464	1,34,922	3,75,542	74	14,771	1,621.17	748.40
	10,17,943	2,90,941	7,27,002	71	44,560	3,014.77	1,541.91
Total	**48,52,878**	**21,75,734**	**26,77,144**	**55**	**1,96,858**	**13,759.61**	**6,043.71**

As a result of aforesaid checking of connections, the Board/companies recovered penalty of Rs. 60.44 crore as against Rs. 137.60 crore imposed during five years ended March 2003.

The management stated (July 2003) that it was not possible to achieve the norms due to inadequacy of staff, increase in workload etc. and with the introduction of electronic meters, companies were in the process of revising the norms. However, the fact remains that still majority of the meters are electro mechanical (55 *per cent*) for which the checking is required as per norms.

Repair of meters

Failure of meters within warranty period

Damaged meters valuing Rs 3.70 crore were not replaced within warranty period.

2.1.33 Warranty clause of the contract for supplies ordered by the erstwhile Board, provided that the supplier was responsible to replace free of cost the whole or any part of the material which proves defective in quality or workmanship within 12 months from the date of receipt of the material by consignee or 18 months from the date of despatch whichever might expire earlier. In respect of energy meters ordered from April 2001 onwards, the period of performance warranty was stipulated at five years from the date of supply and the supplier was required to replace the defective meters within 45 days of the notice of defect. It was noticed in audit that 23,553 single phase (SP) and 3,033 poly phase (PP) meters (UHBVNL : 15,631 SP and 1,660 PP; DHBVNL : 7,922 SP and 1,373 PP) valuing Rs. 3.70 crore had failed within warranty period during 1998-03 which were not got replaced by the erstwhile Board/companies.

While the UHBVNL did not furnish any reply, the management of DHBVNL stated (July 2003) that bank guarantees were available to compensate the cost of damaged meters. Reply was not tenable as the Company had neither got the defective meters replaced nor encashed bank guarantees to recover the cost.

Conclusion

Assessment and procurement of meters was not commensurate with the requirement for replacement of defective meters and achievement of target of 100 *per cent* metering. The companies placed orders for procurement of energy meters at higher rates resulting in extra expenditure. The companies also failed to convert flat rate agricultural connections into metered supply and could not assess actual consumption recorded by them. Meters were not tested properly before their delivery and installation, history cards of meters were not maintained, accuracy of defective meters was not checked at prescribed intervals, defective/damaged meters were not replaced promptly and performance of meters was not monitored resulting in undercharge of revenue from consumers. Energy audit reports on 11 KV feeders were not indicating reasons for losses and no targets were fixed for taking corrective measures for reduction in losses.

The companies should streamline the purchase procedure and testing, installation, checking and replacement of energy meters to maximise revenue through correct metering.

The matter was referred to the Government in April 2003; reply had not been received (September 2003).

2.2 Haryana State Industrial Development Corporation Limited

Disbursement of loans, recoveries and investment activities

Highlights

Haryana State Industrial Development Corporation Limited (Company) was incorporated in March 1967 as a wholly owned Government company with the objective to promote industries in the State. To meet its objective, the Company was engaged in providing financial assistance by extending term loans and making investments in shares of companies.

(Paragraph 2.2.1)

The Company's funds to the extent of Rs. 8.84 crore (principal: Rs. 4.99 crore, interest: Rs. 3.85 crore) were at stake due to acceptance of inflated and defective collateral security, relaxing the conditions of sanction and disbursement of loan to units.

(Paragraph 2.2.7 to 2.2.13)

The non-performing assets increased from Rs. 55.12 crore in April 1998 to Rs. 85.22 crore in March 2003. The percentage of doubtful and loss assets to total outstanding loans increased from 14.73 during 1998-99 to 22.16 during 2002-03.

(Paragraph 2.2.14)

Due to poor recovery performance, the overdue amount increased from Rs. 49.94 crore in 1998-99 to Rs. 88.66 crore in 2002-03. Out of these, Rs. 75.62 crore were overdue for more than three years. In nine cases involving overdues of Rs. 31.98 crore not even a single instalment had been paid and in three cases involving Rs. 8.35 crore only one instalment had been paid since April 1995.

(Paragraphs 2.2.15 and 2.2.16)

The number of units in possession increased from 10 involving Rs. 5.17 crore recoverable in 1997-98 to 19 involving Rs. 16.21 crore recoverable in 2002-03, besides incurring an expenditure of Rs. 1.58 crore during April 1998 to December 2002 on the security of the assets of the units in possession.

(Paragraph 2.2.17)

The Company invested equity of Rs. 40.19 crore in 69 units up to March 2003. Under One Time Settlement (OTS) scheme, the Company accepted Rs. 6.25 crore against the due amount of Rs. 10.57 crore in eight out of 13 units disinvested during 1997-2003 besides, waiving of Rs. 4.66 crore in seven cases under OTS Scheme.

(Paragraphs 2.2.19 and 2.2.20)

The Company was holding Rs. 2.77 crore in 13 units the market value of which was only Rs. 52.07 lakh resulting in erosion of over 81 *per cent* in investment. The percentage of return on investment decreased from 1.08 during 1998-99 to 0.25 during 2002-03.

(Paragraph 2.2.23)

Introduction

2.2.1 Haryana State Industrial Development Corporation Limited was incorporated in March 1967 under the Companies Act, 1956 as a wholly owned Government company, with the objective to promote industries in the State. The Company was also entrusted (1971) with the function of developing industrial estates in the State.

The main objectives of the Company, *inter alia*, as envisaged in the Memorandum of Association are to:

- aid, assist and finance any industrial undertaking, project or enterprise whether owned or run by the Government, statutory body, private company, firm or individual with capital, credit, means or resources for prosecution of its work and business; and
- deal with shares, stocks, bonds, debentures obligations and securities of any company or association formed for establishing, executing or working of any industrial undertaking approved or promoted by the Company.

In pursuance of the above object, the Company has undertaken the activities of term lending, lease financing, equity participation, merchant banking and development of industrial estates. The Company disbursed loans amounting to Rs. 658.30 crore and participated in the equity with Rs. 40.19 crore till March 2003.

Organisational set up

2.2.2 The Articles of Association of the Company envisaged management of the Company by a Board of Directors (BOD) consisting of minimum three and maximum 11 directors. As on 31 March 2003, the Board comprised 11 directors including a Chairman and a Managing Director (MD). Out of these, six ex-officio and four non-official directors were appointed by the State Government and one by the Industrial Development Bank of India (IDBI). MD is the chief executive of the Company and is assisted by 12 departmental heads* in day-to-day affairs of the Company. The Company has five branch offices** for operation of its financial activities.

It was observed in audit that the non-official directors nominated by the State Government attended only 50 *per cent* of the Board meetings held during the last five years up to 2002-03.

Scope of Audit

2.2.3 The activity of the Company relating to setting up of industrial estates was reviewed and included in the Report of the Comptroller and Auditor General of India for the year 2000-01 (Commercial) and is awaiting discussion by the Committee on Public Undertakings (March 2003). The present review covering disbursement of loans, recovery performance and investment activities during the last five years ended March 2003 was conducted during October 2002 to February 2003.
Audit findings as a result of test check of 66 cases of loss, doubtful and substandard assets (76 *per cent*) and 104 cases of loan sanctioned during 1998-2002 (50 *per cent*) were reported to the Government/Company in May 2003 with the request to attend the meeting of ARCPSE so that view point of the Government/Management was taken into account before finalising the review. The meeting of ARCPSE was held on 16 July 2003 which was attended by the MD of the Company.

Term loan assistance

2.2.4 The Company provided financial assistance up to Rs. 10 crore for setting up new small and medium sector industrial projects as well as for expansion, diversification and modernisation of existing units. According to the laid down procedure, a promoter seeking financial assistance from the Company furnish an application along with project report of the unit to be set up for appraisal. After appraisal, the proposal was cleared by the Advisory Committee and placed before the sanctioning authority (Managing Director up to Rs. 1.50 crore, sub-committee of Board for more than Rs. 1.50 crore up to Rs. 3 crore and BOD above Rs. 3 crore).

The sanction of loan was conveyed through a sanction letter, which contained detailed terms and conditions of sanction. Disbursement was made after

* Accounts, Estate, Industrial area, Appraisal and merchant banking, Recovery, Disbursement, Personnel and administration, Public relations, Secretariat, Equity, Infrastructure and Planning and Information Technology.

** Delhi, Faridabad, Gurgaon, Hisar and Kundli.

entering into an agreement, ensuring clear title of primary security mortgaged and watching the progress of the project. Besides, collateral security was also obtained keeping in view the risk perception involved. To ensure its correct valuation and clear title, the loanee was required to furnish valuation report from a valuer and a search report* from an advocate. Documents in support of clear title and authenticity of the valuation of the security were verified by the officers of the Company before acceptance.

2.2.5 A comparative statement showing the receipt of applications, sanctions and disbursements made during the last five years ended March 2003 is given below:

Particulars	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Amount Rupees in crore)									
a) Applications pending at beginning of the year	12	16.48	44	59.36	74	134.24	43	110.14	48	83.44
b) Applications received	228	300.49	217	342.53	198	430.56	160	342.66	133	342.56
Total	**240**	**316.97**	**261**	**401.89**	**272**	**564.80**	**203**	**452.80**	**181**	**426.00**
c) Applications rejected/ lapsed/ withdrawan/ filed	103	156.50	110	166.09	157	327.96	95	266.08	113	266.14
d) Applications sanctioned	93	101.11	77	105.56	72	126.70	60	103.28	49	102.27
Amount disbursed		55.50		58.07		66.10		73.72		67.42
e) Applications pending at the end of the year	44	59.36	74	134.24	43	110.14	48	83.44	19	57.59
f) Amount for which loan applications considered (c+d)	196	257.61	187	271.65	229	454.66	155	369.36	162	368.41
Percentage of loan disbursed to loan sanctioned		55		55		52		71		66
Percentage of applications rejected/ lapsed/ withdrawan/ filed to applications considered	53		59		69		61		70	

It would be seen from the above that loan applications sanctioned and amount disbursed there against by the Company during these five years amounted to Rs. 538.92 crore and Rs. 320.81 crore, respectively.

The management attributed (January 2003) less disbursement to change in industrial/market scenario and non-compliance of conditions of sanction.

* Search report is a document prepared by an advocate indicating title and location of the security.

2.2.6 A test check of records revealed that loans were disbursed without:

- obtaining credit worthiness reports from the financial institutions, (para 2.2.7);
- ensuring availability of working capital (para 2.2.8, 2.2.9 and 2.2.11);
- verifying title/location of collateral security (para 2.2.7, 2.2.8 and 2.2.9) and
- acceptance of collateral security at grossly inflated value (para 2.2.7,2.2.10, 2.2.12 and 2.2.13).

A few interesting cases are discussed below:

Irregular disbursement of loan and acceptance of collateral security at inflated value

2.2.7 The Company sanctioned (30 March 1998) working capital term loan (WCTL) of Rs. one crore to Jyoti Oil Industries Limited, Sonepat (unit)* repayable in 42 months including moratorium of six months. The terms and conditions, *inter alia,* provided that the unit would furnish collateral security of Rs. 1.25 crore and credit worthiness report from Haryana Financial Corporation (HFC).

The unit furnished collateral security (March 1998) of Rs. 74.71 lakh (three shops located at 2nd floor in Rajouri Garden, Delhi) and the Company released Rs. 60 lakh on 31 March 1998, by relaxing the condition of obtaining credit worthiness report from HFC without assigning any reasons. To make up the shortfall in security, the unit further furnished (May 1998) collateral security of land situated at village-Ahmed Nagar, district Sonepat valued** at Rs. 16.90 lakh. Meanwhile, the Company received a reference (April 1998) from HFC intimating its proposal to take over the unit as it was in default of Rs. 1.59 crore. The Company, however, ignored this fact and released Rs. 13.28 lakh on 27 May 1998 on the plea that notice of possession was being rescinded by HFC. The notice was, however, not rescinded. The balance WCTL of Rs. 26.62 lakh was cancelled on the basis of a notice of Oriental Bank of Commerce (OBC) published (22 October 1998) in 'The Tribune' wherein it was mentioned that the unit was in default of interest and total outstanding as on 30 June 1998 was Rs. 83.45 lakh and the unit's business had come to stand still since July 1998.

* Promoters: Shri Brij Mohan Gupta and Shri Vijay Aggarwal.

** Valuer: Sh. T.K.Chaterjee.

Disbursement of working capital term loan without ascertaining credit worthiness report and acceptance of defective/inflated collateral security resulted in non-recovery of Rs. 1.87 crore.

The Company decided (December 1998) to take over the collateral security to recover the outstanding dues. The possession of three shops at Delhi was taken in February 1999 and the value was assessed at Rs. 20.84 lakh by North India Technical Consultancy Organisation Limited (NITCON)* against the accepted value of Rs. 74.71 lakh. After five attempts from April 1999 to June 2001, these shops were auctioned for Rs. 16.15 lakh in July 2001. Possession of agricultural land could not be taken as it was not distinctly demarcated. The recoverable amount after adjustments stood at Rs. 1.87 crore (principal: Rs. 73.28 lakh, interest: Rs. 1.14 crore) till March 2003. Thus, disbursement of working capital term loan without ascertaining credit worthiness of the unit and acceptance of defective/inflated collateral security had put the recovery of Rs. 1.87 crore (March 2003) at stake.

In reply, endorsed by Government in August 2003, the management stated (July 2003) that the borrower had a dispute with HFC relating to equity shares and as such the condition of credit worthiness report was relaxed. The reply was not tenable as the Company without assigning any reason and having received the request from the unit relaxed the condition of obtaining credit worthiness report from HFC.

2.2.8 The Company sanctioned (March 1999) a term loan of Rs. 83.64 lakh to Mentha Agro Chem (India) Pvt. Limited, Sonepat (unit)** for manufacturing menthol bold crystal. The terms and conditions, *inter alia,* provided that the unit would provide collateral security equivalent to 100 *per cent* of loan amount and get the working capital limit sanctioned before disbursement of last 50 *per cent* of loan.

After getting title of the land verified from an advocate*** the Company accepted the collateral security of land at village Malikpur, Model Town, Delhi at the assessed value of Rs. 97.20 lakh. First instalment of Rs. 39.90 lakh was released in January 2000 and the subsequent instalments of Rs. 42.90 lakh were released during July to November 2000 under the orders of MD relaxing the condition for working capital arrangement from the bank. The working capital was never sanctioned to the unit. The unit started committing default since July 2001. The Company took over the possession of the unit in January 2002. The unit was put to auction in March 2002, January and March 2003 but could not be sold (July 2003). The Company could not take the possession of collateral security as the land mortgaged with the Company was acquired by Delhi Development Authority (DDA) in 1966 and allotted to a co-operative housing society.

Thus, due to acceptance of collateral security based on incorrect search report of the advocate and failure of the Company to ensure the genuineness of the report and relaxing the condition for arranging working capital, the recovery

* A joint venture of IFCI, IDBI, ICICI, State level Corporations and Nationalised Banks.

** Promoters: Daya Nand Jain and Ishwar Singh Jain.

*** Advocate: Shri Vikas Deep.

of Rs. 1.09 crore (principal: Rs. 82.80 lakh and interest: Rs. 25.81 lakh) as on March 2003 had been put at stake.

In reply, endorsed by Government in August 2003, the management stated (July 2003) that the Company had put the primary security on sale and was planning to file FIR against the promoters for furnishing defective collateral security. However, action against the advocate for submitting incorrect search report and defaulting officers of the Company, had not been taken (July 2003).

2.2.9 The Company sanctioned (March 2000) a term loan of Rs. 72 lakh to Capsil Laboratories (Pvt.) Limited (unit)# for setting up a pharmaceutical unit in district Sonepat. The unit was required to furnish a collateral security of 75 *per cent* of the amount of loan and furnish sanction of working capital limit from the bank before availing last 50 *per cent* of the loan. The unit offered (July 2000) a plot situated at village Badarpur (New Delhi) as collateral security valuing Rs. 78 lakh along with Advocate's* search report. The Company accepted this security without verifying the title from the revenue record and released Rs. 26.94 lakh in July 2000 and Rs. 9.06 lakh in October 2000. The Company further disbursed Rs 15.05 lakh in March 2001 by relaxing the condition of sanction of working capital limit till next disbursement. An employee of the unit informed the Company (July 2001) that promoter of unit had misappropriated the loan released to the unit and had furnished fake collateral security. On the basis of above complaint, the Company verified the documents of the collateral security, and found that the signatures of the sub-registrar, secretary and representatives of seller in the sale deed were forged.

Disbursement of loan without verifying the title of collateral security led to recovery of Rs. 65.82 lakh at stake.

The unit did not commence production as working capital was not sanctioned and it defaulted in repayment of loan. After issue of notice under Section 29 of SFC Act, 1951, the possession of the unit was taken over in January 2002. The possession was restored to the unit in March 2002 on assurance of payment but deemed possession remained with the Company. As the unit failed to fulfill its commitments, the Company took physical possession in November 2002. NITCON assessed (January 2003) valuation of primary security at Rs. 23.87 lakh against the due amount of Rs. 65.82 lakh (principal : Rs. 51.05 lakh, interest : Rs. 14.77 lakh) as on 31 March 2003. The unit could not be sold (July 2003) despite inviting tenders in January and March 2003.

Thus, injudicious decision to disburse loan to the unit without verifying the title of the collateral security and ensuring the sanction of working capital had put the recovery of Rs. 65.82 lakh at stake.

The management stated (February 2003) that net realisable value of the assets mortgaged to the Company did not match with the balance outstanding and as such after disposal of the primary security, the amount would be recovered through recovery certificate. The Company further intimated (July 2003) that

Promoters: S.Baljit Singh and H.N. Lal.

* Advocate: Savita Prabakar.

the matter was under investigation for taking action against the Advocate and concerned officer responsible for accepting the defective security.

2.2.10 The Company sanctioned (September 1998) a term loan of Rs. 57 lakh to Euro Plywood Company Limited, Sonepat (unit)^ for setting up unit for manufacture of plywood, black boards etc. at Sonepat. The terms and conditions, *inter alia,* provided that the unit was to get working capital limit sanctioned from a bank before last disbursement of 50 *per cent* of loan and further the unit was to provide collateral security of 85 *per cent* of the sanctioned loan.

The unit provided collateral security of Rs. 45 lakh against the required security of Rs. 48.45 lakh consisting of agricultural land, shop and residence as assessed by the valuer~ and verified by the Manager of the Company. Accordingly, it was decided to disburse the loan on *pro-rata* basis. First disbursement of Rs. 14.42 lakh was made in January 1999. By relaxing the condition of the sanction of working capital, the Company released second instalment of Rs. 25.86 lakh in March 1999. The unit did not commence production and not paid a single instalment of principal or interest.

On an inspection, (November 1999) the unit was found closed. Notice under Section 29 of SFC Act, 1951 was issued in August 2000 and possession of the unit taken in October 2000. Total assets taken over were not compared with the assets financed by the Company at the time of taking possession to verify shortage, if any. The Company, however, lodged (September 2001) an FIR against the promoter for removing machinery after a lapse of over 11 months. The unit was put to auction (December 2000) and the highest bid of Rs. 31 lakh was ignored against the outstanding of Rs. 51.77 lakh. The Company, however, disposed of primary security along with adjacent collateral security of agriculture land for Rs. 31 lakh in March 2002. The value of the agricultural land had been accepted as Rs. 20 lakh whereas the NITCON assessed the net realisable value as Rs. 5.13 lakh. For meeting the shortfall of Rs. 42.47 lakh the remaining collateral security (shop and house) valuing Rs. 25 lakh was sold (April 2003) for Rs. 8.67 lakh.

Thus, due to irregular disbursement and acceptance of collateral security at inflated value, the recovery of Rs. 44.66 lakh including principal of Rs. 10.10 lakh as on 31 July 2003 had been put at stake.

The Company and the Government, *inter alia,* stated (July and August 2003) that request for working capital limit was under consideration by the bank and missing items were identified at a later stage and F.I.R. lodged thereafter. The reply was not tenable as the 50 *per cent* disbursement of the loan should have been made after receiving clear sanction from the bank as envisaged in the sanction letter.

^ Promoters: S/Shri Radhey Sham Mittal, B.L.Gupta and Sanjay Gupta.

~ Valuer: M/s Aggarwal and Associates.

2.2.11 The Company sanctioned (May 2000) a term loan of Rs. 55 lakh to Mahal Foods and Bewerages Private Limited, Dharuhera (unit)* for manufacture of namkeen, soda water and milk. The terms and conditions of the sanction letter of the loan, *inter alia,* provided that the unit would get the working capital limit sanctioned before the disbursement of last 25 *per cent* but the condition was relaxed by the MD and full amount was disbursed in June 2000. The unit was further sanctioned (September 2000) additional term loan of Rs. 18.62 lakh, which was to be disbursed on obtaining sanction of working capital from the bank. However, the condition was relaxed and Rs. 16.93 lakh was disbursed in September 2000. The unit was not sanctioned the working capital by the bank.

The unit started committing default in the payment of the instalment of interest which fell due in October 2000. A show cause notice was issued (December 2000) to clear the dues within 15 days. As the unit did not clear the default, the Company issued (February 2001) notice under Section 29 of SFC Act, 1951 to take over the unit and possession of the unit was taken over in March 2002. The unit could not be sold because no tenders were received despite put to auction in January, May and July 2003.

Relaxing the conditions of arranging working capital limit from banks put the funds of Rs. 1.06 crore at stake.

