Report of the Comptroller and Auditor General of India

for the year ended March 1999

Government of Haryana
No.2 (Commercial) of 2000

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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 the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956. There are, however, certain companies which, in spite of Government investment are not subject to audit by the Comptroller and Auditor General of India as Government holds less than 51 *per cent* of their share capital. A list of such companies in which Government investment by way of equity capital was more than Rs 10 lakh as on 31 March 1999 is given in Annexure-1.

4. Haryana State Electricity Board has been reorganised in August 1998 and its activities were transferred to two companies viz., Haryana Power Generation Corporation Limited and Haryana Vidyut Prasaran Nigam Limited. In respect of Haryana Financial Corporation and Haryana Warehousing Corporation, CAG has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. The Audit Reports on the annual accounts of all these corporations 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 1998-99 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 1998-99 have also been included, wherever necessary.

OVERVIEW

OVERVIEW

1. The State had 24 Government companies (including 4 subsidiaries) and 2 Statutory corporations as on 31 March 1999.

(Paragraph 1.1)

- As on 31 March 1999, the total investment in 26 Public Sector Undertakings-PSUs-(24 Government companies and 2 Statutory corporations) was Rs 3543.47 crore (equity: Rs 337.97 crore; long term loans: Rs 2922.59 crore; and share application money: Rs. 282.91 crore) as against total investment of Rs 4808.25 crore (equity: Rs 1705.09 crore; long term loans: Rs 3073.62 crore; and share application money: Rs 29.54 crore) in PSUs as on 31 March 1998.

(Paragraph 1.2)

- The State Government guaranteed the repayment of loans aggregating Rs 1478.25 crore during 1998-99 raised by 6 PSUs. As at the end of 1998-99, guarantees amounting to Rs 1860.21 crore against 13 Government companies (Rs 1642.31 crore) and one Statutory corporation (Rs 217.90 crore) were outstanding.

(Paragraph 1.4)

- Out of 24 companies and 2 corporations, 8 companies and one corporation had finalised their accounts for the year 1998-99, within the stipulated period. Accounts of other 16 companies and one corporation were in arrears for the period ranging from one year to 5 years as on 30 September 1999.

(Paragraph 1.5.1)

- Out of 8 companies which finalised their accounts for 1998-99 by September 1999, 4 companies earned an aggregate profit of Rs 4.05 crore and only one company declared dividend of Rs one crore. The total return by way of dividend worked out to 0.18 *per cent* on total equity investment of Rs 567.37 crore by the State Government in all Government companies as compared to 0.72 *per cent* in 1997-98.

(Paragraph 1.6.1.1)

- Of the 12 loss making companies, 5 companies had accumulated losses aggregating Rs 104.17 crore which had far exceeded their aggregate paid-up capital of Rs 27.49 crore.

(Paragraph 1.6.1.2)

2. Review on Government companies

2A Haryana State Handloom and Handicrafts Corporation Limited

The Company incorporated in February 1976 for development of handloom and handicrafts, had eroded its paid-up capital of Rs 2.90 crore as its accumulated loss amounted to Rs 4.33 crore up to 31 March 1998.

(Paragraphs 2A.1 and 2A.3)

- Out of Rs 0.14 crore received for development of exportable products and their marketing, the Company spent only Rs 0.02 crore for development of samples and on the salaries of staff deployed for this purpose. The balance amount of Rs 0.12 crore was diverted for its day-to-day expenses. The samples developed were also rejected by the Development Commissioner (Handlooms) indicating non-fulfillment of objectives of the scheme.

(Paragraph 2A.4.1)

- Under Project Package Scheme, the Company received Rs 0.23 crore for imparting training and providing infrastructural facilities like looms, etc., to weavers. Company's role, however, remained confined to imparting training on which Rs 0.04 crore were spent. No infrastructural facilities were provided and the balance funds of Rs 0.19 crore were diverted towards Company's day-to-day expenditure.

(Paragraph 2A.4.4)

- Operational performance of emporia had been deteriorating constantly. As compared to overall profit of Rs 0.15 crore in 1994-95, the loss sustained by emporia amounted to Rs 0.32 crore during 1998-99. Further, out of 22 emporia, 19 were running into loss.

(Paragraph 2A.5.2)

- The idea of merger of the Company with Haryana State Small Industries and Export Corporation Limited conceived in April 1993 was not given practical shape even after lapse of over six years resulting in non-achievement of intended economy in expenditure amounting to Rs 0.54 crore per annum.

(Paragraph 2A.9)

2B. Thermal Power Station, Faridabad

Thermal Power Station, Faridabad of Haryana Power Generation Corporation Limited, comprises three generating units of 60 MW each commissioned in November 1974, March 1976 and April 1981. The capacity of each unit was derated to 55 MW from 1989-90.

(Paragraph 2B.1)

- The percentage of actual generation to possible generation with reference to hours actually run ranged between 68.46 and 82.63 during 1994-95 to 1998-99 which resulted in generation loss of 1185.680 MUs valued at Rs 181.50 crore.

(Paragraph 2B.4.1)

- Due to taking excess time in overhauling of boilers and turbo generators as compared to norms of Kulkarni Committee, there was generation loss of 384.12 MUs valued at Rs 56.91 crore.

(Paragraph 2B.4.2.A)

- Frequent leakages of water wall tubes, super heater tubes and economiser tubes in boiler and its auxiliaries resulted in shutdown of power station for 8682 hours during 1994-95 to 1998-99 thereby causing generation loss of 477.51 MUs valued at Rs 79.09 crore.

(Paragraph 2B.4.2.B (ii))

- Lack of reliable protection system at the sub-station caused damage to a generator stator involving repair cost of Rs 2.35 crore. Due to damage of stator, the unit remained shutdown for 1600 hours resulting in generation loss of 88 MUs valued at Rs 16.48 crore.

(Paragraph 2B.4.2.B (iii)(a))

2C Performance of Electrostatic Precipitators(ESPs) installed at Thermal Power Stations

The Haryana Power Generation Corporation Limited was operating eight thermal Units at Panipat (5) and Faridabad (3) Thermal Power Stations (TPSs). ESPs have been installed in all the 8 units. Emission level of ash dust from stacks at Panipat and Faridabad Thermal Power Stations varied between 107 and 14806 mg/Nm^3 and 87 and 6245 mg/Nm^3 respectively against the norm of 150 mg/Nm^3.

(Paragraph 2C.3)

- The work of replacement of ESPs at Units I and II remained suspended at Panipat plant from April 1993 to September 1995 due to non-payment of bills of BHEL, for which the Company had to make avoidable payment of Rs 0.35 crore for retainment of site establishment by BHEL.

(Paragraph 2C.4)(a)

- Non/delayed replacement of ESPs at Unit I and II of Faridabad and Panipat TPS caused erosion of induced draft (ID) fan impellers leading to shutdown of Units for 7846 hours resulting in loss of generation of 774.25 MUs valued at Rs 118.09 crore.

(Paragraph 2C.4 (a) and (b))

2D. Physical and financial performance of power sector in VII Five Year Plan

During VII plan period, an outlay of Rs 1010.25 crore was envisaged against which the erstwhile Haryana State Electricity Board could manage loans of Rs 901.99 crore. The Board incurred expenditure of Rs 781.02 crore for the planned activities and remaining amount of Rs 120.97 crore was diverted towards revenue expenditure.

(Paragraph 2D.3)

- The erstwhile Board could not achieve the physical targets of generation of power to the extent of 24 *per cent* whereas achievements in respect of transmission lines and installation of transformers were exceeded.

(Paragraph 2D.4 and 2D.8.1)

- Time overrun of all the three power projects completed during VII plan period ranged between 37 and 62 months with cost overrun of Rs 338.05 crore. One project of Dadupur was not taken up.

(Paragraphs 2D.6.1 and 2D.6.2.1)

- The funds of the Board to the extent of Rs 44.72 crore were locked up in Yamunanagar Thermal Power Project (Stage I) and WYC Hydro Electric Project (Stage II) as no work has been started in these projects.

(Paragraph 2D.6.3 (a) and (d))

- The Board sustained loss of Rs 860.83 crore during the five years up to 1989-90 due to low tariffs. The share of agriculture consumers in the total loss was Rs 635.78 crore against which subsidy of Rs 122.95 crore only was received from the State Government.

(Paragraph 2D.10)

2E Outstanding dues against erstwhile HSEB

As on 31 March 1998, the total dues outstanding against the erstwhile Haryana State Electricity Board (HSEB) stood at Rs 3873.59 crore which mainly included capital liabilities (Rs 1520.92 crore), current liabilities (Rs 1341.96 crore), loans from State Government (Rs 565.36 crore) etc.

(Paragraph 2E.1)

- Owing to failure of the Board to pay dues for purchase of power from Central Public Undertakings, the Central Government recovered Rs 361.55 crore during the four years up to March 1998 out of loans and grant-in-aid payable to Government of Haryana which was passed on to the Board by the State Government as interest bearing loan.

(Paragraph 2E.5 (iii))

- Recoverable from the consumers increased from Rs 267.78 crore to Rs 739.79 crore during the last four years ending 31 March 1998. These include Rs 149.02 crore in respect of consumers whose supplies had been permanently disconnected.

(Paragraph 2E.6.4)

- Failure to make timely payment of Rs 246.76 crore to Delhi Vidyut Board resulted in stoppage of power supply from March to November 1998 and the Board was deprived of revenue of Rs 18.20 crore.

(Paragraph 2E.8.2)

3. Reviews relating to Statutory corporation

Haryana Financial Corporation

The Haryana Financial Corporation was established in April 1967 to provide loan assistance to small and medium scale industrial units to accelerate industrial growth in the State.

(Paragraph 3.1)

- Due to low generation of internal resources, the Corporation was depending mainly on borrowed funds resulting in heavy burden of interest which increased from Rs 29.48 crore in 1993-94 to Rs 90.98 crore in 1997-98 and consequential loss of Rs 8.66 crore and Rs 6.69 crore during 1996-97 and 1997-98 respectively against profit of Rs 1.11 crore during 1995-96.

(Paragraph 3.4)

- Number of loan applications had declined sharply from 1303 in 1995-96 to 852 in 1997-98 with consequential decrease in disbursements from Rs 272.14 crore to Rs 106.94 crore during the same period. The decrease was attributable to higher lending rate owing to inadequate generation of internal resources.

(Paragraph 3.5(a))

- Defective appraisal of projects and disbursement of loans to units with promoters having adverse credit worthiness, additional loan to defaulting units and release of loans without verification of securities had led to non-recovery of Rs 7.61 crore in nine cases.

(Paragraph 3.5(b)(i) to (ix))

- The Corporation committed various irregularities viz., disbursement in excess of permissible limits, acceptance of insufficient collateral securities and improper documentation, etc., in disbursement of working capital loans amounting to Rs 37.92 crore to 252 units.

(Paragraph 3.5(c))

- The percentage of recovery to the amount recoverable decreased from 47.57 in 1994-95 to 37.96 in 1997-98 resulting in increase of overdues from Rs 116.33 crore to Rs 318.50 crore during the same period. Non-performing assets increased from 20.09 *per cent* to 35.05 *per cent* of total outstanding loans in the same period.

(Paragraph 3.6(a) (i) and 3.7)

- As on 31 March 1998, 475 cases involving recovery of Rs 66.04 crore pertaining to the period from 1982-83 to 1997-98 were pending with various collectors. In six cases, the Corporation could not recover Rs 2.88 crore due to non-existence of properties in the names of promoters/guarantors or non-traceability of promoters.

(Paragraph 3.6(c))

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

Haryana Seeds Development Corporation Limited

- Purchase of sub-standard seed cotton from growers led to loss of Rs 0.11 crore in disposal of seed as the same did not meet the minimum standards of germination.

(Paragraph 4A.1.1)

Haryana State Industrial Development Corporation Limited

- Settlement of dispute with a collaborator by ignoring provisions of agreement resulted in loss of Rs 0.20 crore.

(Paragraph 4A.2.1)

Haryana Vidyut Prasaran Nigam Limited

- Purchase of H.T. insulation testers at higher rates from a firm resulted in extra expenditure of Rs 0.30 crore.

(Paragraph 4A.6.1)

- Incorrect application of multiplying factor coupled with acceptance of part payment from the consumer and allowing the bank guarantee to lapse resulted in non-recovery of Rs 0.21 crore.

(Paragraph 4A.6.3)

Haryana Power Generation Corporation Limited

- The Company had to incur expenditure of Rs 0.20 crore on repairs of power house besides loss of power generation valued at Rs. 2.49 crore due to inadequate safety measures.

(Paragraph 4A.7.1)

Chapter-1

CHAPTER 1

General view of Government Companies and Statutory Corporations

1.1 Introduction

As on 31 March 1999, State had 24 Government companies and 2 Statutory corporations

As on 31 March 1999, there were 24 Government companies (including 4 subsidiaries) and 2 Statutory corporations as against 22 Government companies (including 4 subsidiaries) and 3 Statutory corporations as on 31 March 1998 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by Government of India on the advice of Comptroller and Auditor General of India (CAG) as per provision 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 of the Statutory corporations is conducted under the provisions of the respective Acts as detailed below:

Name of the Corporation	Authority for the audit by the CAG	Audit arrangement
Haryana Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and Supplementary Audit by CAG
Haryana Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and Supplementary Audit by CAG

1.2 Investment in Public Sector Undertakings (PSUs)

Investment was Rs 3543.47 crore in 26 PSUs

As on 31 March 1999, the total investment in 26 Public Sector Undertakings (24 Government companies including 4 subsidiaries and 2 Statutory corporations) was Rs 3543.47 crore (equity: Rs 337.97 crore; long-term loans*: Rs 2922.59 crore; and share application money: Rs 282.91 crore) as against a total investment of Rs 4808.25 crore (equity: Rs 1705.09 crore; long term loans: Rs 3073.62 crore; and share application money: Rs 29.54 crore) in PSUs (22 Government companies including 4 subsidiaries and 3 Statutory

* Long term loans mentioned in para 1.2, 1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.

corporations) as on 31 March 1998. The analysis of investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Investment in 24 Government companies was Rs 2918.01 crore

Total investment in 24 companies (including 4 subsidiaries) as on 31 March 1999 was Rs 2918.01 crore (equity: Rs 298.26 crore, long term loans: Rs 2336.84* crore, share application money: Rs 282.91 crore) as against total investment of Rs 623.20 crore (equity: Rs 165.38 crore, long term loans: Rs 428.28 crore, share application money: Rs 29.54 crore) as on 31 March 1998 in 22 Government companies (including 4 subsidiaries).

The classification of the Government companies was as under:

Status of companies	Number of companies	Investment (Rupees in crore)	
		Paid up capital	Long term loans
(a) Working companies	22 (20)	579.74 (193.49)	2333.29 (422.58)
(b) Non-working companies	-	--	-
i) Under liquidation	-	-	-
ii) Under closure	-	-	-
iii) Under merger	-	-	-
iv) others	2[A] (2)	1.43 (1.43)	3.55 (5.70)
Total	**24** **(22)**	**581.17** **(194.92)**	**2336.84** **(428.28)**

(Figures in brackets are previous year figures)

Investment in non-working companies was Rs 4.98 crore

As 2 companies were non-working for 11 to 34 years and substantial investment of Rs 4.98 crore was involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

The summarised financial results of Government companies are detailed in Annexures-2 and 3.