Thus, relaxation of the condition of arranging working capital limit from the banks had put the funds of Rs. 1.06 crore (including principal: Rs. 71.93 lakh) at stake (March 2003).

The Company and the Government stated (July and August 2003) that the condition of working capital was relaxed in view of the application submitted by the unit to bank. The reply was not tenable as mere submission of application does not entitle the applicant to avail of the credit facility and finally non-sanction of working capital had led to failure of the unit.

Acceptance of defective collateral security

2.2.12 The Company sanctioned (January 1998) a term loan of Rs. 1.25 crore to Natural Fragrances (Private) Limited, Sonepat (unit)** for manufacturing menthol bold crystal. The terms and conditions of sanction, *inter alia,* provided that the unit would provide 100 *per cent* collateral security. The unit provided collateral security of agricultural land at Mathura Road near Apollo Hospital valuing Rs. 1.42 crore, which was accepted on the basis of valuation report (February 1998) given by the valuer*** and the search report by an advocate Ψ.

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* Promoters: S/Shri Ajay Arora, Gautam Verma, Rohit Verma, Kusum Arora and Rahul Arora.

** Promoters: S/Shri Raman Kumar Pandoi, Aman Kumar Pandoi, Amit Kumar Pandoi and Mrs. Sonia Pandoi.

*** Valuer: Shri T. K. Chatterjee.

Ψ Advocate: Shri Parmod Kumar Bhagat.

The loan of Rs. 1.23 crore was disbursed between June 1998 and February 2000. The unit started committing default from February 1999. Due to continuous default the unit was taken over in December 2000. Meanwhile, the value of the unit was assessed (February 2001) at Rs. 35.81 lakh by NITCON but the unit could not be disposed of (December 2002) despite auctions held in February 2001, August 2002, January, March and July 2003. As regards collateral security, the NITCON assessed (January 2002) its value at Rs. 3.64 lakh only against the accepted value of Rs. 1.42 crore. Further, location of collateral security stated to be near Apollo Hospital, was actually 6-7 kms away from it. On seeking clarification from the valuer firm, it was intimated (July 2002) that the concerned valuer had expired in 1999.

Acceptance of collateral security at inflated value resulted in non-recovery of Rs. 1.73 crore.

Thus, negligence in identifying the exact location and acceptance of collateral security at inflated value by the Company without cross checking the documents furnished by the unit had put the funds of Rs. 1.73 crore (principal: Rs. 1.10 crore and interest: Rs. 62.87 lakh) as on 31 March 2003 at stake.

The management stated (February 2003) that the amount would be recovered by issuing recovery certificate against the promoters and guarantor. The reply was not tenable as the management informed (March 1999) the Board that it had not succeeded through this route. The management further admitted (February 2003) that no recovery had been effected during the last five years ended March 2002 through this route. The Company did not initiate action against the advocate and the concerned officers so far (May 2003).

2.2.13 The Company sanctioned (January 1998) an additional term loan of Rs. 98.56 lakh to Kundan Lal Ran Singh Agro Products Pvt. Limited, Karnal (unit)* for expansion of roller flour mill which had already availed a term loan of Rs. 7.60 lakh from the Company and Rs. 58.80 lakh from HFC in 1995-96. The loan was secured against the collateral security of agricultural land measuring 15 bigha and 6 biswa valued at Rs. 80.32 lakh by a valuer** and accepted by the Company. The loan of Rs. 98.36 lakh was disbursed to the unit during April 1998 to January 1999. On failure of the unit to repay the dues and on finding (August 1999) the unit lying closed, the Company took over all the assets of the unit (September 1999). However, possession of collateral security could not be taken over as it was in the form of agricultural land scattered at three different locations*** and clear demarcation was not known.

On checking the value of the land from Tehsildar's office as well as from the property dealers operating in that area, it was found that the value of the land was Rs. 11.50 lakh against the accepted value of Rs. 80.32 lakh. After mutation of land, deemed possession of collateral security was obtained in February 2001.

* Promoters: S/Shri J. S. Chaudhary, Kuldeep Singh, Harinder Singh, Kalyan, Tarun Pal Bhatia and Mewa Singh.

** Valuer: Mr. Shashi Sharma.

*** Locations: Agricultural land at Karnal.

Thus, acceptance of collateral security of agricultural land at highly inflated value had rendered recovery of Rs. 1.99 crore including principal: Rs. one crore as doubtful (March 2003). The Company did not initiate any action against the valuer responsible for furnishing inaccurate report. Admitting the lapse, the management informed (July 2003) that FIR had been lodged against the promoter and valuer. The reply was endorsed by the Government in August 2003. Further developments were awaited.

Non-performing assets

Classification of assets

2.2.14 In the case of non-banking companies, the IDBI had classified (March 1994) the loans into four groups viz., standard, sub-standard, doubtful and loss assets which are based on the possibility of recovery of loan.

- Standard assets : Where repayments are regular.
- Sub-standard assets : Where loans as well as interest remain overdue over a period six months but not exceeding 18 months
- Doubtful assets : Where loans as well as interest remains overdue beyond 18 months.
- Loss assets : Where loans for which loss was identified but not written of wholly or partly.

The table below indicates the position of outstanding loans, classification of loans as standard, sub-standard, doubtful and loss assets for the last five years up to 2002-03:

Sl. No.	Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
		(Rupees in crore)				
1	Loans outstanding at the close of the year	227.000	235.21	254.09	280.60	292.49
2	Classification of assets					
	a) Standard assets	171.88	172.66	188.04	208.53	207.27
	b) Sub-standard assets	21.69	17.59	10.21	12.70	20.39
	c) Doubtful assets	32.45	43.98	54.86	58.38	63.85
	d) Loss assets	0.98	0.98	0.98	0.98	0.98
3	Total non-performing assets (NPA)* {2(b)+(c)+(d)}	55.12	62.55	66.05	72.06	85.22
4	Total of doubtful and loss assets {2(c)+(d)}	33.43	44.96	55.84	59.36	64.83
5	Percentage of NPA to total outstanding	24.28	26.59	25.99	25.68	29.14
6	Percentage of doubtful and loss assets to total outstanding loans	14.73	19.11	21.98	21.15	22.16
7	Provision of NPA	15.29	19.11	21.92	26.04	31.50

* NPA – Interest and/or instalment of principal remains overdue for a period of more than six months.

Due to poor recovery performance, non performing assets had increased from Rs. 55.12 crore in 1998-99 to Rs. 85.22 crore in 2002-03.

Against the total loan outstanding, NPAs had increased from Rs. 55.12 crore (24.28 *per cent*) in 1998-99 to Rs. 85.22 crore (29.14 *per cent*) in 2002-03. Doubtful and loss assets increased from Rs. 33.43 crore to Rs. 64.83 crore(94 *per cent*) against increase in loan assets from Rs. 227 crore to Rs. 292.49 crore (29 *per cent*) during the same period. The constant increase in NPAs resulting from poor recovery of loans had been affecting the financial position adversely as the Company had to make payments to financial institutions/banks without effecting recovery from the loanees.

Management attributed (December 2002 and July 2003) increase in NPAs to recession in the industry, technological obsolescence, opening up of the economy and advent of multinationals, labour trouble and incompetent management and units becoming sick and reference to Board for Industrial and Financial Reconstruction (BIFR). This version was endorsed by the Government in August 2003. The fact, however, remained that irregular disbursement of loans by relaxing terms and conditions of sanction had contributed to increase in NPAs.

Recovery performance

2.2.15 Recovery of loan was pursued by the recovery wing at the head office of the Company. In case of continuous default by the loanees, the primary and the collateral security were acquired under Section 29 of SFC Act, 1951. The assets so acquired were sold by the Company through open auction and realisation adjusted against the dues. In case of non-recovery of full amount, shortfall was pursued through the District Collector for recovery as arrears of land revenue under Section 3 of Haryana Public Money's (Recovery of Dues) Act, 1979. The details of the term loan due for recovery, target fixed for recovery, amount recovered and the shortfall during the last five years ended March 2003 are given below:

Sl. No.	Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
		(Rupees in crore)				
1.	Amount recoverable (including interest)	127.29	157.25	160.39	160.27	174.82
2.	Targets fixed for recovery	88.50	87.90	88.90	79.00	77.50
	Percentage of target to amount recoverable	70	56	55	49	44
3.	Amount recovered					
	a) Old dues (recoverable up to previous year)	6.42	8.84	10.57	8.05	5.59
	b) Current dues	70.93	74.69	67.04	69.41	80.57
	c) Total (a + b)	**77.35**	**83.53**	**77.61**	**77.46**	**86.16**
4.	Amount recoverable at the end of the year	49.94	73.72	82.78	82.81	88.66
5.	Percentage of recovery to					
	a) Amount recoverable	61	53	48	48	49
	b) Target	87	95	87	98	111

From the above table it would be observed that:

- The management decreased the targets constantly as these were brought down from 70 *per cent* of amount recoverable in 1998-99 to 44 *per cent* during 2002-03. Even the decreased targets were never achieved.
- Amount recoverable rose sharply from Rs. 49.94 crore in 1998-99 to Rs. 88.66 crore in 2002-03.
- Separate targets for recovery against old dues had not been fixed.
- Amount recoverable (Rs. 88.66 crore) included principal of Rs. 48.12 crore out of which Rs. 30.34 crore related to Board for Industrial and Financial Reconstruction/Recovery Certificate/suit filed/liquidation cases as on 31 March 2003.

The management, *inter alia,* stated (January 2003) that targets were fixed lower on the basis of dues and expected recovery from different categories of assets. However, the fact remained that recovery percentage decreased consistently during the last five years.

Main reasons for lower percentage of recovery of dues as analysed in audit were irregular disbursements and delay in disposal of the units in the possession of the Company (refer to para nos. 2.2.7, 2.2.8, 2.2.9, 2.2.10, 2.2.11, 2.2.12 and 2.2.13 *supra* and 2.2.17 *infra*).

Age-wise analysis of overdues

2.2.16 The age-wise analysis of overdues as on 31 March 2003 was as under:-

Sl. No.	Age of overdues (months)	Number of units	Principal	Interest	Total
			(Rupees in crore)		
1	Up to 6	27	2.17	0.67	**2.84**
2	6-24	16	3.05	3.28	**6.33**
3	24-36	6	2.63	1.24	**3.87**
4	36-60	25	13.53	7.49	**21.02**
5	60 and above	43	26.74	27.86	**54.60**
	Total	**117**	**48.12**	**40.54**	**88.66**

From the above, it would be seen that out of Rs. 88.66 crore, Rs. 75.62 crore were more than 3 years old constituting 85 *per cent* of the total overdues, which reflects poor recovery of old overdues.

An analysis of the records relating to disbursement of loan from April 1995 revealed that a sum of Rs. 31.98 crore (principal: Rs. 11.79 crore and interest: Rs. 20.19 crore) which constituted 36.07 *per cent* of total overdues were recoverable from nine units which had not paid even a single instalment and in three cases involving Rs. 8.35 crore (principal: Rs. 3.33 crore, interest: Rs. 5.02 crore) only one instalment was paid and after that repayment was discontinued.

Possession of units

2.2.17 Section 29 of SFC Act, 1951 empowers the Company to acquire the possession of the loanee unit and dispose of the same to recover its dues in case the unit fails to repay the dues. The number of units in possession increased from 10 (Rs 5.17 crore) in 1997-98 to 19 (Rs 16.21 crore) in 2002-03. It was noticed in audit that the increase in number of units was due to delayed/non-disposal of assets at the assessed value despite holding frequent auctions. The Company had incurred an expenditure of Rs. 1.58 crore during April 1998 to December 2002 on the security of the assets of the units in possession. Delay in disposal not only resulted in locking up of funds but the amount to be realised also increased to the extent of expenditure so incurred on security. Further, the condition of assets taken over deteriorated substantially with the passage of time.

The management and the Government stated (July and August 2003) that while taking a pragmatic view, an assets sale committee has been constituted for sale of assets at market value.

Irregular disbursement of loan and delay in disposal of the unit

2.2.18 The Company sanctioned (4 October 1995) a bridge loan of Rs. 1.50 crore against working capital to Riba Textile Limited, Panipat (unit)* for a period of three months with the stipulation that the unit would furnish a lien letter from bankers that the amount of working capital would be deposited with the Company for adjusting bridge loan. The bank, however, informed (20 October 1995) the Company that the project was under implementation and working capital requirement of the unit would be assessed/worked out as soon as the project would be nearing completion. Subsequently, on the request of the unit the proposal for obtaining lien letter from bankers was relaxed under the orders of MD. The amount of loan was disbursed during October 1995 and December 1995 after obtaining collateral security of Rs. 2.10 crore.

Since the validity of loan expired in January 1996, the unit requested (23 April 1996) the Company to extend it up to 15 June 1996 on the plea that the bank had not sanctioned working capital limit. The Company recalled the entire loan on 24 April 1996 but took no action to take over the collateral security. The unit requested (December 1997) the Company to convert their bridge loan of Rs. 1.50 crore into working capital term loan with an assurance to clear interest on bridge loan during 1997-98 subject to waiver of penal interest and all penalties levied thereon. The Company sanctioned (March 1998) working capital term loan of Rs. 1.50 crore. The loan was to be repaid in three and half years in quarterly instalments without any moratorium period. Out of this disbursement, an amount of Rs. 1.49 crore (principal: Rs. 60.81 lakh, interest: Rs. 85.53 lakh and interest tax: Rs. 2.16 lakh) was adjusted against the outstanding bridge loan of Rs. 2.62 crore as on 31 March 1998. The Company also waived of penal interest of Rs. 24.20 lakh since beginning to March 1998,

* Promoter: Shri Ravinder Garg.

leaving a sum of Rs. 85.19 lakh as principal of bridge loan after adjustment of Rs. 4.00 lakh received from the unit.

Due to continuous default, the Company took (June 2001) deemed possession of the unit. However, the unit was allowed to continue production and the expenditure on security at rate of Rs. 12,101 per month was being incurred by the Company. Total recoverable amount as on 28 February 2003 accumulated to Rs. 5.01 crore (inclusive of Rs. 1.34 crore overdue against other two loans). Actual physical possession of the primary security/collateral security was not taken to realise the huge amount of Rs. 5.01 crore.

The Company and the Government stated (July and August 2003) that the deemed possession of the unit was taken to put pressure over the unit to make payments as per its commitments. The reply was to be viewed in the light of the fact that due to inaction on the part of the management in taking actual possession, the recoverables from the unit had been increasing constantly.

Equity participation

2.2.19 Under the scheme of equity participation, the Company participates in the equity of new entrepreneurs to enable them to mobilise the required equity capital for the project at the initial stage. Under the scheme, the Company invests in equity capital of public limited companies having project cost above Rs. 3 crore and registered office in the State. The private promoters are required to contribute not less than 25 *per cent* of the paid-up capital of the unit.

The Company had invested Rs. 40.19 crore as on 31 March 2003 in the equity share capital of 69 units under joint/assisted sector. As per terms of financial collaboration agreement, at the time of buy back by the collaborator, the price to be paid shall be the highest of the following:

- issue price of the shares plus simple interest for the period at the lowest normal lending rate of interest on term loans under refinance scheme of IDBI prevailing at the time of first issue of share to the Company under the agreement; or

- the highest price of shares ruling on any of Indian Stock Exchanges for a period of two months preceding the date in which the collaborator ought to purchase the shares held by the Company as provided in clause above; or

- assessed value of the shares as determined by the Auditors of the unit on the basis of its net worth on the date of sale of the shares.

Following shortcomings were noticed in the implementation of equity participation scheme:

Disinvestment

2.2.20 In order to overcome difficulties in disinvestment of its equity, the Company introduced (July 1999) one time settlement (OTS) scheme where buy back of shares was accepted at face value, book value or market value, whichever was higher depending upon merits of each case. Up to 31 March 2003, the Company had disinvested its investment fully in 26 units and partly in six units. Of these, in the disinvestment of 13 units during five years up to 31 March 2003, the Company had foregone Rs. 4.32 crore of its dues in eight units as follows:

Particulars	Number of units	Amount due as per buy back agreement	Amount actually received	Amount foregone
		(Rupees in crore)		
Disinvestment at face value of shares	2	2.54	1.19	1.35
Disinvestment below due amount	6	8.03	5.06	2.97
Total	**8**	**10.57**	**6.25**	**4.32**

The Company had foregone Rs. 4.32 crore in eight units, disinvested besides waiving of Rs. 4.66crore in seven cases under OTS.

The Company further approved seven cases under OTS for Rs. 2.77 crore against the due amount of Rs. 7.43 crore as per buy back agreements, thereby foregoing Rs. 4.66 crore.

Further disinvestments of Rs. 9.57 crore in 29 cases had become overdue. The position of these cases has been discussed below:

- Recovery certificates had been issued (July 2000 to August 2002) in 22 cases for recovery of outstanding dues of Rs. 39.23 crore. This represented 67 *per cent* of the total overdue of Rs. 58.80 crore as on 31 March 2003. Chances of recovery through this route were remote.

- In three cases, Rs. 12.48 crore became due during 1993-2002 but no steps had been taken except issue of show cause notices/reminders to the units.

- Four units stood closed since long against which Rs. 2.50 crore were outstanding since 1985-95 and whereabouts of the co-promoters of these units were not known. Hence, chances of recovery of this amount were remote.

It was further observed that investment of Rs. 55 lakh in two units (Innovative Teck Pack Limited and Golden Laminates Limited) was in contravention of the standard terms of financial collaboration agreement of assisted sector as the contribution by co-promoters was less than 25 *per cent* of the equity of the unit.

The Company and the Government stated (July and August 2003) that due to mismanagement, lack of knowledge, severe competition, prevailing global recession, most of the units were forced to close down their operations. The promoters were avoiding fulfilling their commitment in terms of agreement. In view of this, decision was taken (January 1999) to consider settlement of equity buy back on the merits of each case. However, the fact remained that the Company had been incurring heavy losses on this equity.

Doubtful recovery

2.2.21 Promoter of Kool Breweries Limited, (unit)* requested (February 2000) the Company for equity participation of Rs. 3.50 crore in its project for manufacture of beer at Dharuhera which was to commence production from April 2000. The BOD accorded approval in March 2000. Accordingly, an assisted sector agreement was entered into (April 2000) with the promoter for equity participation. The disbursement was made from May 2000 to August 2001. As per buy back clause of the agreement, the buy back was due in May 2003 i.e., three years after first disbursement. However, the unit could not commence commercial production (July 2003) and as such chances of buy back of shares were remote.

The management and the Government stated (July and August 2003) that commercial production was expected to start by September 2003 and thereafter the promoter had promised to furnish buy back proposal. However, the commercial production did not start by September 2003.

Doubtful recovery due to lack of timely action

2.2.22 An assisted sector agreement was signed (29 September 1993) between the Company and Shri N. K. Modi, on behalf of Modi Steel Limited for setting up an industrial project at Gurgaon under the name of Jersy India Limited. However, personal guarantee of Mr. Modi and other directors in the shape of immovable properties was not obtained so that such properties were not alienated till the shares were bought back.

As per the agreement, the Company released Rs. 58 lakh in the equity of this project which started its commercial production in 1994. As per the terms of buy back agreement, the co-promoter was required to purchase the equity shares in September 1999. In between, the management of the unit changed (1996) and the unit went to BIFR in 1997. However, Company's nominee director in the unit did not bring these facts to the notice of the Company, so as to recall the equity capital from the unit. In September 1999, Shri N. K. Modi of Modi Steel refused to honour the commitment on the plea that he was no more on the board of Modi Steel Limited.

Thus, failure of the Company to ensure personal guarantee of the directors and the change of status in management of the unit had put the recovery of Rs. 2.85 crore at stake. The management stated (July 2003) that action against

* Promoter: Shri Damanjit Singh.

the defaulting officers could not be taken due to untimely death of Head of Department of equity branch. The reply was endorsed by the Government in August 2003. Reply was not tenable as the action could have been completed by his successor.

Investment banking

2.2.23 The Company decided (September 1994) for equity participation under institutional quota of public issue of good companies with a view to earn good return i.e. minimum 24 *per cent*. Details of investment and dividend received there against during the last five years are detailed below:

Against the expected return of 24 *per cent* on equity investment, the Company earned return ranging between 0.25 and 1.08 *per cent* during last five years ended March 2003.

Year	Number of units	Investment	Dividend received	Percentage
		(Rupees in crore)		
1998-99	13	2.77	0.03	1.08
1999-2000	13	2.77	0.02	0.72
2000-01	13	2.77	0.02	0.72
2001-02	13	2.77	0.007	0.25
2002-03	13	2.77	0.007	0.25

The Company was holding investment of Rs. 2.77 crore in 13 companies, the market value of which was only Rs. 52.07 lakh as on 31 March 2003. Besides, erosion of over 81 *per cent* in investment, the return on investment decreased from 1.08 *per cent* during 1998-99 to 0.25 *per cent* during 2002-03.

It was further observed (December 2002) in Audit that in nine cases, the shares were not quoted in any stock exchange. Out of these, one unit was closed and registered with BIFR and two units were in the possession of HFC/the Company under Section 29 of SFC Act, 1951 for recovery of term loan. One project with investment of Rs. 25 lakh in 1995-96 had not been implemented so far. As such, chances of any return from these investments were remote.

Conclusion

The Company was incorporated to provide financial assistance to medium and large industrial units for industrial development of the State. Relaxing the terms of sanction of loans while making disbursements and inadequacy of recovery system led to heavy incidence of Non Performing Assets and locking up of funds. Further, failure of the Company to apply its own laid down procedure in accepting the documents relating to collateral security contributed in accumulation of arrears. There was delay in disposal of the units in its possession resulting in decrease in realisable value.

In order to streamline the procedure of sanction and disbursement of loans, the Company should strictly enforce the laid down procedure for acceptance of collateral security. The legal and disbursement wings of the Company should be involved in physical and legal verification of documents and assets furnished as collateral security. The Company should avail the services of reputed firms to assess the realistic value of the collateral security before accepting it. The Company should also adopt a pragmatic approach in disinvestment of its equity and disposal of units in its possession. Cases where collateral security was accepted at inflated value should be investigated and responsibility fixed.

2.3 Haryana Tourism Corporation Limited

Highlights

The Haryana Tourism Corporation Limited (Company) was incorporated in May 1974 with the main objective to promote tourism in the State.

(Paragraph 2.3.1)

Due to non-closure of unviable complexes, low occupancy, excess food, fuel and electricity cost and poor performance of bars, the Company suffered continuous losses of Rs. 17.46 crore in its core activities (accommodation, catering and liquor) during the five years up to 31 March 2002.

(Paragraph 2.3.6)

Due to low occupancy, 14 out of 42 complexes had consistently incurred losses, which accumulated to Rs. 2.70 crore during the five years up to 31 March 2002, of which the Company closed only four complexes.

(Paragraph 2.3.9)

During 1997-2002 the occupancy in 25 to 30 out of 42 to 44 complexes was below the accepted norm of 60 *per cent* resulting in shortfall of potential revenue of Rs. 10.17 crore. Of these 15 complexes accounted for 85 *per cent* of the shortfall in potential revenue earnings.

(Paragraph 2.3.12)

Due to high cost of food, fuel and electricity, the operational loss in catering activity amounted to Rs. 4.35 crore during the last five years up to 31 March 2002. The actual cost of food, fuel and electricity in excess of norms resulted in extra expenditure of Rs. 2.21 crore during the five years up to 31 March 2002.

(Paragraph 2.3.14 to 2.3.17)

Due to high food, electricity and salary cost, four fast food counters suffered loss of Rs. 56.99 lakh during the five years up to 31 March 2002.

(Paragraph 2.3.18)

Due to non-availability of popular brands and fixation of higher rates of liquor, three to 16 liquor bars suffered loss of Rs. 56.91 lakh during the four years up to 31 March 2002.

(Paragraph 2.3.20)

Due to delayed repatriation of deputationists and retention of surplus staff, the construction wing incurred continuous losses of Rs. 1.64 crore on account of salary cost during the five years up to 31 March 2002.

(Paragraph 2.3.24)

Introduction

2.3.1 Haryana Tourism Corporation Limited was incorporated on 1 May 1974 with a view to promote tourism in the State. At the time of formation of the Company, the State Government transferred 27 commercial (restaurants, bars, petrol pumps and liquor shops etc.) and 13 non-commercial (rest houses, hotels and huts etc.) units to the Company to make it directly responsible for running and maintenance of the commercial units and to work as an agent of the State Government for non-commercial units.

The Haryana Hotels Limited (HHL), a wholly owned subsidiary of the Company incorporated (1982) was merged (April 1997) with the Company for better financial management and to avail of the benefit of its carried forward losses etc.

The Company operated 42 to 46 complexes during 1997-02 of which 40 to 43 complexes were having both commercial and non-commercial activities. The Company closed five* tourist complexes and opened three** new complexes during the last five years ended March 2002.

Inflow of tourists increased from 0.59 crore (foreign: 0.60 lakh and domestic: 58.72 lakh) in 1997-98 to 0.65 crore (foreign: 1.09 lakh and domestic: 63.57 lakh) in 2001-02 and correspondingly the turnover increased from Rs. 18.78 crore to Rs. 31.74 crore.

* Abubshehr, Chandigarh, Meham, Mussorie and Sonepat.

** Hansi, Pehowa, and Rai.

Objectives

2.3.2 The main objectives of the Company are:

- to purchase, acquire and administer restaurants, bars, liquor vends, bonded warehouses, cafeterias, petrol pumps, emporia, tourist bungalows, hotels, huts, motels, guest houses, entertainment projects and other places of tourist interests in the State and elsewhere;
- to provide entertainment by way of cultural shows, excursions, sight seeing trips for tourists; and
- to promote establishments, undertakings and enterprises connected with activities of tourist interest.

In pursuance to the above objectives the Company had undertaken the following activities:

- operating a chain of tourist complexes with catering and accommodation facilities;
- organising tourist trade fairs and melas;
- running of wholesale liquor depot and liquor bars;
- undertaking construction and consultancy activities; and
- running of petrol pumps.

Organisational set up

2.3.3 The management of the Company is vested in a Board of Directors (BOD) consisting of not less than two and not more than 11 directors including a Chairman and a Managing Director (MD), who were nominated/appointed by the State Government. The MD was the Chief Executive of the Company and was assisted in day-to-day work by three General Managers, a Chief Accounts Officer and a Company Secretary. As on 31 March 2003, there were 10 directors including one whole time director (MD) and six part time ex-officio and three non-official directors (including Chairman). A non-official director had been holding the post of Chairman since 8 October 1999. Prior to this, the Tourism Minister and Commissioner and Secretary Tourism held the post of part time ex-officio Chairman.

During 1998-2003, the State Government appointed 11 MDs. The period of incumbency ranged from 15 days to 12 months, thereby impeding the pursuit of a firm, stable and consistent approach in management.

Scope of Audit

2.3.4 The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 (Commercial)-Government of Haryana. The review was discussed by the Committee on Public Undertakings (COPU) and their recommendations are contained in the 48th Report presented to the State Legislature on 15 March 2001. COPU recommended that the tariff structure of complexes be rationalised to attract more tourists and other effective measures be taken to improve the occupancy of the complexes. However, the actions taken by the Company were not adequate and commensurate with the recommendations made by COPU, as discussed in paragraph 2.3.11 *(infra)*.

The present review conducted during 8 October 2002 to 7 March 2003, covers the performance of the Company for the last five years ending March 2002. Audit findings as a result of test check of records of head office and 21* (out of 42) tourist complexes (12 profit making and nine loss making complexes) were reported to the Government/Company in May 2003 with a specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that view point of Government/Management was taken into account before finalising the review. The meeting of ARCPSE was held on 14 July 2003 which was attended by the Managing Director of the Company.

Capital structure

2.3.5 The Company was registered with an authorised share capital of Rs. five crore which was increased to Rs. 10 crore (1987-88), Rs. 15 crore (1993-94) and Rs. 20 crore (2000-01). Against the authorised share capital of Rs 20 crore, the paid-up capital of the Company as on 31 March 2002 was Rs. 15.73 crore wholly subscribed by the State Government.

Financial position and working results

2.3.6 The Company has divided its activities into core (accommodation, catering and liquor) and non-core (leasing, gate entry fee, parking fee, boating and petrol pump). Core activities are directly related to tourism and non-core activities are ancillary to the tourism. The accounts of the Company for the year 1999-2000 and onwards were in arrears (July 2003). The financial position and working results of the Company based on provisional accounts (except 1997-98 and 1998-99) for the five years up to 2001-02 are given in

* Profit making (12) complexes: Ambala, Faridabad (2 units), Hissar (Blue Bird), Karnal Oasis, Panchkula, Panipat, Pinjore, Surajkund (3 units), Tilyar Rohtak.

Loss making (9) complexes: Hissar (Flamingo), Karnal (Karna Lake), Mansa Devi, Morni, Myna Rohtak, Pehowa, Pipli, Sirsa, Yamunanagar.

Annexure-11. The activity-wise and overall profitability of the Company is given below:

Year	Loss from core activities	Profit from non-core activities	Net profit/ loss (-)
(Rupees in lakh)			
1997-98	302.88	253.13	(-) 49.75
1998-99	149.71	276.96	127.25
1999-2000	437.58	315.61	(-) 121.97
2000-01	485.98	378.96	(-) 107.02
2001-02	370.17	414.91	44.74
Total	**1,746.32**	**1,639.57**	

The Company earned profits from its non-core activities but it suffered continuous losses of Rs. 17.46 crore from its core activities.

From the above table, it would be seen that the Company suffered losses (Rs 17.46 crore) continuously from its core activities and earned profits (Rs 16.40 crore) from its non-core activities during the last five years ended 31 March 2002.

The losses were attributable to non-closure of unviable complexes, low occupancy, excess food, high fuel and electricity cost and poor performance of bars.

Inadequate marketing

2.3.7 The Company received financial assistance for advertisement and publicity from the State Government on year-to-year basis as per the demands submitted by the Company through Tourism Department.

The State Government sanctioned/released Rs. 70.75 lakh during the five years ended March 2002. The Company, however, had not submitted any demand for funds during 1998-99 and 2000-01 as the funds received in 1997-98 (Rs 28.75 lakh) and 1999-2000 (Rs 30 lakh) were not utilised in the same year. It was also observed in audit that the Company itself reduced (May 2001) the demand to Rs. 12 lakh in the year 2001-02 as compared to Rs. 30 lakh received in 1999-2000 for which no reasons were on record.

Audit noticed that the expenditure on advertisement during 1997-2002 was negligible compared to the turnover of the Company and ranged between Rs. 20.18 lakh and Rs. 24.25 lakh, which was 0.15 *per cent* and 0.23 *per cent* of sales. Thus, the Company did not make serious efforts to concentrate on marketing.

The management stated (July 2003) that the Company got a meagre amount from the State Government for marketing and publicity. The reply was not tenable because the Company received funds from State Government as per the demands of the Company from time to time.

An interesting case noticed in audit is discussed below:

Non-availment of sponsoring amount for marketing activities

2.3.8 The Company invited (April 2001) tenders for exclusive selling rights for supply of aerated cold drinks in all its tourist complexes during

15 May 2001 to 14 May 2002. The suppliers were asked to indicate the rates separately for sole selling rights along with their offer of sponsoring amount. Kandhari Beverages Limited, Chandigarh was awarded (18 May 2001) the contract for exclusive rights for supply of coke in all the complexes of the Company and was asked to pay a lump sum sponsoring amount of Rs. 20 lakh. The supplier, however, clarified (28 May 2001) that it was not possible to provide the marketing support amount as upfront cash and amount would be spent directly as per mutual agreement on marketing activities as already agreed in its offer. Accordingly, the Company conveyed (18 June 2001) the amended clause and the date of commencement of the agreement was extended to 25 June 2001.

The supplier deposited (18 August 2001) Rs. one lakh with the Company as reimbursement of expenditure for Mango Mela Festival. As no further sponsoring programmes took place with mutual consent, the Company in departure from the agreed terms asked (20 September 2001) the firm to deposit balance amount of Rs. 19 lakh in cash within seven days. As the Company's demand was not as per agreement, the supplier refused to pay Rs. 19 lakh. The Company thereafter cancelled the contract on 17 January 2002.

Thus, an abrupt decision to ask for upfront cash from the supplier instead of formulating programmes with mutual consent as per terms of agreement had deprived the Company from an opportunity to spend and claim Rs. 19 lakh on account of expenditure on marketing activities.

The management stated (July 2003) that the supplier violated the terms and conditions of the contract and also failed to deposit the amount of Rs. 20 lakh on account of sponsoring amount. The reply was not tenable as the sponsoring amount was not to be received as upfront cash which, however, was to be spent with the mutual agreements with the Company/Supplier.

Performance of tourist complexes

2.3.9 One of the main objectives of the Company is to administer restaurants, bars, petrol pumps, hotels, huts, motels, guest houses and other places of tourist interests in the State and elsewhere. Accordingly, the Company operated 42 to 46 tourist complexes during 1997-2002 of which 40 to 43 complexes were having both commercial and non-commercial activities. The Company closed five[#] tourist complexes during 1997-2002 and opened three[*] new complexes and re-opened (December 1998) the complex at Fatehabad. The operational performance of tourist complexes of the Company

[#] Abubshehr, Chandigarh, Meham, Mussoorie and Sonepat.

[*] Hansi, Pehowa and Rai.

is summarised as under:

Year	Number of working complexes	Total operational surplus (excluding depreciation and overheads) (Rupees in lakh)	Units which earned profit			Units which incurred losses		
			Number	Percentage of total units	Amount (Rupees in lakh)	Number	Percentage of total units	Amount (Rupees in lakh)
1997-98	43	589.80	24	56	529.36	19	44	54.22
1998-99	45	696.65	25	56	626.62	20	44	63.71
1999-2000	45	513.64	19	42	368.61	26	58	143.73
2000-01	46	654.49	22	48	535.77	24	52	112.00
2001-02	42	862.82	25	60	797.79	17	40	62.48

Consistent losses in 14 complexes accumulated to Rs. 2.70 crore.

A review of loss making complexes revealed that 14* complexes set up during 1974 to 1995 had been consistently running in losses, which accumulated to Rs. 2.70 crore during the last five years ended March 2002. The Company closed only four** loss making complexes during June 2000 to February 2001. No review of the remaining 10 loss making complexes was made by the Company.

Further, Audit noticed irregularities in one loss-making tourist complex as under:

Puffin Tourist Complex, Chandigarh

2.3.10 The Company was running the complex at Chandigarh in a residential building taken on lease from a private party since July 1981. The Company, however, decided (13 November 1998) to convert the complex into guest house on the directions of Chandigarh Administration. The BOD approved (January 1999) the running of complex as guest house subject to review of its working after 31 March 1999. The working was belatedly reviewed in March 2000 wherein the BOD was informed that the guest house was used by large number of guests of the Company/Government of Haryana whereupon the BOD decided to continue the guest house. Audit noticed that occupancy of the guest house was only 2 *per cent* and the guest house incurred a loss of Rs. 7.45 lakh during 1999-2000. But this fact was not brought to the notice of the Board. The Divisional Manager (DM) of the complex informed (December 2000) the Company that the guests did not stay at guest house due to non-availability of food. The guest house was finally closed in February 2003.

* Abubshehr, Asakhera, Bhiwani, Dharuhera, Fatehabad, Jind, Jyotisar, Kala Amb, Meham, Mussoorie, Narwana, Rewari, Sirsa and Sonepat.

** Abubshehr, Meham, Mussoorie and Sonepat.

Thus, delay in review and concealment of facts regarding low occupancy and loss contributed to the continuation of the complex which had resulted in an avoidable loss of Rs. 11.39 lakh from April 2000 to March 2002 on account of salary, rent and electricity etc. in comparison to negligible income of Rs. 0.13 lakh.

The management stated (July 2003) that it was not fair to term the expenditure as loss since it was a guest house for use of the staff and was run on non-commercial basis. The reply was not tenable as the facts regarding low occupancy and losses of the guest house were not brought to the notice of the BOD due to which it took a decision for continuing with the guest house and thus incurred further loss.

Accommodation

Operation of motels

2.3.11 The Company operated 42 to 44 motels during the last five years ended 31 March 2002, which were having 777 rooms with 1,695 beds as on 31 March 2002.

The working results of these motels (excluding hotel, motels and huts at Surajkund) are summarised as under:-

Year	Income	Expenditure	Loss
	(Rupees in lakh)		
1997-98	496.34	617.59	121.25
1998-99	599.95	695.16	95.21
1999-00	595.48	739.32	143.84
2000-01	643.78	843.69	199.91
2001-02	731.65	868.71	137.06
Total	**3,067.20**	**3,764.47**	**697.27**

It was observed in audit that continued losses of motels were due to low occupancy as discussed below:

Occupancy ratio

2.3.12 The Company had neither fixed any targets for occupancy ratio nor worked out break-even point to run its motels. A summarised break-up of the occupancy ratio of motels for the last five years ended March 2002 is given below:

Occupancy	Number of motels				
	1997-98	1998-99	1999-2000	2000-01	2001-02
Less than 20 *per cent*	3	1	4	2	-
Between 20 and 39	8	13	12	15	9
Between 40 and 59	14	12	14	13	18
Total (below 60)	**25**	**26**	**30**	**30**	**27**
Between 60 and 79	10	10	9	7	7
80 *per cent* and above	7	8	5	7	8
Total	**42**	**44**	**44**	**44**	**42**

Low occupancy ratio resulted in shortfall of potential earnings of Rs. 10.17 crore.

It would be seen from the above table that the occupancy in 25 to 30 complexes was below the acceptable norm of 60 *per cent* in the hotel industry. The total shortfall of potential earnings in these motels as compared to acceptable norm worked out to Rs. 10.17 crore. It was further observed that 15* motels whose occupancy was consistently less than the acceptable norm of 60 *per cent* in all the five years ended 31 March 2002 suffered loss of Rs. 8.68 crore which constituted 85 *per cent* of the total shortfall of earnings (Rs 10.17 crore) during the period. The low occupancy was due to setting up of the motels without any feasibility study, lack of publicity, irrational increase in and subsequent decrease in tariff and lack of facilities like credit cards and STD etc. despite recommendations (March 2001) of the COPU to take effective measures to improve the occupancy of the motels. Audit further noticed that the low occupancy (below 60 *per cent*) has increased significantly in 59 to 68 *per cent* motels during 1997-02 as compared to low occupancy in 34 to 50 *per cent* motels during 1991-96 (last review period).

The management stated (July 2003) that the acceptable norm of 60 *per cent* occupancy in hotel industry was not true. The reply was not tenable as the Tourism Corporations of other States while preparing financial viability of proposed new complex envisaged to achieve 60 *per cent* occupancy.

Dormitory accommodation

Occupancy in dormitory accommodation of seven complexes ranged between zero and 33 *per cent* only.

2.3.13 The Company constructed (December 1992 to November 1993) dormitory type budget accommodation at nine** tourists complexes. Out of nine, dormitory accommodation at eight complexes was made available to tourists for use during November 1993 to December 1996. The dormitory facility at Hodal complex (cost: Rs. 6.46 lakh), which was constructed in February 1993, had not been opened to tourists (July 2003) for which no

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* Asakhera, Damdama, Dharuhera, Golf Course Faridabad, Hodal, Jind, Karnal, Kala-Amb, Morni, Narwana, Panipat, Rohtak (Tilyar), Rewari, Surajkund (Hotel Raj Hans) and Yamuna Nagar.

** Ambala, Bhadurgarh, Damdama, Dharuhera, Faridabad, Hodal, Karnal, Rohtak and Sultanpur.

reasons had been assigned by the management. Occupancy of dormitory accommodation of seven complexes ranged between zero (three complexes) and 33 *per cent* during the last five years ended March 2002. The low occupancy was due to location of dormitory accommodation in the remote corners of the complexes. The management accepted the audit observation and stated (July 2003) that the Company had decided the alternate use of budget accommodation in the form of staff quarters, stores, offices etc. The fact remained that the purpose of providing cheaper accommodation to tourists had been defeated.

Catering

2.3.14 The table given below indicates the number of units, which suffered operational loss in catering activity during the last five years up to 2001-02:

Year	Total number of operational units*	Number of units suffered operational loss	Operational loss (Rupees in lakh)
1997-98	43	18	60.22
1998-99	45	18	73.49
1999-2000	45	24	128.94
2000-01	46	23	97.09
2001-02	42	16	75.75
Total			**435.49**

It would be seen that 16 to 24 (out of 42 to 46) complexes suffered an operating loss of Rs. 4.35 crore during the last five years up to 2001-02. Nine** complexes had consistently been in losses during the last five years ended 31 March 2002. It was seen in audit that losses were due to high food, fuel and electricity cost etc., as discussed below:

Food cost in restaurants

Food/fuel/electricity cost in excess of norms resulted in extra expenditure of Rs. 2.21 crore.

2.3.15 The Company had been maintaining catering facilities at 42 to 46 complexes during the last five years ended March 2002. In view of the location and sale, the Company categorised its complexes in four categories A, B, C and D. The Company fixed (January 1997) the percentage of food cost to its sale price at 35, 40, 40 and 45 for A, B, C and D category complexes, respectively.

Based on the norms fixed in January 1997, it was noticed in audit that actual food cost was more than the norms in six complexes in 1997-98 (A category 2, B category 1, C category 2 and D category 1), eight complexes in 1998-99

* All the units were providing catering service.

** Asakhera, Bhiwani, Dharuhera, Jind, Jyotisar, Kala Amb, Mansa Devi, Morni, and Narwana.

(A category 2, B category 4, C category 1 and D category 1), five complexes in 1999-2000 (A category 1, B category 2, C category 2), eight complexes in 2000-01 (A category 2, B category 3, C category 3) and six complexes in 2001-02 (A category 2, B category 2, C category 2) and ranged between 36 and 68 *per cent.* The actual food cost in excess of norms during the five years up to March 2002 resulted in extra expenditure of Rs. 8.78 lakh.

The management attributed (July 2003) high food cost to quantum of sales, location of unit and type of food items etc. The contention of the management was not tenable as the food cost norms for different categories of the complexes were fixed keeping in view all these factors.

Fuel Cost

2.3.16 The percentage of fuel cost to turnover was fixed (May 1993) at 4 for 'A' category and 5 for 'B' category tourist complexes and no norms had been fixed for C & D category complexes. Fuel cost norms in Orissa Tourism Development Corporation Limited, Rajasthan Tourism Development Corporation Limited and Punjab Tourism Development Corporation Limited was 3, 3 and 4 *per cent* respectively.

It was noticed that actual fuel cost was more than the norms fixed by the Company at 27 complexes in 1997-98, 19 complexes in 1998-99, 25 complexes in 1999-2000, 32 complexes in 2000-01 and 25 complexes in 2001-02 and ranged between 4.08 and 19.35 *per cent* in excess of the norm. The fuel cost in excess of norms for the last five years up to March 2002 amounted to Rs. 42.91 lakh.