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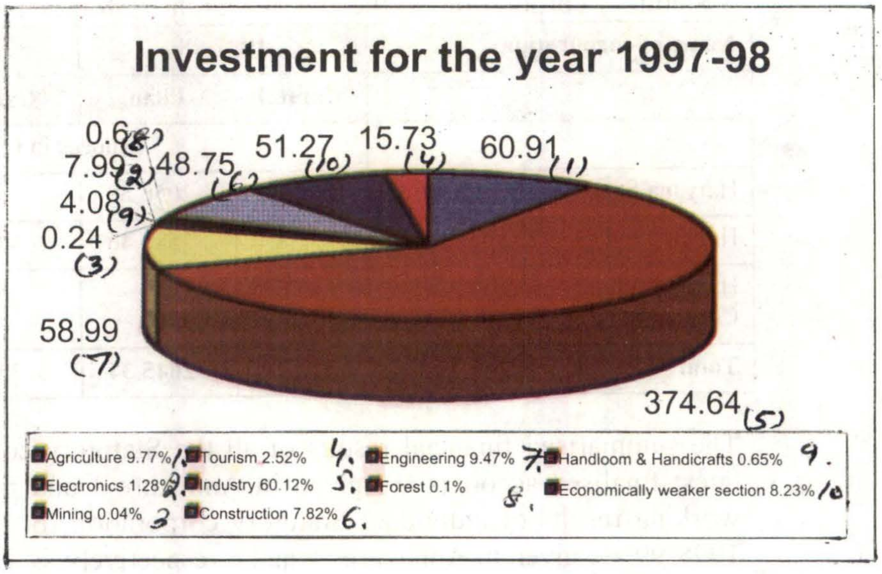
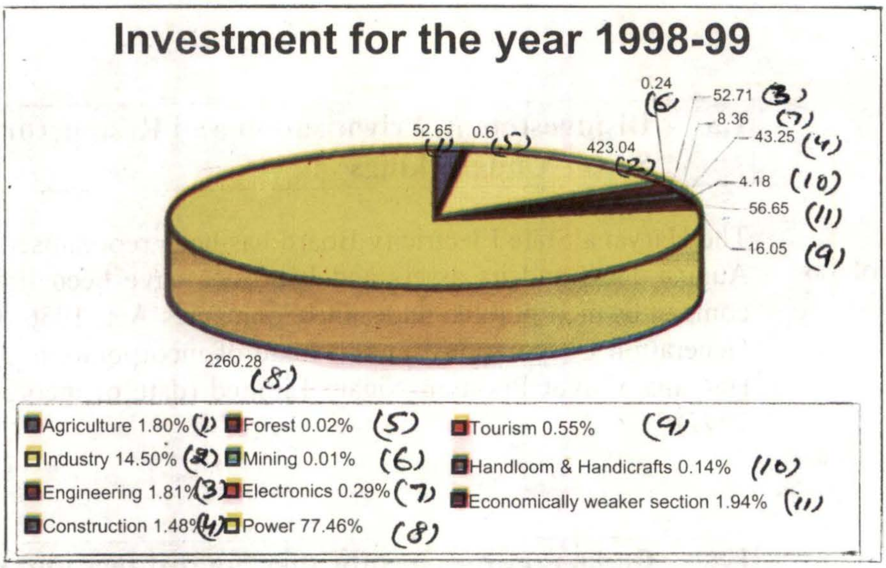
* The increase in the long term loans during the year 1998-99 was mainly on account of bifurcation of Haryana State Electricity Board into two Government companies viz. Haryana Power Generation Corporation Limited and Haryana Vidyut Prasaran Nigam Limited.

A Serial number 8 and 9 of Annexure-2 are defunct companies.

Sector wise investment in Government companies (Rupees in crore)





As on 31 March 1999, of total investment in Government companies, 19.92 *per cent* comprised equity capital and 80.08 *per cent* comprised loans compared to 31.28 *per cent* and 68.72 *per cent* respectively as on 31 March 1998.

1.2.2 Statutory corporations

Investment in 2 Statutory corporations was Rs 625.46 crore

The total investment in 2 Statutory corporations at the end of March 1999 and 3 Statutory corporations at the end of March 1998 was as follows:

Name of corporation	1997-98		1998-99	
	Capital	Loan	Capital	Loan
	(Rupees in Crore)			
Haryana State Electricity Board	1500.00	2056.88	-	-
Haryana Financial Corporation	33.87	588.46	33.87	585.75
Haryana Warehousing Corporation	5.84	-	5.84	-
Total	**1539.71**	**2645.34**	**39.71**	**585.75**

The summarised financial results of all the Statutory corporations as per the latest finalised accounts are given in Annexure-3 and financial position and working results of individual Statutory corporation for the three years up to 1998-99 are given in Annexures-5 and 6 respectively.

As on 31 March 1999, of total investment in Statutory corporations, 6.35 per cent comprised equity capital and 93.65 per cent comprised loans compared to 36.79 per cent and 63.21 per cent respectively as on 31 March 1998.

1.3 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Haryana State Electricity Board was reorganised in August 1998

The Haryana State Electricity Board has been reorganised with effect from 14 August 1998 and its assets and liabilities have been transferred to the new companies incorporated under the Companies Act, 1956, viz., Haryana Power Generation Corporation Limited (date of incorporation: 17 March 1997) and Haryana Vidyut Prasaran Nigam Limited (date of incorporation : 19 August 1997).

1.4 Budgetary outgo, subsidies, guarantees and waiver of dues

The details of budgetary outgo, subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to Government companies and Statutory corporations are given in Annexures-2 and 4.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the 3 years up to 1998-99 in the form of equity capital, loans, grants and subsidy is given below:

(Amount in Rupees in crore)

	1996-97				1997-98				1998-99			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
Particulars	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt
Equity capital	9	14.78	-	-	10	16.64	1	12.54	9	353.48	-	-
Loans	3	10.55	1	180.52	1	0.05	1	317.40	2	20.05	-	-
Grants	7	7.21	-	-	8	8.13	-	-	6	9.93	-	-
Subsidy towards												
i) Projects/ Programmes /Schemes	-	-	-	-	-	-	-	-	-	-	-	-
ii) Other Subsidy	9	49.80	2	658.47	7	26.00	2	251.22	9	309.74	1	1.26
iii) Total subsidy	9	49.80	2	658.47	7	26.00	2	251.22	9	309.74	1	1.26
Total outgo	13#	82.34	2#	838.99	14#	50.82	2#	581.16	14#	693.20	1#	1.26

Guarantees for loans of PSUs given by State Government were outstanding to the tune of Rs 1860.21 crore as on 31 March 1999

During the year 1998-99, the Government had guaranteed the loans aggregating Rs 1478.25 crore obtained by 5 Government companies (Rs 1358.25 crore) and one Statutory corporation (Rs 120 crore). At the end of the year, guarantees amounting to Rs 1860.21 crore against 13 Government companies (Rs 1642.31 crore) and one Statutory corporation (Rs 217.90 crore) were outstanding. 4 companies have defaulted in repayment of guaranteed loans during the year. State Government had allowed moratorium for repayment of loan of Rs 23.35 crore in case of one company during 1998-99.

1.5 Finalisation of accounts by PSUs

1.5.1 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 Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These 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.

Accounts of 16 companies and one corporation were in arrears

However, as could be noticed from Annexure-3, out of 24 Government companies, only 8 companies and out of 2 Statutory corporations, only one corporation had finalised its accounts for the year, within the stipulated period. During the period from October 1998 to September 1999, 19 Government companies finalised 22 accounts for the year 1998-99 or previous years (14 accounts for previous years by 11 companies and 8 accounts for 1998-99 by 8 companies). Similarly, during this period, 2 Statutory corporations finalised 2 accounts for 1998-99 or previous year (one account for previous year by one

\# Actual number of companies/corporations which received equity/loan/grant/subsidy from the State Government.

corporation). The accounts of other 16 Government companies and one Statutory corporation were in arrears for period ranging from one year to 5 years as on 30 September 1999 as detailed below:

Sl. No.	Year from which accounts are in arrears	Number of Years for which accounts are in arrears	No. of Companies/ Corporations		Reference to serial No. of Annexure 3	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1.	1998-99	1	8	1	9,10,12,16, 17,20,23,24	25
2.	1997-98	2	3	-	14,21,22	-
3.	1996-97	3	1	-	11	-
4.	1995-96	4	3	-	15,18,19	-
5.	1994-95	5	1	-	1	-

Of the above 16 Government companies, whose accounts were in arrears, 2 companies were non-working companies (Sl. No. 8 and 9 of Annexure-3).

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 investments made in these PSUs could not be assessed in audit.

1.5.2 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India 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	1996-97	1997-98	14 July 1999	Assembly session yet to be held
2.	Haryana Warehousing Corporation	1996-97	1997-98	13 September 1999	Assembly session yet to be held

1.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 22* Government companies and 2 Statutory corporations, 12 companies had incurred an aggregate loss of Rs 27.13 crore and the remaining 10 companies and 2 corporations earned an aggregate profit of Rs 5.08 crore and Rs 24.54 crore respectively.

The summarised financial results of Government companies and Statutory corporations as per latest finalised accounts are given in Annexure -3. Besides, working results of individual corporations for the latest 3 years for which accounts are finalised are given in Annexure-6. Financial position, working results and operational performance of power sector companies are also given in Annexure-7.

1.6.1 Government Companies

1.6.1.1. Profit making companies and dividend

Return in 1998-99 by way of dividend was 0.18 *per cent* on total State Government equity of Rs 567.37 crore

Out of 8 companies (including one subsidiary) which finalised their accounts for 1998-99 by September 1999, 4 companies earned an aggregate profit of Rs. 4.05 crore and only one company (Sl. No. 6 of Anneuxre-3) declared dividend aggregating Rs one crore. The dividend as percentage of share capital in the above one profit making company worked out to 1.61. The remaining 3 profit making companies did not declare any dividend. The total return by way of dividend of Rs one crore, worked out to 0.18 per cent in 1998-99 on total equity investment of Rs 567.37 crore by the State Government in all Government companies as against 0.72 per cent in the previous year.

Similarly, out of 11 companies which finalised their accounts for previous years by September 1999, 3 companies earned an aggregate profit of Rs 0.87 crore and all three companies earned profit for two or more successive years.

The State Government had not formulated any dividend policy but the same is declared by companies on the recommendations of their Board of Directors and approved by the Shareholders in the Annual General Meeting.

1.6.1.2 Loss making companies

Accummulated loss of five companies had eroded their paid-up capital

Of the 12 loss making companies, 5 companies had accumulated losses aggregating Rs. 104.17 crore which had far exceeded their aggregate paid-up capital of Rs. 27.49 crore.

In spite of poor performance leading to complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans,

* No profit/loss in respect of two companies (serial numbers 17 and 23 of Annexure-3).

subsidy, etc. According to available information, the total financial support so provided by the State Government by way of equity and subsidy during 1998-99 to 2 companies out of these 5 companies amounted to Rs 38.24 crore.

1.6.2 Statutory corporations

1.6.2.1 Profit making Statutory corporations and dividend

Out of 2 corporations, only one corporation finalised its accounts for 1998-99 by September 1999 and earned profit of Rs 22.30 crore and declared dividend of Rs 0.58 crore. The dividend as percentage of share capital in the above one profit making corporation worked out to 9.93. The return by way of dividend of Rs 0.58 crore, worked out to 2.06 per cent in 1998-99 on total equity investment of Rs 28.20 crore by the State Government in all Government corporations as against 7.20 per cent in the previous year.

Similarly, one corporation which finalised its accounts for previous year by September 1999, earned an aggregate profit of Rs 2.24 crore. It earned profit for two or more successive years.

1.6.2.2 Operational performance of Statutory corporations

The operational performance of the Statutory corporations is given in Annexure-8.

In respect of Haryana Warehousing Corporation profit per tonne decreased from Rs 159.50 in 1996-97 to Rs 36.62 in 1998-99.

There was steep increase in loans overdue for recovery in respect of Haryana Financial Corporation

Performance of Haryana Financial Corporation started declining gradually from 1996-97 as the disbursements had come down from Rs 137.88 crore in 1996-97 to Rs 78.89 crore in 1998-99 and the amount overdue had risen steeply from Rs 227.58 crore in 1996-97 to Rs 445.07 crore in 1998-99. A review on disbursement of loan and recovery performance of the Corporation appears in Section 3 of this Report.

1.7 Return on Capital Employed

During 1998-99, the capital employed* worked out to Rs 667.59 crore in 24 companies and total return** thereon amounted to Rs 44.62 crore which is 6.68 per cent as compared to total return of Rs 67.31 crore in respect of 22

* 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 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.

companies(12.01 per cent) in 1997-98. Similarly, during 1998-99, the capital employed and total return thereon in case of Statutory corporations amounted to Rs 901.11 crore and Rs 116 crore (12.87 per cent) respectively against the total return of Rs 109.82 crore (14.21 per cent) for 1997-98. The details of capital employed and total return on capital employed in case of Government companies and corporations are given in Annexure-3.

1.8 Results of audit by Comptroller and Auditor General of India

The summarised financial results of all the 24 Government companies and 2 Statutory corporations based on the latest available accounts are given in Annexure -3. During the period from October 1998 to September 1999, the audit of accounts of 16 companies and 2 corporations was selected for review. No company/corporation had revised its accounts during the period from October 1998 to September 1999. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Sl No.	Details	No. of Accounts		Rupees in lakh	
		Government companies	Statutory corporations	Government companies	Statutory corporations
(i)	Decrease in profit	1	1	12.64	46.60
(ii)	Increase in profit	-	-	-	-
(iii)	Increase in losses	3	1	162.75	719.28
(iv)	Decrease in losses	-	-	-	-
(v)	Non disclosure of material facts	2	1	17.38	1654.35
(vi)	Errors of classification	1	1	304.51	1534.84

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

A. Errors and omissions noticed in case of Government companies

(a) Haryana State Minor Irrigation and Tubewells Corporation Limited (Accounts for the year 1992-93)

(i) Fixed assets and current liabilities have been understated by Rs 43.98 lakh due to non-provision for enhancement of cost of land.

(ii) Current assets include Rs 146.17 lakh recoverable from State Government and other Government agencies, however, these amounts are not recoverable and as such no claims have actually been lodged. Accordingly, current assets have been overstated by Rs 146.17 lakh and loss has been understated by Rs 129.99 lakh, fixed assets by Rs 13.83 lakh and current liabilities by Rs 2.35 lakh.

(b) ***Haryana Roadways Engineering Corporation Limited (Accounts for the year 1993-94)***

Profit has been overstated by Rs 12.64 lakh due to non-provision of liabilities for leave salary and pension contribution.