The management attributed (July 2003) excess fuel cost to upward revision in prices of all types of fuel, different eating points in one complex, low sales and types of dishes sold. The reply was not tenable as the norms were fixed for different categories of the complexes keeping in view all these factors. However, the management agreed to review both food and fuel cost norms in near future.

Cost of electricity

2.3.17 The Company had not fixed any norms for consumption of electricity for its tourist complexes. It was observed that Punjab Tourism Development Corporation Limited fixed the electricity cost norms at 4 to 6 *per cent* of the turnover for its complexes.

It was noticed that the percentage of actual electricity cost to turnover ranged between 10.38 and 40.95 in 21 complexes in 1997-98, 10.18 and 24.04 in 15 complexes in 1998-99, 10.28 and 59.06 in 15 complexes in 1999-2000, 10.46 and 45.75 in 21 complexes in 2000-01 and 10.18 and 38.55 in 12 complexes in 2001-02 which was abnormally high. It was observed in audit that the abnormal consumption of electricity was due to ineffective control/supervision and poor sales performance of the complexes.

The electricity cost in excess of 10 *per cent* keeping in view higher tariff in the State resulted into extra expenditure of Rs. 1.69 crore during the last five years up to March 2002. The management stated (July 2003) that it would make an attempt to fix the norms in near future.

Performance of fast food counters

Four fast food counters suffered loss of Rs. 56.99 lakh.

2.3.18 The Company operated four to six fast food counters (Panipat, Karnal, Pipli, Rohtak, Dharuhera and Hodal) during the last five years up to 31 March 2002. Financial viability of these counters was not analysed by the management. Separate accounts in respect of two fast food counters (Panipat and Karnal) were also not maintained, in the absence of which the efficiency of these counters could not be monitored. However, in respect of other four fast food counters where separate accounts were maintained the Company suffered loss of Rs. 56.99 lakh during last five years ended March 2002. Two fast food counters (Dharuhera and Pipli) incurred losses consistently during last five years ended March 2002. The Company closed down (August 2002) the fast food counter at Dharuhera. From the review of accounts of fast food counters, it was noticed that the losses were mainly due to excess food, salary and electricity cost etc.

The management accepted the audit observations and stated (July 2003) that efforts were being made to bring the fast food counters in profits.

Non-recovery of service charges from food bills of parties

2.3.19 Under the terms and conditions finalised (July 1995) by the Company, service charges of 10 *per cent* of the amount of food bill of the parties arranged at Hotel Raj Hans, Surajkund were to be levied.

It was noticed in audit that the incharge of the hotel waived of 10 *per cent* service charges in 325 cases during 1997-98 to 2002-03 (up to December 2002) without taking approval of head office resulting in loss of Rs. 8.04 lakh.

The management stated (July 2003) that the charging of 10 *per cent* service charges was basically a discretion of the General Manager of hotel and no approval was required from head office for its non-charging. The reply was not tenable as BOD decided (27 June 1996) that the clause of service charges at hotel Raj Hans would not be applicable in case of parties of blood relation of the officers of the Company.

Performance of liquor activities

2.3.20 After lifting of prohibition of liquor in the State from 1 April 1998, the Company operated 29 to 39 bars during 1998-2002. The Company had not maintained separate accounts of its bars. Audit observed that out of 29 to 39 bars, 3 to 16 bars had been incurring losses during 1998-2002, as given below:

Year	Total number of bars	Loss incurring bars			
		Number	Income	Expenditure	Loss
			(Rupees in lakh)		
1998-99	29	3	21.35	25.16	3.81
1999-2000	31	16	112.14	139.18	27.04
2000-01	39	16	62.29	78.44	16.15
2001-02	38	8	26.73	36.47	9.91
Total			**222.51**	**279.25**	**56.91**

The loss of Rs. 56.91 lakh suffered in three to 16 bars excluded salary, electricity, ice and handling charges etc. Two bars at Pinjore and Fatehabad had been consistently incurring losses up to March 2002 and three bars (Damdama, Pinjore and Fatehabad) could not even meet the expenditure on account of licence fee during 1999-2000.

It was observed in audit that the losses were due to non-availability of popular brands of liquor and higher rates as compared with private bars.

The management stated (July 2003) that while fixing the bar rates, a comparison was normally made with the rates in private bars and it was the fact that the Company's rates were less than the rates of the bars in the private hotels. The reply was not tenable as the Divisional Managers of eight complexes pointed out during July 1998 to August 2001 that the Company's rates of liquor were higher than the rates of private bars.

Leasing of shops/sites

2.3.21 The Company had 146 leasable sites/shops as on 31 March 2003. The Company had been leasing out sites/shops located within buildings of tourist complexes through public auction.

The irregularities noticed in auction of shops/sites are discussed in the succeeding paragraphs:

Non-recovery of license fee

2.3.22 The Company allotted a health club site to the highest bidder for Rs. 5.50 lakh from 19 August 1999 to 31 March 2004 at Hotel Raj Hans, Surajkund. The contractor deposited Rs. 0.83 lakh (15 *per cent*) bid amount as security and Rs. 0.37 lakh ($1/15^{th}$ of bid amount) as first instalment at the fall of hammer. The contractor was required to deposit remaining amount in 14 equal quarterly instalments starting from 30 November 1999 to 30 November 2003 and in case of default, interest at the rate of 18 *per cent* per day for the default period for a maximum of 30 days was to be charged. Thereafter, the concerned Drawing and Disbursing Officer (DDO) of the hotel was to take over the possession of the site along with goods of the licensee, if any, to recover the balance amount outstanding.

The contractor became defaulter from the very beginning and did not pay the second instalment due on 30 November 1999. The DDO did not take possession of the site for more than two years and allowed the contractor to carry on operation at the site up to 31 March 2002.

Thus, due to inaction on the part of DDO to take the possession of site under terms and conditions of the agreement resulted in loss of Rs. 5.19 lakh on account of lease money, electricity charges and interest etc. No action had been taken by the Company against the concerned DDO (July 2003).

The management stated (July 2003) that the Company did not take over the premises from the contractor, as the club members would have been deprived of the facilities of health club. The reply was not tenable as the hotel could run the club itself as was being done by it prior to leasing and after taking over from the contractor in April 2002.

Avoidable loss

2.3.23 As per agreement (April 1998) for installation of hoardings at Dundahera for two years, Selvel Media Service Limited (licensee) was required to pay Rs. 49.22 lakh as lease rent for the first year (1998-99) in four quarterly instalments of Rs. 12.30 lakh starting from 15 April 1998 to 31 December 1998. For the subsequent year (1999-2000), the licensee was required to pay Rs. 54.16 lakh in four quarterly instalments of Rs. 13.54 lakh starting from 31 March to 31 December 1999. The licensee was also required to deposit a bank guarantee of 25 *per cent* of the total amount as security at the time of allotment of site.

The licensee furnished bank guarantee of Rs. 12.50 lakh against required guarantee of Rs. 25.84 lakh and deposited Rs. 49.22 lakh lease rental up to 5 March 1999 against due date of 31 December 1998. The licensee further deposited (May 1999) Rs. 4.51 lakh as a part payment against first instalment due in March 1999 and did not deposit Rs. 22.57 lakh due up to 31 August 1999. Meanwhile, Punjab and Haryana High Court banned (August 1999) the display of hoardings within 100 meters of national highway. The Company, however, did not contemplate to take over the site from the defaulter licensee immediately in view of the High Court orders.

Since the licensee defaulted in payment of lease rent (Rs 37.11 lakh) up to 30 September 1999 the Company, instead of invoking the bank guarantee approached (October 1999) the bank to withhold it on the plea that actual recovery from the licensee was being worked out. In the meantime, the licensee got (December 1999) a stay order from the court restraining the Company to encash the bank guarantee. It was further noticed that the licensee, continued to display its hoardings and deposited (February/March 2000) another Rs. 5.00 lakh as lease money. On failure of the contractor to deposit the balance lease money, the Company filed a claim for Rs. 44.63 lakh before an arbitrator, whose decision was awaited (March 2003).

Thus, failure of the management to obtain bank guarantee for the required amount and subsequent delay in invoking the available bank guarantee had deprived the Company of recovery of Rs. 25.84 lakh. Besides, lack of legal action by the Company to restrain the licensee from displaying hoardings resulted in violation of the court orders.

The management stated (July 2003) that the Company could not invoke the bank guarantee as it was restrained (December 1999) by the court to do it. The reply was not tenable as the Company failed to invoke bank guarantee after the licensee committed default in March 1999 which was much before the restraining order of December 1999.

Construction activity

Performance of Engineering Cell

2.3.24 The Company has its own Construction wing headed by a Chief Engineer. The wing had 97 employees (July 2001) including nine on deputation. It undertakes construction work of tourist complexes on behalf of State Tourism Department. It also undertakes deposit works of other Government organisations from time to time.

The wing prepares its separate profit and loss account and its performance for the last five years ended 2001-02 was as under:

(Rupees in lakh)

Year	Work done by the wing	Income of the wing	Expenditure of the wing	Loss
1997-98	200.06	37.62	64.53	26.91
1998-99	131.24	31.71	75.87	44.16
1999-2000	462.37	61.49	96.75	35.26
2000-01	365.52	57.11	91.25	34.14
2001-02	372.49	50.10	74.05	23.95
Total		**238.03**	**402.45**	**164.42**

High salary cost ranging from 76 to 83 *per cent* of total expenditure contributed to the loss of the construction wing.

Reasons for the losses as analysed in audit were mainly high cost of salary, which constituted 76 to 83 *per cent* of total expenditure and failure to obtain deposit works of other Government organisations. Even though work force was disproportionate vis-à-vis the workload, the Company did not identify the surplus staff earlier. However, at the instance (May 2001) of Haryana Bureau of Public Enterprises, the Company identified 10 of its officials as surplus. Nine other officers on deputation with it were repatriated (August 2001) to their parent departments. The Company had not taken any corrective measures for the remaining surplus staff.

The management stated (July 2003) that the engineering cell was not a commercial/profit-earning unit as it was getting departmental charges only from the State Government for deposit works. The reply was not tenable as the management could make strenuous efforts to bring economy in expenditure of the wing.

A few interesting cases are discussed below:

Execution of Central assisted projects

2.3.25 Government of India (GOI) had been granting financial assistance to State for augmentation of tourist infrastructure facilities, which was received by the Company through the State Government. The assistance was provided every year on the specific proposals from the State Government.

Table below indicates the details of projects and position of funds during the last five years ended March 2002.

Year	Projects					Amount			
	Sancti-oned	Comp-leted	In prog-ress	Drop-ped	Yet to be taken	Sanction-ed	Recei-ved	Yet to be Received	Expendi-ture
	(Number)					(Rupees in lakh)			
1997-98	1	1	-	-	-	32.77	32.77	-	32.77
1998-99	8	4	2	2	-	262.80	157.89	104.91	159.93
1999-2000	11	4	4	2	1	236.08	151.68	84.40	155.47
2000-01	3	-	2	1	-	47.15	26.50	20.65	12.36
2001-02	3	-	2	-	1	74.20	48.83	25.37	2.74
Total	**26**	**9**	**10**	**5**	**2**	**653.00**	**417.67**	**235.33**	**363.27**
Projects dropped	5	-	-	5	-	153.00	50.15	102.85	-
Total (Net)	**21**	**9**	**10**	**-**	**2**	**500.00**	**367.52**	**132.48**	**363.27**

From the above it would be evident that out of 26 projects sanctioned by GOI, the Company dropped five projects on feasibility grounds for which Rs. 50.15 lakh were yet to be refunded to GOI. The Company was yet to receive Rs. 1.32 crore due to delay in implementation of the projects. Audit further noticed that the Company could not receive Rs. 42.65 lakh for four delayed projects, sanctioned during 1991-97 as GOI decided (August 2001) to discontinue release of funds for these projects.

The management stated (July 2003) that the matter had been taken up with GOI for release of Rs. 42.65 lakh.

Execution of State assisted projects

2.3.26 As per policy decision of the State Government, the Company is required to issue equity share capital in lieu of the funds provided for construction of commercial buildings (restaurants, bars etc.) from time to time. The non-commercial buildings (accommodation) continued to be owned by the State Government. The State Government sanctioned Rs. 15.52 crore for 140 projects during the last five years up to 2001-02 whereas the Company could complete only 126 projects up to March 2003. The Company received Rs. 15.52 crore during the last five years up to 2001-02 against which Rs. 13.88 crore were spent and the remaining Rs. 1.64 crore were kept mainly in the term deposits. Further, eight projects were in progress (March 2003) and six projects were dropped during these five years and the Company refunded Rs. 17.10 lakh to the State Government besides diverting Rs. 36 lakh to other projects. Resultantly, the Company could not avail of the funds to be utilised for promotion of tourism in the State.

Further, the Company had taken up the work of 15 projects only in 2002-03 which were sanctioned during 1997-02 by the State Government.

The management stated (July 2003) that the delay in taking up the project was due to labour problem, non-availability of construction material, weather conditions, time spent in completion of the formalities like issue of tender in news papers, re-tendering on account of excessive cost or change of the contractor and some changes in the drawings during the construction.

Construction of fast food counter without proper survey of site

Setting up a fast food counter in the premises of petrol pump resulted in locking up of Rs. 38.21 lakh.

2.3.27 The Company got sanctioned (January 1997/July 2000) from GOI/State Government a project for setting up of a fast food counter at Hisar at an estimated cost of Rs. 38.21 lakh (Rs 26.79 lakh from GOI and Rs. 11.42 lakh from the State Government). The fast food counter was set up inside the premises of a petrol pump owned by the Company at Hisar at a cost of Rs. 38.21 lakh and the project was ready for commissioning in July 2001.

It was seen in audit that only ready to serve items like cold drinks, wafers etc. were sold and fast food counter had not become operational (March 2003) as the Indian Oil Corporation had not permitted the complex to use fire in the fast food counter, located in the proximity of petrol pump area, due to safety reasons.

Thus, the decision to set up the project without visualising the safety aspects resulted in locking up of funds of Rs. 38.21 lakh.

The Company accepted the audit observation and stated (July 2003) that some alternate use of the fast food counter was being explored.

Tourists melas and festivals

Accident in Surajkund Crafts Mela

2.3.28 The Surajkund Crafts Mela was being organised by the Surajkund Mela Authority of the State Government from 1 to 15 February every year for which the space was provided by the Company as member agency. Although the Company was providing the space free of cost yet it had not ensured that the Surajkund Mela Authority take adequate safety measures and compensate the Company against any incidental loss.

An accident occurred (11 February 2001) in the amusement area of Surajkund Mela killing four persons and injuring twelve persons due to collapse of a jhulla. At the instance of the State Government, Hotel Raj Hans, Surajkund of the Company released (13 February 2001) Rs. 10 lakh as ex-gratia assistance and spent Rs. 9.50 lakh on the treatment of the injured persons.

The Company, however, did not lodge claim for recovery of ex-gratia and medical expenses with the State Government. On being pointed out (9 May 2002) in audit, the Company filed (14 May 2002) a claim of Rs. 19.50 lakh with Tourism Department. The Department, however, turned down the claim stating (June 2002) that there was no budget provision for such type of expenditure and may be met from the mela funds or by the Company itself.

The management stated (July 2003) that a case had been sent to the State Government for reimbursement of the amount keeping in view the announcement made by the Hon'ble Chief Minister, Haryana. The reply was factually incorrect, as the Company had taken up the matter again with the Tourism Department in August 2002, who in turn had not referred the matter to the State Government.

Computerisation of the complexes

2.3.29 GOI sanctioned (31 March 2000) Rs. 48.11 lakh for updating information system and computerisation of the various complexes against the project cost of Rs. 96.22 lakh. Fifty *per cent* of the project cost was to be borne by the State Government. A token amount of Rs. 0.17 lakh was released by GOI. The second instalment of Rs. 23.88 lakh was to be released on production of proof in support of placement of order for procurement of hardware/software during 2000-01 and the balance amount of Rs. 24.06 lakh was to be released on production of proof of completion of the project. GOI, however, released (March 2001) second instalment of Rs. 23.88 lakh without insisting on placement of order.

The Company decided (May 2001) to allot the work of computerisation of Red Bishop tourist complex, Panchkula to Haryana State Electronics Development Corporation Limited (HARTRON) on turn key basis. The Company released Rs. 10.86 lakh to HARTRON during July to October 2001. HARTRON installed (February 2002) the hardware and software in the complex. The Company further utilised Rs. 22.81 lakh on the purchase of hardware and software. Since the Company could not complete the project as envisaged by GOI, it could neither avail of the balance share of Rs. 24.06 lakh from GOI nor could approach the State Government for release of its share due to delay in utilising the funds.

The management stated (July 2003) that the Company would be able to demand the balance amount from GOI by submitting the completion certificate. The reply was not tenable as the Company had not yet been successful in utilising funds of GOI although a period of three years had elapsed. Lack of planning, thus, resulted in non-achievement of benefits out of the grants.

Manpower

Excessive deployment of manpower resulted in excess salary cost of Rs. 13.77 crore

2.3.30 The Company decided (March 1989) that the salary cost should not exceed 20 to 25 *per cent* of the total turnover of a complex. Audit scrutiny revealed that percentage of actual cost of salary to the turnover ranged between 25.88 and 170 in 38 complexes during 1997-98, 27.07 and 268.18 in 32 complexes during 1998-99, 27.28 and 241.50 in 41 complexes during 1999-2000, 26.70 and 186.38 in 42 complexes during 2000-01 and 26.71 and 199.75 in 37 complexes during 2001-02. No measures were taken by the Company to regulate the expenditure on salary as per norms. This resulted in excess salary cost of Rs. 13.77 crore during the five years up to 2001-02.

The management stated (July 2003) that the Company was already in the process of rationalising the deployment of staff.

Employees' Provident Fund Scheme

2.3.31 The Employees' Provident Funds Scheme, 1952, provides that the contribution payable by the employer under the scheme shall be 12 *per cent* of the basic wages, dearness allowance and retaining allowance payable to each employee. Under Section 26(A)(2) of the scheme, where the monthly pay of such a member exceeds five thousand rupees, the contribution payable by the employer shall be limited to the amounts payable on a monthly pay of Rs. 5,000 (increased to Rs. 6,500 w.e.f. June 2001). It has been further provided under Section 29(2) that in respect of any employee to whom the scheme applies, the contribution payable by him may, if he so desires, be an amount exceeding 12 *per cent* of his basic wages, dearness allowance and retaining allowance subject to the condition that employer shall not be under obligation to pay contribution over and above his contribution payable under the scheme.

It was observed that the Company contributed employer's share at the rate of 12 *per cent* during 2000-02 in respect of 62 employees without limiting the monthly pay to the prescribed limits in contravention of the provision of the scheme while restricting the emoluments in respect of 260 other employees. Resultantly, the Company made excess contribution of Rs. 13.31 lakh. No recovery had been made so far (July 2003).

The management during Audit Review Meeting (July 2003) assured to look into the matter and take corrective steps.

Internal Audit

2.3.32 The State Government issued (May 1981) instructions for introduction of uniform internal audit system in all public sector undertakings in the State. As per the instructions, all public undertakings should have their own internal audit wings for independent appraisal and review of financial and various other operations under the overall supervision of the Managing Director. The Company, however, continued to get the audit conducted through firms of Chartered Accountants (CAs) on quarterly/half yearly basis. The Company had framed guidelines for the guidance of CAs for conducting internal audit of tourist complexes but the scope of audit did not include an independent appraisal and review of financial and other operations. The internal audit reports contained points of routine nature and did not point out any system lapses/deficiencies. The Board had also expressed (September 1998) concern regarding poor internal audit of the Company. Internal audit of 11 and 13 small tourist complexes was conducted departmentally during 2000-01 and 2001-02 respectively. It was further noticed that internal audit of head office where major expenditure/decisions were taken had not been conducted since inception. The internal audit reports were dealt with by the concerned branch officers and were not submitted to the Board. The statutory auditors had also pointed out that the internal audit was inadequate and required strengthening commensurate with the size and nature of the business of the Company.

Conclusion

The Company was incorporated with the main objective to promote tourism in the State and to administer hotels, motels, restaurants, bars and petrol pumps in the State or elsewhere. The Company suffered losses continuously from its core activities and earned profit from its non-core activities. Most of the complexes had been consistently incurring losses due to low occupancy and poor turnover of catering activity. Further, excessive food, fuel, electricity and salary cost also contributed to the losses. The Company had not made adequate efforts to improve the occupancy of the complexes as recommended by Committee on Public Undertakings. The Company needs to make concerted efforts to improve occupancy and turnover of its complexes by adding additional facilities for attracting tourists, by taking recourse to aggressive marketing and publicity and reducing cost on various overheads.

The matter was referred to the Government in May 2003; the reply had not been received (September 2003).

Chapter-III

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

Government companies

Haryana Power Generation Corporation Limited

3.1 Extra expenditure in the payment of insurance premium

Failure of the Company to ascertain from BHEL the time required for commissioning the Unit-VI after January 2001 resulted in payment of premium on monthly basis instead of quarterly basis thereby entailing extra expenditure of Rs. 51.98 lakh.

The erstwhile Haryana State Electricity Board obtained a comprehensive marine-cum-erection (MCE) insurance policy for Rs. 264.94 crore from Oriental Insurance Company from February 1991 to March 1996 to cover transit, storage, erection and commissioning of 210 MW boiler, turbo generator and their auxiliaries to be supplied by BHEL for Unit-VI of Panipat Thermal Power Station (PTPS).