(c) ***Haryana Backward Classes Kalyan Nigam Limited (Accounts for the year 1994-95)***

Current assets include Rs 8.35 lakh recoverable from loanees from whom no amount has been recovered for the period ranging from 7 to 12 years. This has resulted in non- provision of losses and overstatement of current assets to that extent.

B. Errors and omissions noticed in case of Statutory corporations

(a) Haryana Financial Corporation (Accounts for the year 1997-98)

(i) Current assets (investment) and accumulated loss have been understated by Rs 696.72 lakh due to non-provision of diminution in the value of investment.

(ii) Due to non-taking into account the enhanced cost (Rs 120.15 lakh) and less accounting of cost (Rs 75.97 lakh), the value of residential flats and depreciation thereon has been understated by Rs 173.56 lakh and Rs 22.56 lakh respectively. This has also resulted in understatement of current liabilities by Rs 196.12 lakh and accumulated loss by Rs 22.56 lakh.

(b) Haryana Warehousing Corporation (Accounts for the year 1997-98)

Profit has been overstated by Rs 37.22 lakh due to inclusion of incidentals recoverable from Food Corporation of India as per provisional rates against the actual expenditure.

C. Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in the financial matters of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action taken by these PSUs so far:

C(1) Government Companies

Haryana State Minor Irrigation and Tubewells Corporation Limited (Accounts for the year 1992-93)

Despite being pointed out in the comments on the accounts of the company for the years ended 1983 to 1992, adjustments have not been made in the accounts in respect of following:

(a) Cost of obsolete and unserviceable store written off by the Board of Directors in November 1979 (Rs 3.25 lakh).

(b) Non-provision of energy charges (Rs 6.88 lakh).

(c) Non-adjustment of losses on account of fire in company store at Tohana (Rs 0.36 lakh).

(d) Tubewells not in operation (Rs 0.59 lakh).

(e) Tubewells written off during previous years (Rs 12.35 lakh).

(f) Non-provision of capital loss (Rs 18.13 lakh) on abandonment of tubewells.

C(2) Statutory Corporations

Haryana Financial Corporation

(a) Corporation had not made any provision for diminution in the value of investment (Rs 301.42 lakh in 1996-97 and Rs 696.72 lakh in 1997-98).

(b) Short capitalisation of residential flats by Rs 196.12 lakh since 1996-97.

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

Out of 3 reviews and 21 paragraphs contained in Audit Report 1995-96, COPU completed discussion of one review and 17 paragraphs during the year 1998-99. Position of discussion of Audit Reports and reviews/paras pending in the COPU as on 31 March 1999 is shown below:

Period of Audit Report	Number of reviews/ paragraphs			
	Total number appeared in Audit Report		Total number pending for discussion	
	Reviews	Paras	Reviews	Paras
1995-96	3	21	2	4
1996-97	3	18	3	18

Report of the Comptroller and Auditor General of India for the year 1997-98 was placed before the State Legislature on 15 November 1999.

In respect of Audit Reports (Commercial) up to 1995-96 discussed in the COPU, 292 recommendations (for Audit Reports from 1971-72 to 1995-96) were pending for settlement as on 31 March 1999.

1.10 619-B companies

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

1.11 Companies not subject to Audit by Comptroller and Auditor General of India

The State Government had invested Rs 0.68 crore in 4 companies which were not subject to audit by the CAG as the aggregate amount of investment made by the State Government was less than 51 per cent of the equity capital of respective companies. The particulars of such companies in which the investment of State Government was more than Rs 10 lakh in each as on 31 March 1999 are given in Annexure-1.

1.12 Readiness of PSUs for facing Y2K problem

Out of 26 PSUs, 7 PSUs have computer system. Three* PSUs have already complied with Y2K problem and three** PSUs have adopted methodology to tackle the problem before the end of 1999. In respect of one*** PSU, no software is being used in which the problem of Y2K can occur.

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* Serial No.1 and 5 (Government companies) and Serial No.2 (Statutory corporations) of Annexure-2.

** Serial No. 6 and 24 (Government companies) and Serial No.1 (Statutory corporations) of Annexure-2.

*** Serial No.4 of Annexure-2.

Chapter-2

Reviews relating to Government companies

Section-2A

Haryana State Handloom and Handicrafts Corporation Limited

Highlights

Haryana State Handloom and Handicrafts Corporation Limited, incorporated in February 1976 for development of handloom and handicrafts, had eroded its paid-up capital of Rs 290.17 lakh as its accumulated loss amounted to Rs 432.73 lakh up to 31 March 1998.

(Paragraphs 2A.1 and 2A.3)

Out of Rs 14 lakh received for development of exportable products and their marketing, the Company spent only Rs 0.14 lakh for development of samples and Rs 1.36 lakh on salaries of staff deployed for this purpose. The balance amount of Rs 12.50 lakh was diverted for its day-to-day expenses. The samples developed were also rejected by the Development Commissioner (Handlooms) indicating non-fulfillment of objectives of the scheme.

(Paragraph 2A.4.1)

The Company did not implement a welfare scheme providing health care to the weavers as an amount of Rs 7.88 lakh received in March 1997 from Central Government for the purpose, had been diverted for day-to-day expenses.

(Paragraph 2A.4.3)

Under Project Package Scheme, the Company received Rs 22.90 lakh for imparting training and providing infrastructural facilities like looms, etc., to weavers. Company's role, however, remained confined to imparting training on which Rs 4.27 lakh were spent. No infrastructural facilities were provided and the balance funds of Rs 18.63 lakh were diverted towards Company's day-to-day expenditure.

(Paragraph 2A.4.4)

Operational performance of emporia had been deteriorating constantly. As compared to overall profit of Rs 15.44 lakh in 1994-95, the loss sustained by emporia amounted to Rs 31.70 lakh during 1998-99. Further, out of 22 emporia, 19 were running into loss.

(Paragraph 2A.5.2)

As at the end of December 1998, out of total inventory of Rs 63.08 lakh at emporia, goods valued at Rs 18.75 lakh were lying unsold for more than three years.

(Paragraph 2A.8)

Idea of merger of the Company with Haryana State Small Industries and Export Corporation Limited conceived in April 1993 was not given practical shape even after lapse of over six years resulting in non-achievement of intended economy in expenditure amounting to Rs 54 lakh per annum.

(Paragraph 2A.9)

2A.1. Introduction

The Company was incorporated on 20 February 1976 for development of handloom and handicraft industries in the State. The main objectives of the Company are to provide financial assistance and inputs at reasonable rates to artisans and weavers, market their goods and to promote export of handloom and handicrafts. The management of the Company is vested in a Board consisting of 11 directors. The Managing Director is the chief executive of the Company.

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 1991 (Commercial)– Government of Haryana. The Report was discussed by Committee on Public Undertakings (COPU) and recommendations of COPU contained in its 39th report were presented to the State Legislature on 24 March 1995.

2A.2. Finance and resources

Against the authorised capital of Rs 300 lakh, the paid-up capital of the Company, as on 31 March 1998, was Rs 290.17 lakh. The Company received grants-in-aid and subsidy of Rs 391.24 lakh during five years up to 1997-98. Out of this, Rs 217.70 lakh were meant for various projects for the benefit of weavers and artisans and the remaining Rs 173.54 lakh were meant for development of marketing activities of emporia. The Company also received loans from the State Government for its various activities. As on 31 March 1998, loans of Rs 268.31 lakh were outstanding (principal: Rs 122.50 lakh and interest: Rs 145.81 lakh).