Due to paucity of funds, the erection works of the unit could not be completed as per schedule and the Company in consultation with the insurer assessed (October 2000) the value of policy de-novo at Rs. 350.97 crore. The policy was extended up to 26 March 2001 so as to synchronise with revised scheduled date of commissioning (March 2001) as fixed in joint co-ordination meeting (September 2000) with the Central Electricity Authority. Accordingly, the additional insurance premium of Rs. 0.59 crore was deposited up to March 2001. The unit was synchronised (31 March 2001) on oil and was scheduled to be fired on coal on 15 June 2001. As the period of MCE policy was to be got extended till full load/commercial operation of the unit (15 June 2001), the insurer, on being approached (January 2001) by the Company, intimated (February 2001) that premium for three months, four months and six months would be Rs. 29.20 lakh, Rs. 46.60 lakh and Rs. 46.80 lakh respectively.

The insurance policy was got extended (March 2001) for three months up to 26 June 2001 by depositing premium of Rs. 29.20 lakh. The unit could not be synchronised on coal as scheduled (15 June 2001) due to supply of unproven/untested coal mill equipments by BHEL. Certain equipment couplings etc. damaged during their initial operation and girth gear/driving pinion were sent (January 2001) to Gaziabad by BHEL for rectification.

It was seen in audit (March 2003) that without inquiring from BHEL, about the time to be taken for commissioning the Unit, the Company got extended the insurance policy each month at monthly premium of Rs. 27.06 lakh for three months up to 26 September 2001 instead of getting it extended for three months at the premium of Rs. 29.20 lakh in June 2001 itself. Since the Company was not aware of the likely date of receipt of equipment back from BHEL, it should have used financial prudence and taken a safer route of going in for three months premium in their own interest.

Failure to get the Unit-VI of PTPS insured on quarterly basis instead of monthly basis resulted in extra expenditure of Rs. 51.98 lakh.

Thus, failure of the Company to ascertain the time required for commissioning the Unit-VI after January 2001 from BHEL resulted in payment of premium on monthly basis instead of quarterly basis thereby entailing extra expenditure of Rs. 51.98 lakh (Rs. 81.18 lakh minus Rs. 29.20 lakh).

The matter was referred to the Government and the Company in May 2003; their replies had not been received (September 2003).

3.2 Loss due to delay in payment of principal and interest

Failure of the Company to repay the principal and interest resulted in loss of Rs. 19.39 lakh.

The Company availed of loans from Power Finance Corporation (PFC) for environmental upgradation of Panipat Thermal Power Station (PTPS) (Unit-VI), R&M activities of Faridabad Thermal Power Station and Western Yamuna Canal (Stage-II) Hydro-Electric Project, etc. The terms and conditions of the loans, *inter alia,* included that in case the Company failed to repay the principal or interest/interest tax in time, penal interest ranging from 2 to 2.75 *per cent* over and above the normal rate of interest would be charged.

It was noticed (September 2002) in audit that in case of 10 loans availed (during 1998 to 2001) by the Company, the instalments of principal (Rs. 49.95 crore) and interest (Rs. 48.56 crore) were deposited after a delay ranging between six and 75 days. The PFC levied penal interest of Rs. 19.39 lakh for delay in payment of principal (Rs. 9.11 lakh) and interest (Rs. 10.28 lakh).

While admitting the facts the management stated (February 2003) that the funds released by the Haryana Vidyut Prasaran Nigam Limited (HVPNL) for sale of power were inadequate and there was default in release of subsidy to the extent of Rs. 474 crore by the State Government during 2000-01. This reply of the Company was endorsed (August 2003) by the Government. The reply was not tenable as it was the liability of the Company to arrange sufficient funds to ensure timely repayment of principal and interest to avoid penal interest. Further, State Government released Rs. 372.27 crore against equity and subsidy of Rs. 847.13 crore due to the Company during 2000-01. The Company failed to persuade the State Government to release its dues in time even though the State Government had undertaken to make available adequate funds for repayment of interest and loan due to institutional creditors.

Thus, due to delayed payment of principal and interest, the Company had suffered a loss of Rs. 19.39 lakh on account of penal interest.

3.3 Avoidable expenditure for not availing the benefit of lower rates

The Company did not avail of the benefit of lower rates for capital overhauling of boiler and auxiliaries of Unit-II of Faridabad Thermal Power Station, which entailed extra expenditure of Rs. 15.18 lakh.

In order to undertake capital overhauling of boiler and auxiliaries of Unit-II of Faridabad Thermal Power Station in the month of July 2000, an estimate for 27 items amounting to Rs. 65.78 lakh was prepared (May 2000). Abazan Constructions Private Limited was found to be the lowest at negotiated rate of Rs. 52.67 lakh and validity of the offer was extended up to November 2001. The capital overhauling of Unit-II was not undertaken because in the meantime, breakdown of a generator occurred (August 2000) in Unit-III and it was shut down to carry out repairs. Consequently, the management did not shut down Unit-II for which tenders had been invited (June 2000) but preferred to shut down Unit-I during April to June 2001. Accordingly, overhauling of Unit-II was postponed up to November 2001 for which validity of the offer of the firm had to be extended.

Meanwhile, the management observed (August 2001) that the scope of work of Unit-II had changed and decided (August 2001) to allot the work in three packages on the plea that a single firm would not be able to execute the enhanced work. Accordingly, fresh tenders were invited (September 2001) by including an additional item of air heater tubes (estimated cost: Rs. 8 lakh) and the work was allotted (November 2001) to three firms for Rs. 78.31 lakh including the original firm. The work was completed (9 January 2002) at a cost of Rs. 85.90 lakh.

It was noticed in audit that against the estimate of Rs. 65.78 lakh of May 2000, the fresh estimate for the same 27 items excluding the new item (Rs. 8 lakh) was Rs. 68.24 lakh. Considering the increase of Rs. 2.46 lakh only for 27 items the Company incurred extra expenditure of Rs. 15.18 lakh* by allotting the work in three packages ignoring the negotiated rates of Rs. 52.67 lakh as the offer of original firm was valid up to November 2001. For execution of new work of replacement of air heater tubes (estimated cost Rs. 8 lakh), the Company ought to have invited separate tenders and could have synchronised it with the overhauling of Unit-II.

* Rs. 15.18 lakh = Rs. 78.31 lakh – Rs. 2.46 lakh – Rs. 8 lakh – Rs. 52.67 lakh.

Thus, injudicious decision of the Company in not availing the benefit of lower rates received in June 2000 and having extended validity period up to November 2001 had resulted in avoidable expenditure of Rs. 15.18 lakh for award of work of overhauling of Unit-II.

The matter was referred to the Government and the Company in May 2003; their replies had not been received (September 2003).

3.4 Non-recovery from the contractors

Failure of the management to ensure compliance of mandatory provisions had resulted in non-recovery of Rs. 17.58 lakh from the contractors.

Under the provisions of the Employee's Provident Fund (EPF) and Miscellaneous Provisions Act, 1952, the principal employer is responsible to ensure that EPF is deducted and deposited with the Provident Fund authorities. It further provides that every contractor would submit a statement showing recoveries of EPF contributions in respect of employees employed by him to principal employer every month within seven days of close of every month.

It was noticed (March 2003) in audit that while releasing payments to the contractors, the management did not ensure that EPF was deducted and deposited with the authorities. The Regional Provident Fund Commissioner, Faridabad (RPFC), assessed (November 1999) non-discharging of liability of Rs. 34.96 lakh on account of EPF by 18 contractors (six working: Rs. 23.31 lakh and 12 non-working: Rs. 11.65 lakh) engaged by the Faridabad Thermal Plant during 1995-96 to 1998-99. Of these, seven contractors (five working and two non-working) having a liability of Rs. 27.12 lakh had produced challans for having deposited EPF of Rs. 17.38 lakh, leaving Rs. 9.74 lakh un-deposited. Out of remaining, 10 non-working contractors (liability: Rs. 7.48 lakh) and one working contractor (liability: Rs. 0.36 lakh) had made no deposits. While seven out of nine non-working contractors (liability: Rs. 6.58 lakh) who deposited nothing and two contractors who partly deposited Rs. 1.56 lakh were untraceable, one working contractor who had deposited Rs. 2.64 lakh disowned (February 2003) the balance liability of Rs. 2.31 lakh on the plea that his account had been cleared by the Factory Manager and Labour Welfare Officer of the Plant. As such, recovery of Rs. 17.58 lakh had become doubtful.

Failure of the management to ensure compliance of mandatory provisions had resulted in non-recovery from contractors to the extent of Rs. 17.58 lakh.

The matter was referred to the Government and the Company in May 2003; their replies had not been received (September 2003).

Dakshin Haryana Bijli Vitran Nigam Limited

3.5 Avoidable loss

Laxity on the part of the Company to enforce the codal provisions for recovery of its dues followed by implementation of a waiver scheme without devising mechanism to ensure that the beneficiaries pay their bills regularly thereafter led to avoidable loss of Rs. 37.37 crore.

Terms and conditions of supply of energy envisaged that the power utility would render bills to the consumer on monthly basis and the payment would be made by the consumer on demand. If the bill is not paid within seven days in case of large supply consumers and 15 days for other category consumers, after the date of presentation, the consumer upon the utility serving him seven days notice in writing of intention of disconnect, shall be liable to have energy to his premises disconnected.

As per projections in the Reforms programme adopted (August 1998) by the erstwhile Haryana State Electricity Board (Board), receivables for sale of power should not be more than three months' sales. Accordingly, the Board while transferring assets to power sector companies in August 1998, decided that receivables should be kept (net after provision for doubtful debts) initially for two months' sales so that by the year end, the transmission companies should not have receivables for more than three months' sales.

It was noticed (March 2003) in audit that the Company did not enforce the above measures resulting in accumulation of dues. The Company failed to achieve the purpose of Reforms programme and its recoverables from the consumers rose constantly from 2.48 months' sales of the net recoverables during 1998-99 (as on 14 August 1998) to 5.13 months' sale in 2001-02. As on 31 March 2002, the total recoverables amounted to Rs. 818.88 crore of which Rs. 154.14 crore were due for more than three years.

On a decision taken by the State Chief Minister (25 April 2002), the Company issued (27 April 2002) a 'final surcharge waiver scheme' for clearing of outstanding dues. The scheme, *inter alia,* provided that:

- the arrear of electricity bills of defaulting domestic, non-domestic and agricultural consumers in the rural areas, who were defaulters as on 31 March 2001 and had continued to do so up to 30 April 2002 would be eligible for the scheme;

- seventy-five *per cent* of outstanding amount as on 30 April 2002 would be waived of for those consumers who opt to clear the outstanding in one go provided the payment was made by 15 May 2002 (extended up to 31 May 2002).

Before implementing the scheme, the Company did not ensure that once a consumer had been benefited under the scheme, would pay the bills regularly thereafter. The Company waived dues of Rs. 59 crore comprising sale of power (Rs 37.37 crore), surcharge (Rs 20.47 crore) and electricity duty (Rs 1.16 crore) in respect of 0.87 lakh consumers under the scheme.

The scheme would discourage consumers who pay their dues regularly and encourage the defaulters on the pretext of availing benefits under such schemes in future. This was corroborated by the fact as revealed during random check that 3,179 consumers (Bhiwani circle: 2,845 and Sirsa circle: 334) who had availed the benefit of waiver of Rs. 6.63 crore had again become defaulters to the extent of Rs. 2.19 crore up to July 2003.

Thus, laxity on the part of the Company to enforce the codal provisions for recovery of its dues followed by implementation of the waiver scheme without devising mechanism to ensure that the beneficiaries would be regular in payments thereafter, led to avoidable loss of Rs. 37.37 crore.

The matter was referred to the Government and the Company in August 2003; their replies had not been received (September 2003).

3.6 Non-pursuance of dues on account of executing the deposit work

Execution of deposit work relating to HUDA without getting advance deposit coupled with subsequent non-pursuance resulted in non-recovery of Rs. 1.78 crore.

Departmental Financial Rules adopted by the erstwhile Haryana State Electricity Board (Board) provided for recovery of estimated expenditure in lump sum, or in instalments before starting the execution of deposit work and limiting the expenditure on deposit work to the amount of deposits received. For any excess expenditure, action was required to be taken at once to recover the same from the concerned party. The Board decided (September 1983) that in case the works were executed without getting sufficient deposit, the loss would be recovered from both, the Sub-divisional Officer and the Executive Engineer concerned on *pro-rata* basis. Further, as per sales circular issued (September 1992) by the Board, cost of sub-station/additional transformer required exclusively for meeting the power requirement of a colonizer was to be recovered from him.

It was noticed (February 2003) in audit that for electrification of Electronic City, Sector 18, Gurgaon, being developed by Haryana Urban Development Authority (HUDA), the Board asked (September 1995) HUDA to deposit Rs. 1.78 crore towards share of cost of new sub-station (Rs 1.65 crore) in Sector 23 of Gurgaon at the rate of Rs. 15 lakh per MVA for 11 MVAs from where the electronic center was to be electrified, operation and maintenance charges (Rs 12.29 lakh) for five years and inspection charges (Rs 0.74 lakh). Without ensuring the deposit, the Board completed the work in November 1995 and asked HUDA to deposit the amount. The matter was not pursued with HUDA after November 1995 due to the fact that the case relating to

Taking up the deposit work without getting the amount deposited from HUDA and non-pursuance thereof resulted in non-recovery of Rs. 1.78 crore.

recovery of Rs. 1.78 crore was not entered in the accounting records of the Division such as Works Register/Schedule of deposit works/Recovery Register to ensure timely recovery or follow up action for effecting such recovery. On being pointed out (5 February 2003) in audit, the Company reminded (27 February 2003) HUDA for payment of Rs. 1.78 crore. Non-pursuance had also entailed loss of interest of Rs. 1.58 crore, from September 1995 to March 2003 worked out at 13 *per cent,* being the rate applicable on World Bank loan.

Taking up the work without getting the amount deposited in disregard to the rules coupled with subsequent non-pursuance resulted in non-recovery of Rs. 1.78 crore since November 1995.

The matter was referred to the Government and the Company in May 2003; their replies had not been received (September 2003).

3.7 Non-recovery of outstanding dues on account of energy bills

Failure of the Company to enforce the penal measures for non-payment of energy bills facilitated the consumers to accumulate outstanding dues of Rs. 29.11 lakh.

Terms and conditions of supply of energy envisaged that if the bill is not paid in full within seven days in case of large supply consumers and 15 days in case of other category consumers, after the date of presentation, the consumer, upon the utility serving him seven days notice in writing of intention to disconnect, shall be liable to have energy to his premises disconnected without prejudice to utility's right to recover the amount of the bill as arrears of land revenue. In case where the consumer does not provide access to his premises, the portion of service line outside the consumers premises should be dismantled.

Test-check of records of Badshahpur sub-division of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) revealed (February 2003) that seven* electric connections (domestic: one, agriculture pump: four and LT industrial :two) stood released in different names in the premises of Bharat Yatra Kendra Trust, Bhondsi. The owners of two industrial connections# released in August/September 1993, did not pay the energy bills from November 1993 to July 1999 and the defaulted amount accumulated to Rs. 20.37 lakh in July 1999. These two industrial connections were got disconnected in July 1999 by the consumers themselves.

Even after disconnection, the consumers shifted the load of these two industrial connections to the three** tubewell connections as the connected load was found to be 84.1 KW against the sanctioned load of 11.190 KW. Supply to these three tubewell connections was not allowed to be disconnected on the pretext of security of the VVIP. These three agricultural consumers also defaulted in payment of energy bills from September 2000. On the orders

* BD-692, BAP-709, BAP-710, BAP-711, TAP-283, BSP-425, BMS-3.

\# BSP-425 and BMS-3.

** BAP-709, BAP-710 and BAP-711.

of the Supreme Court, possession of some portion of land of the Trust on which three tubewells were installed was transferred to Gram Panchayat Bhondsi and defaulted dues (Rs 3.53 lakh) in two connections were cleared by the Panchayat in May 2002. The defaulting amount against the third tubewell connection transferred to the Gram Panchayat Bhondsi, which was disconnected in June 2002, worked out to Rs. 6.88 lakh. Consumer of the fourth tubewell connection also defaulted (January 2001) in payment of energy bills and the outstanding amount worked out to Rs. 0.72 lakh on the date of temporary disconnection (May 2002). As regards the domestic[$] connection, it also committed default in payment of energy bills since May 2000 and the defaulted amount worked out to Rs. 1.14 lakh when the connection was permanently disconnected on 11 March 2002. Total outstanding amount as of April 2003, thus, worked out to Rs. 29.11 lakh[*] in respect of five connections. It was noticed in audit (February 2003) that the erstwhile Board had not enforced the penal measures, which facilitated accumulation of outstandings to the extent of Rs. 29.11 lakh.

Non-enforcement of penal measures for non-payment of energy bills facilitated the consumers to accumulate outstanding dues of Rs. 29.11 lakh.

Admitting the facts, the management stated (July 2003) that it was not possible to initiate case under Land Revenue Act due to VVIP status of the consumer. It was further stated that the matter had been take up with the State Government for withholding the amount in case, any financial settlement was arrived at between the State Government and the Trust.

The matter was referred to the Government in April 2003; the reply had not been received (September 2003).

3.8 Incorrect application of final surcharge waiver scheme

Delay in implementing the decision of January 1999 coupled with incorrect application of Final Surcharge Waiver Scheme, resulted in a loss of Rs. 11.73 lakh.

The Haryana Vidyut Prasaran Nigam Limited (HVPNL) introduced (May 1998) concessional tariff applicable w.e.f. 1 May 1998 for agricultural pump (AP) supply consumers based on the average depth of tubewells as per data compiled by the State Agriculture Department with block as a unit. In order to make true representation of tubewell depth, HVPNL, after obtaining (October 1998) data from the Agriculture Department, decided (January 1999) that the average depth of tubewells for the purpose of concessional tariff should be based on a patwar circle instead of a block. Simultaneously, forwarding the details of patwar circle-wise depth of tubewells, HVPNL directed its field offices to deliver the revised bills to the affected consumers by 15 February 1999 positively.

$ BD-692.

* Rs. 29.11 lakh = Rs. 20.37 + Rs. 6.88 + Rs. 0.72 + Rs. 1.14.

As per the data, average depth of tubewells under Majra patwar circle and Bighar patwar circle falling under Fatehabad sub-urban sub-division of Dakshin Haryana Bijli Vitran Nigam Limited (Company) ranged between 101 and 150 ft and zero and 100 ft, respectively. Tariff for tubewells having depth between zero to 100 ft and 101 to 150 ft was fixed from May 1998 at Rs. 65 and Rs. 50 per BHP (revised to Rs. 104 and Rs. 78 per BHP w.e.f. January 2001).

It was noticed (March 2003) in audit that the sub-division did not implement the decision of January 1999 in February 1999. The sub-division continued to charge Rs. 30 per BHP (for depth zone above 200 ft) for Majra and Bighar patwar circles instead of the chargeable tariffs for respective depth zones. The sub-division implemented this decision belatedly and charged arrears of Rs. 15.63 lakh (Rs 10.07 lakh: 76 consumers of Majra circle and Rs. 5.56 lakh: 34 consumers of Bighar circle) from May 1998 to May 2001 only in June 2001. These consumers did not make the payment of arrears and thus became defaulters in June 2001.

It was further observed that the sub-division waived (May 2002) Rs. 11.73 lakh (75 *per cent* of Rs. 15.63 lakh) by accepting payment of Rs. 3.90 lakh under the "Final Surcharge Waiver Scheme", floated by the Company in April 2002 for clearing the outstanding dues by domestic, non-domestic and AP consumers. The scheme, *inter alia,* provided for writing off 75 *per cent* of outstanding dues (as on 30 April 2002) of the consumers who opted to clear the outstandings in one go. Such consumers who were defaulters on 31 March 2001 and continued to be so up to 31 March 2002 were eligible for the scheme. As the consumers of Majra and Bighar circles were not defaulters on 31 March 2001, they did not fall within the ambit of this scheme.

Thus, delayed implementation of the decision of January 1999 coupled with incorrect application of Final Surcharge Waiver Scheme resulted in a loss of Rs. 11.73 lakh.

The matter was referred to the Government and the Company in May 2003; their replies had not been received (September 2003).

Haryana Vidyut Prasaran Nigam Limited

3.9 Non-recovery of share cost of grid sub-station

Failure of the management to enter into agreement as envisaged in the Company's instructions for recovery of cost of grid sub-station resulted in non-recovery of Rs. 1.41 crore from HUDA.

On the basis of detailed deliberations (April 1998) with Haryana Urban Development Authority (HUDA) and the State Government, the Board (now a

Company), issued (4 August 1998) instructions for sharing of cost of construction of new grid sub-stations for long-term requirement of sectors developed by Haryana Urban Development Authority (HUDA). The instructions, *inter alia,* envisaged that cost of new grid sub-stations would be shared by the Board and HUDA in the ratio of 20:80. These instructions were duly endorsed to HUDA and the State Government in Power and Town & Country departments. The Company, however, in order to make these instructions legally enforceable and to spell out the modus operandi to recover the cost of grid sub-station from HUDA, did not enter into an agreement with it.

The Company failed to enforce recovery of Rs. 1.41 crore on account of cost of sub-station from HUDA in the absence of an agreement.

The Company purchased (October 1998) from HUDA land for construction of grid sub-station for sector 23-A, Gurgaon developed by HUDA at a cost of Rs. 41.76 lakh. Without obtaining 80 *per cent* share from HUDA, the Company took up construction of sub-station and commissioned it in September 1999 at the cost of Rs. 1.77 crore. The payment of Rs. 1.41 crore (80 *per cent* share) had not so far been received (July 2003) though a period of three years and 10 months had already elapsed. Non-recovery had also entailed loss of interest of Rs. 70.26 lakh (worked out at 13 *per cent* being the rate charged by World Bank on its loans). The Company stated (December 2002) that HUDA had conveyed (January 2001) that it would bear the cost of new grid station from its own resources in future and the land would be provided free of cost after October 1999. The fact, however, remained that the Company could not enforce recovery in the absence of agreement. This has resulted in non-recovery of Rs. 1.41 crore from HUDA.

The matter was referred to the Government in March 2003; the reply had not been received (September 2003).

3.10 Avoidable payment of excise duty

Due to delay in finalisation of the contract, the Company incurred avoidable expenditure of Rs. 17.76 lakh on account of excise duty and CST thereon.

Under a loan agreement entered in January 1999 between Government of India and World Bank for Haryana Power Restructuring Project, the Company invited (June 1999) tenders for procurement of 125 sets of 33 KV Current Transformers (CTs) and Potential Transformers (PTs) for inter-utility energy meters with 0.2 accuracy among other items under package 'A'. Only two bids were received which were rejected (October 1999) for non-fulfillment of qualification requirements/technical specifications. After relaxing (October 1999) qualification requirements for the tenderers, the Company re-invited (January 2000) tenders which were opened on 30 March 2000. Universal Magnoflux (P) Limited, Indore - the only bidder offered to supply 118 sets and 7 spare sets of 33 KV CTs/PTs at ex-works rate of Rs. 1.27 lakh and Rs. 1.26 lakh per set respectively. As the material was to be procured under the loan assistance from World Bank, excise duty was not payable.

According to terms and conditions of bidding documents, delivery of material was to commence after three months from the date of release of 10 *per cent* advance payment and to be completed in three months thereafter. The offer of the firm was accepted on 22 August 2000 and contract agreement was signed on 11 September 2000. After release of 10 *per cent* advance of Rs. 54.93 lakh (including advance for other items of package A) on 2 November 2000, the Company worked out the schedule for completion of supplies upto 6 April 2001. In the meantime, the World Bank loan expired on 31 December 2000.

It was observed (September 2002) in audit that after supplying 41 sets of CTs and PTs during March-May 2001, the firm demanded (October 2001) payment of excise duty at 16 *per cent* as supplies were being made after World Bank loan lapsed on 31 December 2000. Accordingly, on the balance supply of 84 sets (including 7 spare sets) received from 29 November 2001 to 16 January 2002, the Company paid 16 *per cent* excise duty and CST thereon which worked out to Rs. 17.76 lakh.

Thus, due to non-preparation of qualification requirements for the bidders judiciously in the first instance and subsequent delay in finalisation of the contract, by taking about 16 months (June 1999 to September 2000) and thereafter accepting delivery schedule commencing after expiry of the World Bank loan resulted in avoidable expenditure of Rs. 17.76 lakh on account of excise duty and CST thereon besides losing the benefit of the loan facility.

In reply, endorsed by the Government in May 2003, the Company stated (April 2003) that qualification requirements were changed as the equipment of the original specifications was not in the routine manufacturing range of most of the suppliers in the country. Further, it was expected that the validity of the loan would be extended beyond 31 December 2000. The reply was not tenable as requisite ground work should have been done before finalising the bid documents as the World Bank loan was sanctioned in January 1999, and there was enough time before issue of first tender in June 1999.

Uttar Haryana Bijli Vitran Nigam Limited

3.11 Loss of revenue due to injudicious decision

Injudicious decision of the Company to grant exemption to BHEL on account of Service Connection Charges resulted in loss of revenue of Rs. 17.68 lakh.

The Haryana Power Generation Corporation Limited (HPGCL) engaged (March 2002) Bharat Heavy Electricals Limited (BHEL) for construction of 7th and 8th units at Panipat Thermal Power Plant on turnkey basis at a total cost of Rs. 1,438.70 crore. The terms of agreement, *inter alia,* provided that HPGCL would arrange power for setting up these units at the required voltage at mutually agreed points. The charges towards consumption of power would be payable by BHEL on concessional tariff as would be applicable to HPGCL for its own use for similar works.

In order to make power available at site, HPGCL/the Company completed the work relating to sub-station/line, civil works and equipments etc., at a cost of Rs. 32 lakh. BHEL was required to deposit Service Connection Charges (SCC) before release of temporary connection. The Board of Directors of the Company decided (July 2002) to exempt Rs. 56.58 lakh on account of Advanced Consumption Deposit (ACD) (Rs 6.90 lakh), cost of sub-station/line (Rs 32 lakh) and SCC (Rs 17.68 lakh) as a goodwill gesture to its sister concern i.e., HPGCL. The Company released (October 2002) temporary connection of 2250 KW to BHEL on 11 KV line of 1100 meters under non-domestic supply category without recovery of cost of sub-station/line as well as SCC and ACD.

The Company decided not to recover the cost of sub-station/line amounting to Rs. 32 lakh as the HPGCL was required to provide power at the site. As regards the deposits of SCC of Rs. 17.68 lakh was concerned, this was recoverable from BHEL in terms of agreement as well as the instructions of the Company for sale of power.

Thus, injudicious decision of the Company to grant exemption to BHEL on account of SCC resulted in loss of revenue of Rs. 17.68 lakh.

The matter was referred to the Government and the Company in June 2003; the reply had not been received (September 2003).

3.12 Unjustified payment of project allowance

Failure of the distribution companies to discontinue the project allowance even after July 1999 resulted in unjustified payment of project allowance of Rs. 12.47 lakh.

Prior to unbundling of the erstwhile Haryana State Electricity Board in August 1998, the staff working in its Planning and Construction (P&C) wing was getting project allowance in view of the arduous nature of duties. Project allowance was also allowed to the staff working in workshop organisation on the grounds that their administrative control vested with the Chief Engineer (P&C).

It was noticed (August 2002) in audit that consequent upon the unbundling of the erstwhile Board and commencement of business by two* distribution companies from July 1999, the workshop organisation was placed under the administrative control of the Chief Engineer (Material Management). The distribution companies, however, continued to make the payment of project allowance to the staff posted in Workshop Organisation.

Thus, failure of the distribution companies to discontinue project allowance even after July 1999 resulted in unjustified payment of project allowance of Rs. 12.47 lakh (Rs 9.16 lakh UHBVNL and Rs. 3.31 lakh DHBVNL) during July 1999 to March 2003.

* Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited.

The matter was referred to the Government and the Company in May 2003; their replies had not been received (September 2003).

Haryana Forest Development Corporation Limited

3.13 Loss due to investment of surplus funds at lower rate of interest

The Company suffered loss of interest of Rs. 47.96 lakh due to investment of its surplus funds at lower rate of interest.

The State Government issued (June 1997) guidelines to all Public Sector Undertakings (PSUs) to make investment of their surplus funds in any of the notified bank including debt instruments floated by Haryana State Industrial Development Corporation Limited (HSIDC). The guidelines further envisaged that a transparent procedure be followed while making the investments. The guiding principle for investment could be financial institution's involvement in financing various development programmes of the State Government.

Investment of surplus funds at lower rate of interest resulted in loss of Rs. 47.96 lakh.

During audit (May 2002) it was noticed that the Company invested Rs. 10.97 crore in FDRs in eight banks for a period from one to three years at interest rates ranging between eight and 10.25 *per cent* during May 1999 to April 2002 after making verbal enquiry from banks. The Company did not compare interest rates with that of HSIDC, which were one to three *per cent* higher during the same period than the rates offered by banks and resultantly could not earn an additional interest income of Rs. 47.96 lakh.

The Company in its reply (December 2002) stated that as per Reserve Bank of India's guidelines the investment of surplus fund should be made in debt instruments with maximum safety whereas the deposits with HSIDC being a Non-Banking Financial Company were neither secured nor guaranteed. The reply was not tenable since the Company had not considered the rates of HSIDC, a premier financial and development institution of Haryana Government and no transparent procedure was followed while making investment decisions. Moreover, funds deposited with HSIDC were fully secured, as it was a wholly owned State Government Undertaking.

The matter was referred to the Government in February 2003; the reply had not been received (September 2003).

Haryana State Industrial Development Corporation Limited

3.14 Loss of interest

Failure of the Company to nominate the trustee for operation of bank account of the trust resulted in loss of interest of Rs. 16.24 lakh.

The Company opted (April 1984) for group gratuity scheme of Life Insurance Corporation of India (LIC) for its employees. To operate the scheme, the Company created a trust and nominated (April 1984) four trustees of which two trustees were authorised to operate the saving bank account of the trust. As per the practice being followed in the Company, gratuity was paid to the outgoing employees from the Company's funds to avoid delay in the payment and funds received from LIC were credited to bank account of the trust and afterwards transferred to the Company's account.

One of the trustees authorised to operate the account retired in July 1998. The outgoing trustee was not replaced and as such the trust could not operate its saving account. Resultantly, the funds received from LIC remained in saving account of the trust and the Company continued to release gratuity to the extent of Rs. 82.05 lakh to its outgoing employees during January 1999 to October 2002 from its own borrowed funds. The nomination of the trustee in place of the retired trustee was made only in October 2002.

Failure to nominate trustees for operation of bank account of the trust resulted in loss of interest of Rs. 16.24 lakh.

Thus, failure of the Company to nominate the trustee for operation of bank account of the trust resulted in loss of interest of Rs. 16.24 lakh from January 1999 to October 2002 (worked out at the rate of 13* *per cent* per annum) after allowing the interest received in the saving account of the trust.

In reply, endorsed by the Government in August 2003 the Company stated (July 2003) that the Company had always met its establishment expenditure from its internal accruals/generations and further stated that had the amount lying in saving account been transferred to the current account it would have not fetched even a simple interest at the rate of 5 *per cent* per annum. Reply was not tenable as the timely transfer of funds to the Company's account could have reduced the borrowings to that extent and a benefit of 5 *per cent* interest had been given while working out the loss.

* Refinancing rate of SIDBI.

Haryana State Electronics Development Corporation Limited

3.15 Excess payment of employers' contribution

The Company suffered loss of Rs. 26.65 lakh due to payment of contribution to employees provident fund in excess of the limits prescribed under the Employees' Provident Funds Scheme, 1952.

The Employees' Provident Funds Scheme, 1952, provides that the contribution payable by the employer under the scheme shall be 12 *per cent* of the basic wages, dearness allowance and retaining allowance payable to each employee. Under Para 26(A)(2) of the Scheme, where the monthly pay of such a member exceeds Rs. 5000, the contribution payable by the employer shall be limited to the amounts payable on a monthly pay of Rs. 5000 (increased to Rs. 6500 w.e.f. June 2001). It has been further provided under Para 29(2) that in respect of any employee to whom the scheme applies, the contribution payable by him may, if he so desires, be an amount exceeding 12 *per cent* of his basic wages, dearness allowance and retaining allowance subject to the condition that employer shall not be under obligation to pay contribution over and above his contribution payable under the Scheme.

It was observed in audit (August 2001) that the Company contributed its share at the rate of 12 *per cent* towards the fund during 2000-02 without limiting the monthly pay to the prescribed limits as per provisions of Employees' Provident Funds Scheme, 1952. Resultantly, the Company made excess contribution of Rs. 26.65 lakh.

The Company stated (December 2002) that it had adopted the service bye-laws of Haryana State Industrial Development Corporation from which its employees were taken at the time of its incorporation. Reply was not tenable as the bye-laws of any Company could not be violative of statutory provisions.

The matter was referred to the Government in February 2003; the reply had not been received (September 2003).

Statutory corporations

Haryana Financial Corporation

3.16 Non-recovery of loan

Disbursement of loan against fraudulently inflated collateral security led to non-recovery of Rs. 1.67 crore.

The Corporation sanctioned (October 1998) a term loan of Rs. 1.12 crore to Cyclo International (Pvt.) Ltd. (unit) for setting up cycle parts manufacturing unit at village Batour, district Panchkula, subject to the stipulation that unit would offer collateral security equivalent to 50 *per cent* of the term loan which would be assessed by the Branch Manager for its value.

The unit offered collateral security of a plot (measuring 500 square yards at Friends Colony, Ludhiana) with realisable value of Rs. 60 lakh assessed (14 December 1998) by the valuer on the panel of the Company. The Branch Manager, Panchkula, too confirmed (18 January 1999) the valuation and recommended for acceptance of collateral security. The Corporation accordingly disbursed Rs. 96.77 lakh between February and August 1999. The balance unavailed loan of Rs. 15.23 lakh was cancelled (June 2000) as the unit could not provide for enhanced collateral security.

The unit did not commence commercial production due to rift among the directors and committed default in repayment of first instalment due in November 2000. The Corporation recalled (December 2000) the loan and took over (March 2001) possession of the unit under Section 29 of the State Financial Corporations Act, 1951. The valuer assessed (March 2001) value of the unit at Rs. 74.09 lakh and the unit was put to auction, ten times between May 2001 and June 2002 but no bid was received. So, the Corporation took over (May 2002) deemed possession of the collateral security with assessed value of Rs. 3.00 lakh. The property was disposed of (October 2002) by the Corporation after making three attempts for Rs. 2.50 lakh.

Disbursement of loan against fraudulently inflated collateral security led to non-recovery of Rs. 1.67 crore.

It was noticed (September 2002) in audit that the plot at Friends Colony, Ludhiana was purchased by one of the promoters for Rs. 8.00 lakh on 7 December 1998 and was accepted as collateral security at appreciated value of Rs. 60 lakh within seven days only. As such, possible connivance of the valuer and Branch Manager of the Corporation with the promoters could not be ruled out. This facilitated inflating the value of collateral security and rendered the recovery of Rs. 1.67 crore (principal: Rs. 97.91 lakh) doubtful. The Corporation had not fixed any responsibility for inflation in value of collateral security in this case as of February 2003.

The Corporation while admitting the facts, stated (April 2003) that the concerned valuer had been blacklisted w.e.f. 20th November 2001 and disciplinary action against delinquent officer had been initiated.

The matter was referred to the Government in March 2003; the reply had not been received (September 2003).

3.17 Loss due to insufficient security

Irregular disbursement of loan due to acceptance of grossly unrealistic value of collateral security (114 times of its purchase price) resulted in non-recovery of Rs. 47.29 lakh.

The Corporation sanctioned (June 1995) a term loan of Rs. 60 lakh to M/s Anu Poultries, Panchkula (unit) for setting up a poultry farm at a cost of Rs. 90 lakh with a stipulation that the unit would provide collateral security equivalent to 50 *per cent* in the form of immovable assets having clear and marketable title before disbursement of loan amount.

The unit offered (June 1995) land measuring 25 bighas and 9 biswas valued at Rs. 45.81 lakh by an approved valuer* on the panel of the Corporation. The Corporation without taking cognizance of the fact that the promoter of the unit purchased (September 1993) this land for Rs. 0.40 lakh only, accepted it as collateral security and released Rs. 56.82 lakh between July 1995 and September 1996. The balance loan of Rs. 3.18 lakh was cancelled (February 1997). Due to default in repayment of loan (February 1997), the Corporation recalled (June 1998) the outstanding loan of Rs. 56.82 lakh and took over (July 1999) the possession of the unit. The unit was sold (November 1999) for Rs. 41.87 lakh leaving an unrecoverable balance of Rs. 25.48 lakh (including interest of Rs. 13.19 lakh).

To make up the shortfall, the Corporation obtained (March 2000) deemed possession of the collateral security and assessed (April 2000) its value at Rs. 6.36 lakh. The Corporation disposed of (May 2002) the same for Rs. 2.01 lakh.

Irregular disbursement of loan due to acceptance of exaggerated assessment certificate resulted in non-recovery of Rs. 47.29 lakh.

The Corporation accepted the valuation done by the valuer at Rs. 45.81 lakh which tantamount to grossly unrealistic (114 times) appreciation in market value in just two years. This indicated utter failure of the disbursement wing and resulted in doubtful recovery of Rs. 47.29 lakh (principal: Rs. 12.29 lakh and interest: Rs. 35 lakh as of November 2002). The Corporation had not fixed responsibility (May 2003).

The management stated (April 2003) that the valuer was blacklisted in November 2001 and an independent investigation had been initiated to rule out the possible connivance of the disbursement wing with the loanee and valuer.

The matter was referred to the Government in March 2003; the reply had not been received (September 2003).

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* Lt. Col. A K Suri

3.18 Avoidable payment of interest

Avoidable expenditure of Rs. 36 lakh on account of payment of interest at higher rates.

Section 8(1) of the State Financial Corporations Act, 1951, empowers the Financial Corporation, to accept from the State Government, or with the prior approval of the Reserve Bank, from a local authority or any other person, deposits repayable after the expiry of a period which shall not be less than 12 months from the date of the making of the deposits and on such other terms as the Corporation thinks fit.

The Corporation had a deposit of Rs. 18 crore from the Haryana Rural Development Fund Administration Board (Board) for one year ending 31 March 1997 at the interest rate of 14.5 *per cent*. This deposit was renewed at the interest rate of 14.5 *per cent* during 1997-98 (up to 10 June 1997) and thereafter at 13 *per cent* from 11 June 1997 in view of downward trend in interest rate. The deposit was renewed in 1998-99 and 1999-2000 at interest rate of 13 and 12 *per cent,* respectively. Out of the above, Rs. 8 crore were withdrawn by the Board and remaining Rs. 10 crore were renewed by the Corporation during 2000-01, 2001-02 and 2002-03 at interest rate of 11.6, 10.5 and 9.5 *per cent* respectively.

It was noticed in audit (July 2002) that the Corporation did not adopt clear cut policy to fix the rate of interest as it co-related the same neither with the prevailing rate of interest of other financial institutions/banks nor with the rates of its sister concern Haryana State Industrial Development Corporation Limited (HSIDC). Rate of interest allowed by HSIDC during 1998-99 to 2002-03 was 12, 11, 11.6, 10.5 and 9.5 *per cent* against 13, 12, 11.6, 10.5 and 9.5 *per cent,* respectively allowed by the Corporation.

Thus, failure of the management to co-relate interest rate with the rate of its sister concern resulted in extra expenditure of Rs. 36 lakh during 1998-2000.

The Corporation and Government stated (May and June 2003) that rates of financial institutions could not be identical in present free economy and financial institutions use due prudence in such financial dealings in view of size, period of deposit and funds requirement. The reply was not tenable as financial institutions should take cognizance of rates being paid by other sister financial institutions to safeguard its own financial interests.

Haryana Warehousing Corporation

3.19 Misappropriation of paddy and gunny bales

Failure of the Corporation to obtain bank guarantee and adequate security from the miller resulted in loss of Rs. 23.71 lakh.

The Corporation procures paddy for central pool and provides the same to millers, who deliver rice to the Food Corporation of India (FCI) after milling. The milling agreement entered (February 2002) with Star Industries Private

Limited, Pehowa, *inter alia,* provided that the miller would take delivery of paddy for milling purposes either against the bank guarantee or delivery of advance rice to FCI equivalent to the cost of paddy handed over to miller. The miller should be responsible for safe custody of paddy till delivery of rice and submit fortnightly reports indicating stock position of milled/unmilled paddy. The miller was required to provide security at the rate of Rs. 0.50 lakh per tonne capacity and Rs. 0.25 lakh for every additional tonne of capacity subject to maximum of Rs. 3 lakh. In the event of default in delivery of rice, the miller was liable to pay the price of undelivered rice at the rates fixed by Government of India plus interest at cash credit rate.

During scrutiny of records (January 2003), it was noticed that the Corporation, without obtaining bank guarantee or ensuring advance delivery of rice to FCI under the terms of agreement, allowed the miller to take delivery of paddy. The Corporation delivered 40,082 quintal of paddy to the miller who in turn delivered 25,169.64 quintal of rice to FCI during October 2001 to May 2003 against 26,854.94 quintal of rice due leaving undelivered balance of 1,685.30 quintal rice valuing Rs. 16.61 lakh. The miller also did not deposit Rs. 7.60 lakh being the cost of gunny bags recoverable from him. The miller neither supplied fortnightly reports nor the management stressed upon for the same. On physical verification conducted by the Corporation (June 2002) neither paddy nor rice was found in the premises of the miller. The amount recoverable from miller after adjusting security of Rs. 0.50 lakh as per milling agreement was Rs. 23.71 lakh (May 2003). As the Corporation could not recover the amount of Rs. 23.71 lakh in the absence of bank guarantee, it had to refer (September 2002) the case to the Arbitrator for recovery of dues, whose award was awaited (January 2003).

The Company and Government stated (June 2003) that in order to make good the loss, it had filed FIR against the miller and manager of the warehouse.

Chandigarh

Dated 16 JAN 2004

(Ashwini Attri)
Accountant General (Audit) Haryana

Countersigned

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

New Delhi

Dated 28 JAN 2004

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ANNEXURES

ANNEXURE-1

Statement showing particulars of up to date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2003 in respect of Government companies and Statutory corporations.