2A.3. Financial position and working results

Continuous losses fully eroded the paid-up capital

The Company has finalised its accounts up to 1996-97 and prepared provisional accounts for the year 1997-98. The financial position and working results of the Company for five years up to 1997-98 are summarised in Annexures-9 and 10, respectively. It would be observed from Annexure-9 that accumulated loss of Rs 432.73 lakh of the Company up to 1997-98 had completely eroded its paid-up capital of Rs 290.17 lakh.

The main reason for continued losses, as analysed in audit, was low gross margin which reduced from Rs 67.54 lakh in 1993-94 to Rs 44.26 lakh in 1997-98. The other factors contributing the losses were heavy interest burden amounting to Rs 53.29 lakh during five years up to 1997-98, decreasing volume of sales (Paragraph 2A.5), excessive manpower (Paragraph 2A.7) and locking up of funds in inventory (Paragraph 2A.8).

2A.4. Performance appraisal

The Company had been entrusted with implementation of various Central and State Government schemes. Out of 11 such schemes entrusted to the Company during last five years, implementation of the five schemes is discussed in the succeeding paragraphs.

2A.4.1 Development of exportable products and their marketing

In order to give impetus to export of handloom products, the Development Commissioner, Handlooms (DCH), Government of India, formulated a scheme in June 1996. The scheme, to be implemented in three phases at a cost of Rs 41.50 lakh, envisaged as under:

- identification of suitable handloom concentration area, training of weavers, generating exportable design samples, etc (phase I),
- marketing of exportable products (phase II), and
- import and despatch of samples (phase III).

Funds received for development of exportable products were diverted

Under the scheme, the Company proposed (October 1996) to cover 5000 looms for providing (i) suitable information to weavers and exporters about changing trends in foreign market, (ii) designs and samples free of cost, (iii) quality testing facilities, etc. Accordingly, DCH released (February 1997) Rs 14 lakh for the 1st phase. The Company spent Rs 1.50 lakh on the salaries of employees (Rs 1.36 lakh) deployed for the scheme and on development of samples (Rs 0.14 lakh). Balance amount of Rs 12.50 lakh was diverted by the Company for its day-to-day expenditure.

The samples developed by the Company when inspected by a committee of Government of India were rejected and resultantly DCH decided (August 1998) to initiate action for recovery of Rs 14 lakh along with penal interest. The Company requested (September 1998) DCH to allow it to implement the scheme during 1998-99. DCH asked its Panipat branch to send its report after personal verification of progress made by the Company for taking final decision. Further developments were awaited (February 1999). Thus, the object of development of exportable products had remained unfulfilled so far (March 1999).

2A.4.2 Intensive Development Project

Mention about non-achievement of targets of modernisation of looms, training to weavers, decreasing number of operating looms, poor performance of dye house, etc, was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991 (Commercial) –Government of Haryana.

Since 1994-95, the scheme was being implemented for imparting training to traditional weavers and unemployed youth in rural areas through its centres set up all over the State. As a follow-up, job work was to be provided to the passed out trainees along with supply of yarn and other inputs and the goods thus manufactured were to be purchased after paying them reasonable wages. For implementation of these activities, a grant of Rs 60.20 lakh was received from the State Government. During five years up to 1997-98, the Company provided training to 579 persons (against target of 700) and spent Rs 83.88 lakh against grant of Rs 60.20 lakh received from the State Government.

Job work, yarn and inputs were not provided to passed out trainees

The Company had not provided any job work, yarn and inputs to the passed out trainees as envisaged in the scheme, because it kept no track of trained persons. It had also not evolved any mechanism to assess the utility accrued to the passed out trainees and to the State in the development of crafts despite the fact that it had incurred Rs 83.88 lakh on the training during five years up to 1997-98. Proper utilisation of the expenditure of Rs 83.88 lakh on training could not, therefore, be verified in audit.

2A.4.3 Health Package Scheme

On a proposal (March 1996) of the Company, DCH sanctioned (March 1997) a health package scheme for the benefit of 1100 weavers of the State and released Rs 7.88 lakh. The scheme was to be implemented during 1996-97 in five districts of Bhiwani, Panipat, Panchkula, Hisar and Sonepat to cover 90 *per cent* of weavers' population. According to the scheme, reimbursement of cost of medicine to TB and Asthma patients at Rs 1500 per weaver, cost of eye testing and spectacles at Rs 190 per weaver and maternity benefit at Rs 500 per weaver was to be made on the basis of certification by a qualified doctor of the State Government. Besides, 10 tubewells for supply of drinking water were also to be installed at a cost of Rs 3.50 lakh.

Funds received for health care scheme for weavers were diverted

The Company, in consultation with Director Health Services of the State, decided (February 1998) to implement the scheme through State Health Department and funds were to be released by the Company to Civil Surgeons of the five districts. The Civil Surgeons were requested to formulate a schedule for implementation of the scheme. The Company, however, did not release any funds (April 1999) to the Health Department and diverted the whole amount of Rs 7.88 lakh towards its day-to-day expenses. Evidently, the social objective of health care of weavers had remained totally unfulfilled so far (April 1999).

2A.4.4 Project Package Scheme

With a view to uplift the weavers, the DCH, on a proposal from the Company, sanctioned (September 1994) a project package scheme for handloom weavers in Ambala and Bhiwani districts at a proposed cost of Rs 21 lakh (Central share: Rs 12.50 lakh and State share: Rs 8.50 lakh). The scheme provided for training to 100 weavers (Rs 3 lakh), workshed for them (Rs 4 lakh), supply of new looms to 50 weavers (Rs 2 lakh), modification of 50 existing looms (Rs 1 lakh), provision of warping machine and small dye house (Rs 5 lakh), design development, etc., (Rs 2 lakh). The package scheme also included Rs 4 lakh as working capital loan to the Company. The Central share of Rs 12.50 lakh was released to the Company in March 1995 but the State share had not been received (June 1999).

Amount received for upliftment of weavers was spent towards day-to-day expenditure

It was noticed in audit that the Company imparted training to 76 weavers against the target of 100 weavers during 1995-96 and 1996-97 in Bhiwani district by incurring expenditure of Rs 2.97 lakh and no infrastructural facilities as envisaged in the scheme were provided to the weavers. The balance amount of Rs 9.53 lakh was utilised by the Company for its day-to-day expenditure.

Similar project at Karnal was sanctioned (March 1997) by the Central Government for upgradation of skills of 100 weavers by providing workshed facilities, infrastructure facilities, design development and working capital. Total cost of the project was Rs 21 lakh (grant: Rs 8.25 lakh and loan : Rs 4.25 lakh from Central Government and grant and loan of Rs 4.25 lakh each from the State Government). The Central Government released Rs 6.20 lakh during March to June 1997 and the State Government released Rs 4.20 lakh in October 1997.

Training was imparted to six weavers against target of 100 weavers

Against the target of 100 weavers, the Company imparted training to six persons only between December 1997 and June 1998 at an expenditure of Rs 1.30 lakh to upgrade their skills and no further action was taken for implementation of the scheme. The Company diverted the balance amount of Rs 9.10 lakh towards its working capital.

Thus, the purpose for which funds of Rs 22.90 lakh were received by the Company for both the schemes could not be achieved and the schemes remained confined to imparting of training at a cost of Rs 4.27 lakh. Even the impact of training to weavers was not monitored by the Company so as to assess the socio-economic benefits derived therefrom.

2A.4.5 Design-cum-Research and Development Cell

The Design-cum-Research and Development Cell was set up during 1990-91 with the main objectives to:

(i) develop paper designs and prototype samples in carpet weaving, ceramic, pottery and brass items;

(ii) transfer of new technology to artisans; and

(iii) technical guidance and upgradation of skills; etc.