(Referred to in paragraph No. 1.3, 1.4, 1.5, 1.15)

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

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2002-03			Debt equity ratio for 2002-03 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Haryana Agro Industries Corporation Limited	253.83	160.21	-	-	414.04	-	-	-	34.08	398.09	432.17	1.04:1 (0.17:1)
2.	Haryana Land Reclamation and Development Corporation Limited	156.30	-	-	-	156.30	-	-	-	-	-	-	0.00:1 (0.00:1)
3.	Haryana Seeds Development Corporation Limited	290.17 (14.30)	111.50	-	81.92	483.59 (14.30)	-	-	-	175.00	-	175.00	0.36:1 (0.43:1)
Sector wise total		**700.30 (14.30)**	**271.71**	-	**81.92**	**1053.93 (14.30)**	-	-	-	**209.08**	**398.09**	**607.17**	**0.58:1 (1.04:1)**
INDUSTRY													
4.	Haryana State Industrial Development Corporation Limited	6781.13 (2070.25)	-	-	-	6781.13 (2070.25)	-	-	-	18.62	26164.07	26182.69	3.86:1 (5.99:1)
Sector wise total		**6781.13 (2070.25)**	-	-	-	**6781.13 (2070.25)**	-	-	-	**18.62**	**26164.07**	**26182.69**	**3.86:1 (5.86:1)**
ENGINEERING													
5.	Haryana Roadways Engineering Corporation Limited	200.00	-	-	-	200.00	-	-	4213.00	-	7817.00	7817.00	39.09:1 (32.96:1)
Sector wise total		**200.00**	-	-	-	**200.00**	-	-	**4213.00**	-	**7817.00**	**7817.00**	**39.09:1 (32.96:1)**
ELECTRONICS													
6.	Haryana State Electronics Development Corporation Limited	780.76	-	-	-	780.76	-	-	-	2.50	-	2.50	0.00:1 (0.01:1)
7.	Hartron Informatics Limited@	-	-	50.00	-	50.00	-	-	-	-	-	-	0.00:1 (0.00:1)
Sector wise total		**780.76**	-	**50.00**	-	**830.76**	-	-	-	**2.50**	-	**2.50**	**0.00:1 (0.01:1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2002-03			Debt equity ratio for 2002-03 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
FOREST													
8.	Haryana Forest Development Corporation Limited	20.03	-	-	-	20.03	-	-	-	-	-	-	0.00:1 (0.00:1)
Sector wise total		**20.03**	-	-	-	**20.03**	-	-	-	-	-	-	**0.00:1 (0.00:1)**
MINING													
9.	Haryana Minerals Limited@	-	-	24.04	-	24.04	-	-	-	-	-	-	0.00:1 (0.00:1)
Sector wise total		-	-	**24.04**	-	**24.04**	-	-	-	-	-	-	**0.00:1 (0.00:1)**
CONSTRUCTION													
10.	Haryana Police Housing Corporation Limited	2500.00	-	-	-	2500.00	-	-	-	-	937.88	937.88	0.38:1 (0.47:1)
11.	Haryana State Roads and Bridges Development Corporation Limited	4760.23 (497.00)	-	-	-	4760.23 (497.00)	2066.00	-	6586.00	-	19679.15	19679.15	4.13:1 (3.28:1)
Sector wise total		**7260.23 (497.00)**	-	-	-	**7260.23 (497.00)**	**2066.00**	-	**6586.00**	-	**20617.03**	**20617.03**	**2.84:1 (1.92:1)**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION													
12.	Haryana Scheduled Castes Finance & Development Corporation Limited	2917.45 (50.00)	-	-	-	2917.45 (50.00)	50.00	-	-	60.59	-	60.59	0.02:1 (0.02:1)
13.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	895.99 (40.00)	-	-		895.99 (40.00)	20.00	-	244.45	-	2164.49	2164.49	2.42:1 (2.65:1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2002-03			Debt equity ratio for 2002-03 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
14.	Haryana Women Development Corporation Limited	464.72	109.98	-	-	574.70	55.00	-	-	-	-	-	0.00:1 (0.00:1)
Sector wise total		**4278.16 (90.00)**	**109.98**	-	-	**4388.14 (90.00)**	**125.00**	-	**244.45**	**60.59**	**2164.49**	**2225.08**	**0.51:1 (0.55:1)**
TOURISM													
15.	Haryana Tourism Corporation Limited	1658.98 (19.60)	-	-	-	1658.98 (19.60)	-	-	-	-	-	-	0.00:1 (0.00:1)
Sector wise total		**1658.98 (19.60)**	-	-	-	**1658.98 (19.60)**	-	-	-	-	-	-	**0.00:1 (0.00:1)**
POWER													
16.	Haryana Power Generation Corporation Limited	33452.07 (18442.00)	-	-	-	33452.07 (18442.00)	12107.00	-	-	-	163058.00	163058.00	4.87:1 (5.93:1)
17.	Haryana Vidyut Prasaran Nigam Limited	54586.07	-	-	-	54586.07	500.00	1021.64	22837.01	62252.81	193868.53	256121.34	4.69:1 (5.18:1)
18.	Uttar Haryana Bijli Vitran Nigam Limited @	11498.06 (110.00)	-	54698.55	-	66196.61 (110.00)	-	1627.03	57362.20	6515.04	81637.17	88152.21	1.33:1 (0.98:1)
19.	Dakshin Haryana Bijli Vitran Nigam Limited @	8572.06 (5962.00)	-	43727.35	-	52299.41 (5962.00)	-	1450.74	6911.10	5294.10	41339.04	46633.14	0.89:1 (0.73:1)
Sector wise total		**108108.26 (24514.00)**	-	**98425.90**	-	**206534.16 (24514.00)**	**12607.00**	**4099.41**	**87110.31**	**74061.95**	**479902.74**	**553964.69**	**2.68:1 (2.64:1)**
Total A (All sector wise Government companies)		**129787.85 (27205.15)**	**381.69**	**98499.94**	**81.92**	**228751.40 (27205.15)**	**14798.00**	**4099.41**	**98153.76**	**74352.74**	**537063.42**	**611416.16**	**2.67:1 (2.66:1)**
B. Statutory corporations													
FINANCING													
1.	Haryana Financial Corporation	2527.67	432.66	-	131.98	3092.31	-	-	-	-	45172.55	45172.55	14.61:1 (15.26:1)
Sector wise total		**2527.67**	**432.66**	-	**131.98**	**3092.31**	-	-	-	-	**45172.55**	**45172.55**	**14.61:1 (15.26:1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2002-03			Debt equity ratio for 2002-03 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
AGRICULTURE AND ALLIED													
2.	Haryana Warehousing Corporation	292.04	292.04	-	-	584.08	-	-	-	-	1069.00	1069.00	1.83:1 (0.11:1)
Sector wise total		**292.04**	**292.04**	-	-	**584.08**	-	-	-	-	**1069.00**	**1069.00**	**1.83:1 (0.11:1)**
Total B (All sector wise Statutory Corporations		**2819.71**	**724.70**	-	**131.98**	**3676.39**	-	-	-	-	**46241.55**	**46241.55**	**12.58:1 (12.85:1)**
Grand total (A+B)		**132607.56 (27205.15)**	**1106.39**	**98499.94**	**213.90**	**232427.79 (27205.15)**	**14798.00**	**4099.41**	**98153.76**	**74352.74**	**583304.97**	**657657.71**	**2.83:1 (2.82:1)**
C. NON-WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1.	Haryana Dairy Development Corporation*** Limited	-	-	-	-	-	-	-	-	-	-	-	-
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10	-	-	-	1089.10	-	7665.00	-	2370.12	-	2370.12	2.18:1 (1.78:1)
Sector wise total		**1089.10**	-	-	-	**1089.10**	-	**7665.00**	-	**2370.12**	-	**2370.12**	**2.18:1 (1.78:1)**
INDUSTRY													
3.	Haryana Tanneries Limited	117.15	-	-	18.00	135.15	-	-	0.27	253.19	103.79	356.98	2.64:1 (2.64:1)
4.	Punjab State Irons Limited	7.45 (7.05)	-	-	-	7.45 (7.05)	-	-	-	-	-	-	0.00:1 (0.00:1)
5.	Haryana Concast Limited@	290.00	-	340.51	54.99	685.50	-	-	-	139.00	230.00	369.00	0.54:1 (054:1)
6.	Haryana State Small Industries and Export Corporation Limited	181.48	10.00	-	-	191.48	-	954.06	-	-	-	-	0.00:1 (1.79:1)
7.	Haryana State Housing Finance Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**596.08** (7.05)	**10.00**	**340.51**	**72.99**	**1019.58 (7.05)**	-	**954.06**	**0.27**	**392.19**	**333.79**	**725.98**	**0.71:1 (0.52:1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2002-03			Debt equity ratio for 2002-03 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
HANDLOOM and HANDICRAFTS													
8.	Haryana State Handloom and Handicrafts Corporation Limited	265.17	30.00	-	-	295.17	-	-	-	122.50	-	122.50	0.41:1 (0.41:1)
Sector wise total		**265.17**	**30.00**	-	-	**295.17**	-	-	-	**122.50**	-	**122.50**	**0.41:1 (0.41:1)**
CONSTRUCTION													
9.	Haryana Bus Stands Corporation	1.73	-	-	-	1.73	-	-	-	-	-	-	0.00:1
Sector wise total		**1.73**	-	-	-	**1.73**	-	-	-	-	-	-	**0.00:1**
Total – C (All sector wise non-working Government companies)		**1952.08 (7.05)**	**40.00**	**340.51**	**72.99**	**2405.58 (7.05)**	-	**8619.06**	**0.27**	**2884.81**	**333.79**	**3218.60**	**1.34:1 (0.52:1)**
Grand Total (A+B+C)		**134559.64 (27212.20)**	**1146.39**	**98840.44**	**286.90**	**234833.37 (27212.20)**	**14798.00**	**12718.47**	**98154.03**	**77237.55**	**583638.76**	**660876.31**	**2.81:1 (2.82:1)**

Note: Except in respect of companies/corporations which finalised their accounts for 2002-03 (Sl. Nos. C-1) figures are provisional and as given by the companies/corporations.

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

* Includes bonds, debentures, inter corporate deposits etc.

** Loans outstanding at the close of 2002-03 represents long-term loans only.

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

@ Subsidiary companies.

ANNEXURE-2

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

(Referred to in paragraphs 1.6, 1.7, 1.12, 1.18, 1.19)

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

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A. Working Government companies															
AGRICULTURE AND ALLIED															
1.	Haryana Agro Industries Corporation Limited	Agriculture	30 March 1967	2001-02	2002-03	(+) 40.89	Overstatement of profit by Rs 161.90 lakh	414.04	(+) 1890.51	(+) 67915.64	(+) 9075.35	13.36	-	48757.29	413
				2002-03	2003-04	(+) 8.58	Under finalisation	414.04	(+) 1899.09	(+) 58640.26	(+) 9201.92	15.69	-	76142.12	389
2.	Haryana Land Reclamation and Development Corporation Limited	-do-	27 March 1974	2002-03	2003-04	(+) 154.04	Nil	156.30	(+) 736.86	(+) 895.79	(+) 164.83	18.40	-	7223.08	233
3.	Haryana Seeds Development Corporation Limited	-do-	12 September 1974	2001-02	2002-03	(-) 35.94	Nil	482.03	(+) 101.67	(+) 1378.02	(+) 35.40	2.57	-	2876.12	434
				2002-03	2003-04	(+) 168.45	Nil	483.60	(+) 251.01	(+) 1543.57	(+) 217.39	14.08	-	2977.59	421
Sector wise total						**(+) 331.07**		**1053.94**	**(+) 2886.96**	**(+) 61079.62**	**(+) 9584.14**	**15.69**	**-**	**86342.79**	**1043**
INDUSTRY															
4.	Haryana State Industrial Development Corporation Limited	Industry	8 March 1967	2001-02	2002-03	(+) 196.52	Overstatement of profit by Rs 324.86 lakh	6286.13	(+) 558.73	(+) 45976.43	(+) 2614.06	5.69	-	3212.76	479
				2002-03	2003-04	(+) 313.90	Overstatement of profit by Rs 217.33 lakh	6781.13	(+) 667.33	(+) 36118.84	(+) 2420.97	6.70	-	3377.97	467
Sector wise total						**(+) 313.90**		**6781.13**	**(+) 667.33**	**(+) 36118.84**	**(+) 2420.97**	**6.70**	**-**	**3377.97**	**467**
ENGINEERING															
5.	Haryana Roadways Engineering Corporation Limited	Transport	27 November 1987	2001-02	2003-04	(+) 11.08	Under finalisation	200.00	(+) 93.60	(+) 6972.80	(+) 636.86	9.13	1	6150.05	181
Sector wise total						**(+) 11.08**		**200.00**	**(+) 93.60**	**(+) 6972.80**	**(+) 636.86**	**9.13**		**6150.05**	**181**

Sl. No.	Sector and name of the Company	Name of Depart-ment	Date of Incorpora-tion	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed^A	Total return on capital employed^C	Percentage of total return on capital employed	Arre-ars of acco-unts in terms of years	Turnover (Rupees in lakh)	Man-power (No. of emplo-yees)
ELECTRONICS															
6.	Haryana State Electronics Development Corporation Limited	Electronics	15 May 1982	2001-02	2002-03	(+) 207.29	Nil	780.76	(+) 675.45	1335.79	(+) 207.29	15.52	1	895.79	305
7.	Hartron Informatics Limited[@]	- do -	8 March 1995	2001-02	2002-03	(+) 4.51	Nil	50.00	(+) 32.55	82.44	(+) 4.51	5.47	1	18.25	-
Sector wise total						**(+) 211.80**		**830.76**	**(+) 708.00**	**1418.23**	**(+) 211.80**	**14.93**		**914.04**	**305**
FOREST															
8.	Haryana Forest Development Corporation Limited	Forest	7 December 1989	1996-97	2002-03	(+) 100.72	Overstatement of profit by Rs 10.60 lakh	60.46	(+) 119.90	180.93	(+) 100.72	55.67	6	874.31	72
Sector wise total						**(+) 100.72**		**60.46**	**(+) 119.90**	**180.93**	**(+) 100.72**	**55.67**		**874.31**	**72**
MINING															
9.	Haryana Minerals Limited[@]	Mining and Geology	2 December 1972	2000-01	2003-04	(-) 213.88	Under finalisation	24.04	(-) 287.23	(-) 263.20	(-) 213.08	-	2	1185.18	841
Sector wise total						**(-) 213.88**		**24.04**	**(-) 287.23**	**(-) 263.20**	**(-) 213.08**	**-**		**1185.18**	**841**
CONSTRUCTION															
10.	Haryana Police Housing Corporation Limited	Home	29 December 1989	2001-02	2002-03	B	-	2500.00	--				1	1695.43	88
11.	Haryana State Roads and Bridges Development Corporation Limited.	PWD (B &R)	13 May 1999	2001-02	2002-03	(+) 4.10	-	2694.23	(+) 6.13	20790.46	4.10	0.02	1	Nil	Nil
Sector wise total						**(+) 4.10**		**5194.23**	**(+) 6.13**	**20790.46**	**4.10**	**0.02**		**1695.43**	**88**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION															
12	Haryana Scheduled Castes Finance and Development Corporation Limited	Scheduled Castes and Backward Classes Welfare	2 January 1971	1998-99	2002-03	(+) 16.35	Nil	2782.45	(-) 600.57	(+) 3118.27	(+) 47.07	1.51	4	201.74	250

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[^]	Total return on capital employed[$]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
13.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	Scheduled Castes and Backward Classes Welfare	10 December 1980	1998-99	2003-04	(-) 65.52	Under finalisation	815.99	(-) 377.09	(+) 1678.08	(-) 22.62	-	4	33.17	79
14.	Haryana Women Development Corporation Limited	Women and Child Development	31 March 1982	1999-2000	2002-03	(-) 41.22	Nil	494.70	(-) 20.19	(+) 474.51	(-) 41.22		-	33.11	78
				2000-01	2003-04	(-) 1.48	Under finalisation	494.70	(-) 21.66	473.03	(-) 1.48	-	2	18.05	76
Sector wise total						**(-) 50.65**		**4093.14**	**(-) 999.32**	**(+) 5269.38**	**(+) 22.97**	**0.44**		**252.96**	**405**
TOURISM															
15.	Haryana Tourism Corporation Limited	Tourism and Public Relations	1 May 1974	1998-99	2003-04	(+) 127.25	Nil	1270.74	(+) 582.34	1549.44	127.25	8.21	4	8403.48	1995
Sector wise total						**(+) 127.25**		**1270.74**	**(+) 582.34**	**1549.44**	**127.25**	**8.21**		**8403.48**	**1995**
POWER															
16.	Haryana Power Generation Corporation Limited	Power	17 March 1997	2000-01	2002-03	D	Under statement of loss by Rs. 54.30 lakh	21235.07	(-) 5191.14	153449.38	(+) 6625.27	4.32	2	80830.12	5005
17.	Haryana Vidyut Prasaran Nigam Limited	-do-	19 August 1997	2001-02	2002-03	(+) 4.42	Overstatement of profit by Rs. 498.49 lakh	54086.07	(-) 25059.09	146052.54	(+) 21759.54	14.90	1	347444.75	5225
18.	Uttar Haryana Bijli Vitran Nigam Limited	-do-	15 March 1999	2001-02	2002-03	(-) 2977.81	Under statement of loss by Rs. 49.28 lakh	66196.61	(-) 29149.38	97098.07	(+) 2737.50	2.82	1	207013.87	16707
19.	Dakshin Haryana Bijli Vitran Nigam Limited	-do-	15 March 1999	2001-02	2002-03	(-) 15281.66	Under statement of loss by Rs. 49.70 lakh	52299.41	(-) 41152.66	51281.84	(-) 11815.96	-	1	177135.25	13297
Sector wise total						**(-) 18255.05**		**193817.16**	**(-) 100552.27**	**447881.83**	**19306.35**	**4.31**	**-**	**812423.99**	**40234**
Total A (Govt. Companies)						**(-) 17419.66**		**213325.60**	**(-) 96774.56**	**(+) 580998.33**	**(+) 32202.08**	**5.54**		**921620.20**	**45631**

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees)
B. Statutory Corporations															
FINANCING															
1.	Haryana Financial Corporation	Industries	1 April 1967	2000-01	2002-03	(+) 300.54	Over statement of profit by Rs 575.06lakh	3405.84	(-) 8479.16	(+) 56320.48	(+) 7037.35	12.50	2	7760.13	352
Sector wise total						**(+) 300.54**		**3405.84**	**(-) 8479.16**	**(+) 56320.48**	**(+) 7037.35**	**12.50**		**7760.13**	**352**
AGRICULTURE AND ALLIED															
2.	Haryana Warehousing Corporation	Agriculture	1 November 1967	2002-03	2003-04	(+)1613.61	Under audit	584.08	(+) 0.15	(+) 57547.30	(+) 1620.55	2.82	-	2777.10	1000
Sector wise total		-				**(+)1613.61**		**584.08**	**(+) 0.15**	**(+) 57547.30**	**(+) 1620.55**	**2. 82**	-	**2777.10**	**1000**
Total B (Statutory corporations)						**(+)1914.15**		**3989.92**	**(-) 8479.01**	**(+) 113867.78**	**(+) 8657.90**	**7.60**	-	**10537.23**	**1352**
Grand total (A+B)		-				**(-) 15505.51**		**217315.52**	**(-)105253.57**	**(+) 694866.11**	**(+) 40859.98**	**5.88**		**932157.43**	**46983**
C. Non Working Companies															
AGRICULTURE AND ALLIED															
1	Haryana Dairy Development Corporation Limited	Agriculture	3 November 1969	2000-01	2000-01	(-) 0.43	Nil	557.48	(-) 673.74	-		-	2	-	-
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	- do -	9 January 1970	1997-98	2001-02	(-) 1140.10	Overstatement of loss by Rs 72.21 lakh	1089.10	(-) 9461.05	(-) 6142.00	(-) 996.04	-	5	2804.83	4539
Sector wise total						**(-) 1140.53**		**1646.58**	**(-) 10134.79**	**(-) 6142.00**	**(-) 996.04**	-		**2804.83**	**4539**
INDUSTRY															
3.	Haryana Tanneries Limited	Industry	12 September 1972	2001-02	2002-03	(-) 0.39	Nil	135.15	(-)1055.29	(-)1055.29	(-) 0.39	-	1	-	Nil
4.	Punjab State Irons Limited	Industry	1 July 1965	2001-02	2002-03	(-) 0.11	Non Review Certificate	7.45	(-) 1.98	5.39	(-) 0.11			Nil	Nil
				2002-03	2003-04	(-) 0.18	Non Review Certificate	7.45	(-) 2.17	(+) 5.24	(-) 0.18				
5.	Haryana Concast Limited	Industry	29 November 1973	1997-98	1998-99	(-) 797.09	Nil	685.50	(-) 2718.04	(+) 939.68	(-) 357.03	-	5	Nil	Nil