No detailed programme for achievement of the above objectives was prepared by the Company. However, during its operation of over six years up to April 1997, the Cell developed 164 designs in pottery/ceramic and provided technical guidance to 110 artisans. The acceptability of the designs developed by the Cell could not be verified, as the Company had not maintained any such records. Total expenditure incurred on running of the Cell amounted to Rs 17.21 lakh during 1990-91 to 1997-98 against which Rs 14.11 lakh were received from the State Government.

Expenditure on running the Research and Development Cell served no fruitful purpose

It was, however, observed in audit that the Cell was one of the schemes dropped (October 1996) by the State Government from the annual plan 1997-98 on the grounds that the schemes had outlived their utility or lost relevance or made little headway. The Cell was finally closed in April 1997. Thus, the expenditure of Rs 17.21 lakh on the scheme served no fruitful purpose.

2A.5 Sales performance

2A.5.1 The Company is selling handloom and handicraft goods through its network of emporia and also participates in the exhibitions organised by the Government of India. The Company's sales comprise (a) counter and consignment sales at emporia, (b) sales to Government agencies through Marketing Assistance Scheme* (MAS) and (c) sales in expos and exhibitions. During five years up to 1998-99, the total sales (excluding sales of raw material) made by the Company amounted to Rs 2990.92 lakh (60 *per cent*) against the target of Rs 4977.96 lakh.

Sales of the Company decreased substantially

It was noticed in audit that sales of the Company (counter and consignment sales at emporia, MAS sales and sales in expos/ exhibitions) had decreased

* Under MAS, goods are supplied to Government agencies at fixed rate of commission.

from Rs 784.33 lakh in 1994-95 to Rs 470.35 lakh in 1998-99. The sales at counter which formed the main source of profit decreased from Rs 176.93 lakh (target : Rs 235.50 lakh) in 1994-95 to Rs 106 lakh (target : Rs 275 lakh) in 1998-99, thereby recording decrease of 40.09 *per cent*. Reasons for declining trend of sales at counter were not analysed by the Management. It was, however, observed in audit that the Company was not able to compete in the open market as its rates were higher. This fact is corroborated because percentage of sales to total sales during non-rebate period was only to the extent of 25 during five years up to 1997-98. Incidently, it may be added that targets for 1996-97 and 1997-98 were intimated to field units only in July 1996 and December 1997 respectively which is indicative of the casual approach of the Management towards achievement of targets.

Performance of emporia was deteriorating constantly

2A.5.2 The Company was running 21 emporia and one sales counter (Shimla) as on 31 March 1999. The position of working results of the emporia and sales counter during five years up to 1998-99 is shown in Annexure-11. It would be observed from the Annexure that at the end of 1998-99, out of 22 outlets, 19 were running in loss and the performance of emporia had been deteriorating constantly because as compared to overall profit of Rs 15.44 lakh in 1994-95, the Company sustained loss of Rs 31.70 lakh during 1998-99. Further, the number of profit making outlets came down from 15 (out of 20) in 1994-95 to 3 (out of 22) in 1998-99. The main reasons for losses as analysed in audit were declining trend in sales at counters and increase in administrative expenditure. Audit analysis further revealed that only one emporium at Quilon had earned profit continuously whereas nine emporia had been incurring continuous loss which amounted to Rs 39.70 lakh during three years up to 1998-99. The Company did not take any steps to make the loss making emporia viable or close them down.

Audit analysis revealed that the emporia were opened simply on the plea that there was considerable potential for sale of handloom and handicraft goods without any data in support of sale potential. It was further noticed that feasibility reports of the emporia prepared by the Company were not on realistic basis because the targets of sales at counters fixed for emporia were not correlated with the projected counter sales. Even after fixing the targets on the lower side as compared to projected sales, the Company could not achieve the targets in any of the year. The position of projected, targeted and actual counter sales of the two emporia (opened during five years up to 1998-99) for the first three years of their operations is tabulated below:

Particulars	Faridabad emporium			Shimla emporium		
	1995-96	1996-97	1997-98	1996-97	1997-98	1998-99
	(Rupees in lakh)					
Projected sales	6.00	8.00	10.50	10.00	12.00	14.00
Targeted sales	6.00	6.90	7.59	6.00	6.60	7.00
Actual sales	3.21	2.51	3.16	4.45	2.12	3.01
Profit (+)/ Loss (-)	(-) 0.25	(-) 1.40	(-) 0.43	(+) 0.04	(-) 0.14	(-) 0.90

Faridabad emporium was opened (June 1995) after incurring Rs 2.41 lakh on interior decoration and sustained loss of Rs 2.08 lakh up to 1997-98 due to locational disadvantage. Further, Shimla emporium opened (May 1996) at a capital cost of Rs 11.25 lakh suffered loss of Rs one lakh up to 1998-99.

2A.5.3 On a proposal (December 1993) of the Company, Development Commissioner (Handicrafts) sanctioned (March 1994) the construction of a new emporium at Panipat at a cost of Rs 22.12 lakh and released (March 1994) Rs 8.29 lakh as grant. The Company, however, did not make any efforts for construction of the emporium but got the grant carried over up to the year 1997-98 on the plea that the plan of the emporium was under process (February 1996), notice inviting tenders for construction was likely to be published shortly (March 1996) and the work was at advanced stage (January 1997). The Company again requested (March 1998) the Development Commissioner (Handicrafts) to treat the amount of grant as deemed to have been utilised during 1997-98 as the amount was being given to Haryana Urban Development Authority for development of land and construction was likely to start very soon. Reaction of Development Commissioner (Handicrafts) was awaited (February 1999). The Company, in the meantime, utilised the grant of Rs 8.29 lakh towards its day-to-day expenditure in contravention of the terms of the sanction. Thus, the purpose of construction of emporium for which grant was received could not be fulfilled.

2A.6 Delay in taking decision

The Company received (19 November 1998) an order from Association of Corporations and Apex Societies, Ministry of Textiles, Government of India (ACASH) for 22750 hospital blankets at Rs 285 per blanket supply of which was to be completed by 31 December 1998. The Company advertised (26 November 1998) for arranging the supply and offers of three bidders were evaluated on 14 December 1998 wherein rate of Rs 255 per blanket was the lowest. After excluding the commission of ACASH (Rs 14.96 per blanket), the Company was to gain Rs 15.04 per blanket. The Managing Director put up the case to the Chairman for approval on 14 December 1998 which was ultimately approved on 6 January 1999. ACASH, however, cancelled (8 January 1999) the order as the acceptance of offer by the Company was sent even after expiry of delivery schedule. Thus, due to delay on the part of the Company to finalise the supply order by the stipulated date, it had lost the opportunity to earn revenue of Rs 3.42 lakh.

2A.7. Manpower analysis

The Company had not assessed the requirement of manpower for its various activities. As on 31 March 1998, the Company had 175 employees (including 15 in managerial capacity). Audit analysis revealed that expenditure per employee had increased from Rs 0.49 lakh in 1993-94 to Rs 0.76 lakh in 1997-98. In September 1993, the Management identified 32 employees as surplus.

Of these, 16 employees were retired/expired/terminated/absorbed in other organisations. The Company again reviewed its manpower position in September 1998 and 13 more employees were found to be surplus. Thus, a total of 29 employees were surplus in September 1998. The Company requested (October 1998) the State Government to provide Rs 35 lakh for payment as retrenchment compensation to these surplus employees. Neither the State Government had provided any funds for this purpose nor any further employees were retired/adjusted in other organisations (February 1999).