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[A]	Total return on capital employed[C]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Man-power (No. of employees)
6.	Haryana State Small Industries and Export Corporation Limited	Industry	19 July 1967	2000-01	2001-02	(-) 308.15	Nil	191.38	(-) 400.65	(+) 883.74	(-) 247.80	-	2	21536.60	320
7.	Haryana State Housing Finance Corporation Limited	Industry	19 June 2000	Ended 31 August 2001	2003-04	Nil	Non Review Certificate	Nil	Nil	Nil	Nil		2	Nil	Nil
Sector wise total						**(-) 1105.81**		**1019.48**	**(-) 4176.15**	**(+) 773.37**	**(-) 605.40**	-	-	**21536.60**	**320**
HANDLOOM AND HANDICRAFTS															
8.	Haryana State Handloom and Handicrafts Corporation Limited	Industry	20 February 1976	1999-2000	2001-02	(-) 87.40	Under statement of loss by Rs. 21.97 lakh	295.17	(-) 589.27	(+) 21.75	(-) 76.50	-	3	461.00	153
Sector wise total						**(-) 87.40**		**295.17**	**(-) 589.27**	**(+) 21.75**	**(-) 76.50**	-		**461.00**	**153**
CONSTRUCTION															
9.	Haryana Bus Stand Corporation Limited	Transport	10 May 1995	1995-96	2002-03	Nil	Nil	1.73	Nil	Nil	Nil	Nil	-	Nil	Nil
				1996-97 &1997-98	2002-03	Nil	Non Review Certificate	1.73	Nil	Nil	Nil	Nil	-	Nil	Nil
				1998-99	2003-04	Nil	Nil	1.73	Nil	Nil	Nil	Nil	-	Nil	Nil
				1999-2000	2003-04	Nil	Non Review Certificate	1.73	Nil	Nil	Nil	Nil	-	Nil	Nil
				2000-01	2003-04	Nil	Non Review Certificate	1.73	Nil	Nil	Nil	Nil	-	Nil	Nil
				2001-02	2003-04	Nil	Non Review Certificate	1.73	Nil	Nil	Nil	Nil	1	Nil	Nil
Sector wise total							-	**1.73**	-	-	-	-	-	-	-
Total C						**(-) 2333.74**		**2962.96**	**(-) 14900.21**	**(-) 5346.88**	**(-) 1677.94**			**24802.43**	**5012**
Grand Total (A+B+C)						**(-) 17839.25**		**220278.48**	**(-) 120153.78**	**(+) 689519.23**	**(+) 39182.04**	**5.68**		**956959.86**	**51995**

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

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

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

@ Subsidiary companies

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

ANNEXURE-3

Statement showing grants and subsidy received/receivable guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and guarantees outstanding at the end of March 2003

(Referred in paragraph .1.5)

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

Sl. No.	Name of the Public Sector Undertaking	*Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
A. Working Government Companies																
1.	Haryana Agro Industries Corporation Limited	-	25.00	-	25.00	49800.00 (42593.00)	-	-	-	49800.00 (42593.00)	-	-	-	-	-	-
2.	Haryana Land Reclamation and Development Corporation Limited	643.50	259.14	-	902.64	-	-	-	-	-	-	-	-	-	-	-
3.	Haryana Seeds Development Corporation Limited	- 43.20 Ψ	-	-	- 43.20 Ψ	- (900.00)	-	-	-	- (900.00)	-	-	-	-	-	-
4.	Haryana State Industrial Development Corporation Limited	- 797.00 Ψ	- 45.00 Ψ	-	- 842.00 Ψ	-	-	-	- (41084.00)	- (41084.00)	-	-	-	-	-	-
5.	Haryana Roadways Engineering Corporation Limited	-	-	-	-	-	4213.00 (9920.00)	-	-	4213.00 (9920.00)	-	-	-	-	-	-
6.	Haryana State Electronics Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Hartron Informatics Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Haryana Forest Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Haryana Minerals Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Haryana Police Housing Corporation Limited	-	- 649.00 Ψ	-	- 649.00 Ψ	-	- (2652.00)	-	-	- (2652.00)	-	-	-	-	-	-

Sl. No.	Name of the Public Sector Undertaking	Ψ Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which morato-rium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
11.	Haryana State Roads and Bridges Development Corporation Limited	- 4475.00 Ψ	-	-	- 4475.00 Ψ	-	- (43349.00)	-	-	- (43349.00)	-	-	-	-	-	-
12.	Haryana Scheduled Castes Finance and Development Corporation Limited	943.94	-	-	943.94	-	1500.00 (792.00)	-	-	1500.00 (792.00)	-	-	-	-	-	-
13.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	-	234.00	-	234.00	-	- (4000.00)	-	-	- (4000.00)	-	-	-	-	-	-
14.	Haryana Women Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	Haryana Tourism Corporation Limited	- 48.68 Ψ	- 250.00 Ψ	-	- 298.68 Ψ	-	-	-	-	-	-	-	-	-	-	-
16.	Haryana Power Generation Corporation Limited	-	-	- 22.55 Ψ	- 22.55 Ψ	- (990.00)	2000.00 (148807.94)	2500.00 (2500.00)	- (3037.54)	4500.00 (155335.48)	-	-	-	-	-	-
17	Haryana Vidyut Prasaran Nigam Limited	-	-	-	-	- (4225.09)	1980.00 (168394.68)	-	-	1980.00 (172619.77)	-	-	-	-	-	-
18	Uttar Haryana Bijli Vitran Nigam Limited	-	53891.77	-	53891.77	7500.00 (19368.00)	- (17078.00)	-	-	7500.00 (36446.00)	-	-	-	-	-	-
19	Dakshin Haryana Bijli Vitran Nigam Limited	-	29018.65 1061.96 Ψ	- 150.55 Ψ	29018.65 1212.51 Ψ	-	- (24036.00)	-	-	- (24036.00)	-	-	-	-	-	-
Total A		**1587.44** **5363.88 Ψ**	**83428.56** **2005.96 Ψ**	**-** **173.10 Ψ**	**85016.00** **7542.94 Ψ**	**57300.00** **(68076.09)**	**9693.00** **(419029.62)**	**2500.00** **(2500.00)**	**-** **(44121.54)**	**69493.00** **(533727.25)**	-	-	-	-	-	-
	B. Statutory Corporations															
1.	Haryana Financial Corporation	-	-	-	-	-	- (15804.00)	-	-	- (15804.00)	-	-	-	-	-	-
2.	Haryana Warehousing Corporation	-	-	-	-	46500.00 (34188.00)	-	-	-	46500.00 (34188.00)	-	-	-	-	-	-
Total B		-	-	-	-	**46500.00** **(34188.00)**	**-** **(15804.00)**	-	-	**46500.00** **(49992.00)**	-	-	-	-	-	-
Grand total (A+B)		**1587.44** **5363.88 Ψ**	**83428.56** **2005.96 Ψ**	**-** **173.10 Ψ**	**85016.00** **7542.94 Ψ**	**103800.00** **(102264.09)**	**9693.00** **(434833.62)**	**2500.00** **(2500.00)**	**-** **(44121.54)**	**115993.00** **(583719.25)**	-	-	-	-	-	-

Sl. No.	Name of the Public Sector Undertaking	# Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
C.	**Non Working Companies**															
1	Haryana Dairy Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Haryana State Minor Irrigation and Tubewell Corporation Limited	-	5225.00	-	5225.00	-	-	-	-	-	-	-	-	-	-	-
3	Haryana Tanneries Limited	-	-	-	-	-	- (30.00)	-	-	- (30.00)	-	-	-	-	-	-
4	Punjab State Irons Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Haryana Concast Limited	-	-	-	-	- (2586.19)	-	- (568.04)	-	- (3154.23)	-	-	-	-	-	-
6.	Haryana State Small Industries and Export Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Haryana State Handloom and Handicrafts Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total C		**-**	**5225.00**	**-**	**5225.00**	**- (2586.19)**	**- (30.00)**	**- (568.04)**	**-**	**- (3184.23)**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)		**1587.44 5363.88 Ψ**	**88653.56 2005.96 Ψ**	**- 173.10 Ψ**	**90241.00 7542.94 Ψ**	**103800.00 (104850.28)**	**9693.00 (434863.62)**	**2500.00 (3068.04)**	**- (44121.54)**	**115993.00 (586903.48)**	**-**	**-**	**-**	**-**	**-**	**-**

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

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

Ψ Represents grants received.

ANNEXURE – 4

Statement showing financial position of Statutory corporations

(Referred to in paragraph No. 1.7)

1. Haryana Financial Corporation

	Particulars	1999-2000	2000-01	2001-02 (Provisional)
			(Rupees in crore)	
A.	**Liabilities**			
	Paid-up capital	33.87	34.06	30.96
	Share application money	-		-
	Reserve fund and other reserves and surplus	14.41	14.23	16.49
	Borrowings:			
(i)	Bonds and debentures	223.46	258.71	254.87
(ii)	Fixed deposits	26.68	15.14	13.24
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	243.66	232.77	203.54
(iv)	Reserve Bank of India	-	-	-
(v)	Loan in lieu of share capital:			
(a)	State Government	-	-	-
(b)	Industrial Development Bank of India	-	-	-
(vi)	Others (including State Government)	35.63	2.39	-
	Other liabilities and provisions	96.16	31.86	32.97
	Total A	**673.87**	**589.16**	**552.07**
B.	**Assets**			
	Cash and Bank balances	35.60	55.91	34.65
	Investments	9.93	0.99	0.23
	Loans and Advances	534.78	403.61	358.42
	Net Fixed assets	23.01	21.04	19.60
	Other assets	14.57	15.02	14.29
	Miscellaneous expenditure and deficit	55.98	92.59	124.88
	Total B	**673.87**	**589.16**	**552.07**
C.	**Capital employed***	**596.02**	**563.20**	**537.70**

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

2. Haryana Warehousing Corporation

	Particulars	2000-01	2001-02	2002-03
		(Rupees in crore)		
A.	**Liabilities**			
	Paid-up capital	5.84	5.84	5.84
	Reserves and surplus	177.71	195.89	203.96
	Borrowings:-Government Others	-- 274.18	- 492.34	- 365.68
	Trade dues and current liabilities (including provisions)	38.41	51.98	67.89
	Total-A	**496.14**	**746.05**	**643.37**
B.	**Assets**			
	Gross block	63.61	88.22	106.13
	Less: Depreciation	13.59	15.79	18.42
	Net Fixed assets	50.02	72.43	87.71
	Capital works-in-progress	6.52	10.67	1.00
	Current assets, loans and advances	439.60	662.95	554.66
	Total B	**496.14**	**746.05**	**643.37**
C.	**Capital employed**[**]	**457.13**	**694.07**	**575.48**

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

ANNEXURE-5

Statement showing working results of Statutory corporations

(Referred to in paragraphs 1.7)

1. Haryana Financial Corporation

	Particulars	1999-2000	2000-01	2001-02 (Provisional)
			(Rupees in crore)	
1.	Income			
(a)	Interest on loans	78.77	77.60	62.90
(b)	Other income	4.88	3.60	2.67
	Total-1	**83.65**	**81.20**	**65.57**
2.	Expenses			
(a)	Interest on long-term and short-term loans	76.03	67.38	62.80
(b)	Other expenses	12.89	10.82	9.89
	Total-2	**88.92**	**78.20**	**72.69**
3.	Profit (+)/loss (-) before tax (1-2)	(-) 5.27	(+) 3.00	(-) 7.12
4.	Provision for tax	-	-	-
5.	Other appropriations	-	-	-
6	Provision for non-performing assets	-	-	-
7.	Amount available for dividend	(-) 5.27	(+) 3.00	(-) 7.12
8.	Dividend paid/payable	1.94	0.84	-
9.	Total return on Capital employed	70.76	70.38	55.68
10.	Percentage of return on capital employed	12	12.50	10.36

2. Haryana Warehousing Corporation

	Particulars	2000-01	2001-02	2002-03
			(Rupees in crore)	
1.	Income			
(a)	Warehousing charges	25.50	35.96	27.77
(b)	Other income	13.07	12.99	16.72
	Total-1	**38.57**	**48.95**	**44.49**
2.	Expenses			
(a)	Establishment charges	8.05	8.53	8.64
(b)	Other expenses	11.40	21.34	19.71
	Total-2	**19.45**	**29.87**	**28.35**
3.	Profit (+)/Loss(-) before tax (1-2)	19.12	19.08	16.14
4.	Prior period adjustments	-	2.27	-
5.	Other appropriations	18.54	17.91	14.82
6.	Amount available for dividend	0.58	1.17	1.32
7.	Dividend for the year	0.58	1.17	1.32
8.	Total return on capital employed	19.20	19.21	16.21
9.	Percentage of return on capital employed	4.2	2.77	2.82

ANNEXURE – 6

Statement showing operational performance of Statutory corporations

(Referred to in paragraph No. 1.11)

1. Haryana Financial Corporation

Particulars	(Amount: Rupees in crore)					
	2000-01		2001-02 (Provisional)		2002-03 (Provisional)	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	103	44.00	51	20.83	72	26.78
Applications received	362	147.27	448	198.75	442	125.84
Total	**465**	**191.27**	**499**	**219.58**	**514**	**152.62**
Applications sanctioned	326	130.37	354	136.91	410	90.23
Applications cancelled/withdrawn/rejected/ reduced	88	40.07	73	55.89	63	38.29
Applications pending at the close of the year	51	20.83	72	26.78	41	24.10
Loans disbursed	312	54.65	339	67.40	435	71.20
Loan outstanding at the close of the year	4753	488.98	4342	479.75	4017	462.97
Amount overdue for recovery at the close of the year						
(a) Principal		180.86	-	205.47	-	225.34
(b) Interest		543.65	-	684.92	-	844.61
Total		**724.51**	-	**890.39**	-	**1069.95**
Amount involved in recovery certificate cases		650.22	-	175.62	-	-
Percentage of overdue loans to the outstanding loans		36.99	-	42.83	-	48.67

2. Haryana Warehousing Corporation

Particulars	2000-01	2001-02	2002-03
Number of stations covered	105	110	112
Storage capacity created up to the end of the year (tonne in lakh)			
(a) Owned	8.25	7.94	10.95
(b) Hired	4.08	9.26	9.30
Total	**12.33**	**17.20**	**20.25**
Average capacity utilised during the year (tonne in lakh)	11.68	17.90	20.25
Percentage of utilisation	94.73	104.00	100
Average revenue per tonne per year (Rupees)	218.32	284.71	274
Average expenses per tonne per year (Rupees)	166.52	173.74	175
Profit (+)/Loss (-) per tonne (Rupees)	(+) 51.80	(+) 110.97	(+) 99

ANNEXURE - 7

Statement showing the department-wise break up of Inspection Reports outstanding as on 30 September 2003

(Referred to in Paragraph No. 1.41)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which observations outstanding
A.	**Working PSUs**				
1.	Agriculture	4	15	37	1994-95
2.	Industry	2	6	27	1999-2000
3.	Transport	1	7	25	1995-96
4.	Electronics	2	3	7	1998-99
5.	Forest	1	4	5	1997-98
6.	Mining and Geology	1	7	24	1996-97
7.	Home	1	3	7	2000-01
8.	Scheduled Castes and Backward Classes Welfare	2	4	12	1999-2000
9.	Women and Child Development	1	3	6	1999-2000
10.	Tourism and Public Relations	1	4	9	1998-99
11.	Power	5	283	504	1986-87
	Total 'A'	**21**	**339**	**663**	
B.	**Non-working PSUs**				
1	Agriculture	1	40	106	1994-95
2	Industry	3	6	26	1995-96
	Total 'B'	**4**	**46**	**132**	
	Grand Total (A+B)	**25**	**385**	**795**	

ANNEXURE - 8

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

(Referred to in paragraph No. 1.41)

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue of draft paragraphs/ reviews
1.	Power	10	1	February to August 2003
2.	Industry	2	-	February to May 2003
3.	Electronics	1	-	February 2003
4.	Tourism	-	1	May 2003
5.	Forest	1	-	February 2003
	Total	**14**	**2**	

ANNEXURE-9

Statement showing targets and achievements under 100 *per cent* metering schemes of Uttar Haryana Bijli Vitran Nigam Limited

(Referred to in paragraph No. 2.1.17)

Scheme No.	Area of the scheme	Amount sanctioned (Rupees in lakh)	Amount drawn (Rupees in lakh)	Single-phase meters		Three-phase meters		Three-phase Electro-mechanical meters		LT CT operated meters	
				Target	Achievement (Percentage)	Target	Achievement (Percentage)	Target	Achievement (Percentage)	Target	Achievement (Percentage)
360076	OP circle Sonepat	713.00	679.173	50,200	50,200 (100)	2,550	2,550 (100)	2,000	2,000 (100)	150	Nil
360077	OP circle Ambala	432.50	378.445	24,000	24,000 (100)	4,600	4,600 (100)	1,300	Nil	300	Nil
360078	OP circle Karnal	299.00	202.09	12,100	12,100 (100)	1,600	1,600 (100)	7,300	Nil	100	Nil
360079	S/U Karnal No. I&II Division	932.00	457.526	27,900	27,900 (100)	2,700	2,700 (100)	35,000	17,200 (49)	150	Nil
360080	Kurukshetra, Shahbad Divisions	706.325	383.567	29,750	29,750 (100)	2,675	2,675 (100)	18,800	Nil	125	Nil
360081	Kaithal, Pundri & Pehowa Divisions	956.255	429.668	39,250	39,250 (100)	2,175	2,175 (100)	28,300	Nil	125	Nil
360082	OP circle Rohtak	856.42	775.476	58,500	58,500 (100)	4,900	4,900 (100)	1,300	Nil	200	Nil
360083	OP circle Yamunanagar	758.09	485.299	36,500	36,500 (100)	3,000	3,000 (100)	15,700	Nil	200	Nil
360084	OP circle Jind	755.47	496.988	47,700	47,700 (100)	3,400	3,400 (100)	6,100	Nil	150	Nil
		6,409.06	4,288.232	3,25,900	3,25,900 (100)	27,600	27,600 (100)	1,15,800	19,200 (17)	1,500	Nil

ANNEXURE-10

Statement showing targets and achievements under 100 *per cent* metering schemes of Dakshin Haryana Bijli Vitran Nigam Limited

(Referred to in paragraph No. 2.1.18)

Scheme No.	Area of Scheme	Submitted	Amount sanctioned	Amount drawn	Single phase		Three phase Electronic		Three phase Electromechanical		Three phase LT meters		11 KV feeder meters		HTC operated	
		Completion	(Rupees in crore)		Target	Achievement (Percentage)	Target	Achievement (Percentage)	Target	Achievement (Percentage)	Target	Achievement (Percentage)	Target	Achievement (Percentage)	Target	Achievement (Percentage)
3507011	All OP circles (6 No.s)	10/2000 1/2001 12/2001	4.80	Nil	-	-	-	-	-	-	-	-	174	Nil	911	Nil
3507014	OP circle Hisar	5/01 1/2002 3/2002	13.50	Nil	86,678	Nil	23,240	Nil	501	Nil	670	Nil	36	Nil	-	-
3507015	OP circle Faridabad	Dec 2001 Jan 02 March 02	13.35	Nil	90,902	Nil	25,970	Nil	-	-	724	Nil	35	Nil	282	Nil
3507016	OP circles Bhiwani, Narnaul, Sirsa	3/02 3/02	17.21	3.57	1,08,288	31,500 (29)	38,310	Nil	-	-	4,300	Nil	-	-	-	-
			48.86	3.57	2,85,868	31,500 (11)	87,520	Nil	501	Nil	5,694	Nil	245	Nil	1193	Nil

ANNEXURE-11

Statement showing financial position and working result of Haryana Tourism Corporation Limited for the five years up to 2001-02.

(Referred to in Paragraph No.2.3.6)

Financial Position					
Particulars	**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**2001-02**
(Rupees in lakh)					
A Liabilities					
Paid-up capital	1,212.74	1,270.74	1,439.50	1,553.06	1,572.82
Reserves and surplus	623.54	832.35	660.08	560.55	609.22
Secured loans	23.51	18.56	-	-	-
Trade dues and other current liabilities	4,901.51	5,393.08	5,610.42	5,904.56	5,941.15
Total	**6,761.30**	**7,514.73**	**7,710.00**	**8,018.17**	**8,123.19**
B Assets					
Gross block	2,333.71	2,334.61	2,539.18	2,792.97	3,052.56
Less: depreciation	1,106.86	1,132.69	1,409.82	1,579.50	1,763.61
Net fixed assets	1,226.85	1201.92	1,129.36	1,213.47	1,288.95
Investments	315.00	572.20	-	-	-
Current assets, loans and advances	5,219.45	5,740.61	6,580.64	6,804.70	6,834.24
Total	**6,761.30**	**7,514.73**	**7,710.00**	**8,018.17**	**8,123.19**
Capital employed*	1,544.79	1,549.45	2,099.58	2,123.61	2,182.04
Net worth**	1,836.28	2,103.09	2,099.58	2,123.61	2,182.04

Working Results					
A Income	**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**2001-02**
(Rupees in lakh)					
Wine & minerals	-	686.13	449.81	483.81	624.79
Food stuffs	946.77	1,210.19	1,144.88	1,244.01	1,347.92
Petrol, diesel & lubricant	5,316.89	6,466.93	8,430.95	10,775.42	10,911.12
Other sales	52.73	40.33	39.28	14.09	37.34
Lease money	138.93	142.68	171.64	199.57	227.87
Consultancy fee	29.90	18.52	49.29	44.94	42.97
Income from room rent	445.89	414.01	407.45	487.97	481.64
Other income	356.44	360.59	323.79	309.86	293.38
Total	**7,287.55**	**9,339.28**	**11,017.09**	**13,559.67**	**13,967.03**
B Expenditure					
Wine & minerals	-	384.29	276.05	260.74	338.03
Food stuffs	367.25	503.44	460.29	497.22	522.34
Petrol, diesel & lubricant	5,256.40	6,366.49	8,301.95	10,597.99	10,703.84
Other purchases	47.80	21.94	38.84	3.31	35.00
Coal, gas & fuel	42.89	39.60	46.34	61.59	56.25
Administration & Sale promotion expenditure	1,432.33	1,535.09	1,642.85	1,859.76	1,814.95
Depreciation	157.44	135.62	190.09	206.70	186.97
Other expenditure	33.19	225.56	182.65	179.38	264.91
Total	**7,337.30**	**9,212.03**	**11,139.06**	**13,666.69**	**13,922.29**
(A-B) Profit (+)/Loss (-)	(-) 49.75	127.25	(-) 121.97	(-) 107.02	44.74

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

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