According to expenditure on salary and allowances for December 1998, the Company incurred monthly expenditure of Rs 1.44 lakh on surplus staff.

2A.7.1 Unjustified operation of a post

(i) On request of the Company, a Haryana Civil Services (HCS) officer was posted as Regional Manager (RM) in June 1988 by the State Government for close supervision of the show rooms located in the southern part of the country.

In July 1990, the Company requested the Government for withdrawal of the RM. However, in September 1990, the Company again approached the Government not to abolish the post but again informed (August 1999) the State Government that there was hardly any justification of the post, ab-initio. Reasons for change in the Company's stand from time to time were not on records.

The RM resigned in December 1997 and the post was discontinued thereafter. Scrutiny of the records revealed that the officer had never visited/inspected other showrooms except headquarters at Chennai.

Thus, unjustified creation of the post ab-initio and the subsequent inaction of the Government resulted in unfruitful expenditure of Rs 5.76 lakh on the salary and allowances of the officer.

(ii) Similarly, in May 1990, the Company realised that there was no necessity to operate a post of General Manager (GM). However, the request to withdraw the post was made only in October 1994 to the Government and the post was withdrawn in January 1995. Meanwhile, the Company had incurred an avoidable expenditure of Rs 3.02 lakh on the pay and allowances of the incumbent between August 1990 and January 1995 (after allowing three months period for completion of various formalities after May 1990).

2A.8. Inventory control

The closing inventory as at the end of December 1998 was valued at Rs 63.08 lakh in respect of 22 emporia. Of this, goods valued at Rs 9.55 lakh were lying unsold for more than five years and another stock valued at Rs 9.20 lakh remained unsold for the last three to five years.

2A.9. Merger of the Company with Haryana State Small Industries and Export Corporation Limited (HSSIEC)

Merger plan was not given practical shape to effect economy

In a meeting (April 1993) of the Managing Directors of the Company and HSSIEC under the chairmanship of Commissioner Industries, Government of Haryana, it was realised that it would be in the larger public interest if these two companies were merged as they have some common activities and were running in losses. In November 1996, it was estimated that there would be annual savings to the extent of Rs 54 lakh on account of salaries, closing down of three emporia situated at common stations and expenditure on Chairman and his staff. In view of the expected benefits, the State Government approved the merger in December 1998. Accordingly, a committee of four officers under the chairmanship of Managing Director (HSSIEC) was formed by the Government in March 1999 to work out the modalities of the merger. Further developments were awaited (April 1999). Thus, the idea of merger conceived in April 1993 had not been given practical shape even after lapse of over six years thereby resulting in non-achievement of intended economy of Rs 54 lakh *per annum*.

Conclusion

The Company failed to achieve its objectives of providing financial assistance, inputs at reasonable rates and infrastructural facilities, etc., to weavers/artisans and promote exports of handloom and handicraft goods. Due to its inability to generate own funds, the Company diverted funds provided by the Government under various schemes towards its day-to-day expenditure and its role remained confined to imparting of training only. Even, the Company had no system to monitor the usefulness of training imparted to weavers/artisans. As such, the operations of the Company were not viable. Despite realising the need for merger of the Company with HSSIEC in April 1993, the State Government took the decision of merger belatedly in December 1998, which is yet to be implemented.

Formalities for merger of the Company with HSSIEC need to be expedited so as to effect economy and bring higher efficiency.

The above matters were reported to the Government in May 1999; the replies had not been received (December 1999).

Section-2B

Haryana Power Generation Corporation Limited
Faridabad Thermal Power Station

Highlights

Thermal Power Station, Faridabad comprises three generating units of 60 MW each commissioned in November 1974, March 1976 and April 1981. The capacity of each unit was derated to 55 MW from 1989-90.

(Paragraph 2B.1)

The percentage of actual generation to possible generation with reference to hours actually run ranged between 68.46 and 82.63 during 1994-95 to 1998-99 which resulted in generation loss of 1185.680 MUs valued at Rs 181.50 crore. Further, excess auxiliary consumption of power reduced the availability of power by 203.338 MUs and deprived the Company of potential revenue of Rs 31.52 crore.

(Paragraph 2B.4.1)

Taking excess time in overhauling of boilers and turbo generators as compared to norms of Kulkarni Committee, resulted in generation loss of 384.120 MUs valued at Rs 56.91 crore.

(Paragraph 2B.4.2.A)

Frequent leakages of water wall tubes, super heater tubes and economiser tubes in boiler and its auxiliaries resulted in shutdown of power station for 8682 hours during 1994-95 to 1998-99 thereby causing generation loss of 477.51 MUs valued at Rs 79.09 crore.

(Paragraph 2B.4.2.B (ii))

Lack of reliable protection system at the sub-station caused damage to a generator stator involving repair cost of Rs 2.35 crore. Due to damage of stator, the unit remained shutdown for 1600 hours resulting in generation loss of 88 MUs valued at Rs 16.48 crore.

(Paragraph 2B.4.2.B (iii)(a))

Manpower deployed at the power station was more than three times of the norms fixed in the project report and was also in excess of the need based requirement. Additional expenditure on deployment of excess staff when compared with project report and need based requirement was Rs 34.76 crore and Rs 5.36 crore respectively during five years up to 1998-99.

(Paragraph 2B.6)

2B.1. Introduction

Faridabad Thermal Power Station (FTPS) has three generation units of 60 MW each commissioned in November 1974, March 1976 and April 1981. The installed capacity of 180 MW was derated to 165 MW (55 MW each unit) from 1989-90 on account of technical constraints of permanent nature.

2B.2. Organisational set-up

The Chairman who is the Chief Executive of Haryana Power Generation Corporation Limited (Company) is overall incharge of the Power Station. Day-to-day affairs of the Power Station are looked after by an Engineer-in-Chief (assisted by three Superintending Engineers and a Senior Accounts Officer).

2B.3. Scope of audit

Working of the FTPS was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1991-92 (Commercial)-Government of Haryana. The review was discussed by Committee on Public Undertakings (COPU) during 1995-96 and its recommendations contained in 40th report were presented to Haryana Vidhan Sabha on 8 March 1996. Fuel management in Panipat and Faridabad Thermal Power Stations was also reviewed in the Report of the Comptroller and Auditor General of India for the year 1997-98 (Commercial) which has not been discussed by COPU so far (September 1999).

The present review covers results of working of Faridabad Thermal Power Station for the period of five years ending March 1999. Aspect relating to performance of electrostatic precipitators (ESPs) installed to control pollution at the power station has been discussed in Section-2C of this Report.

2B.4. Performance of the power station

2B.4.1 Generation

As mentioned in paragraph 2B.1, the FTPS was having installed capacity of 180 MW. However, this capacity was derated to 165 MW. The derated capacity was approved by the Central Electricity Authority in January 1990. Based on this derated capacity, performance of the power station for five years ending 1998-99 is tabulated below:

Sl. No.	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
1.	Derated capacity (MW)	165	165	165	165	165
2.	Total hours available in a year	26280	26352	26280	26280	26280
3.	Generating capacity* (MUs)	1445.400	1449.360	1445.400	1445.400	1445.400
4.	Actual running hours	18630	18678	17243	15968	18910
5.	Possible generation with reference to hours actually run (MUs)	1024.650	1027.290	948.365	878.240	1040.050
6.	Actual generation (MUs)	783.043	799.34	649.247	641.904	859.381
7.	Shortfall in generation (MUs)	241.607	227.950	299.118	236.336	180.669
8.	Percentage of actual generation to possible generation	76.42	77.81	68.46	73.09	82.63
9.	Actual generation (Units) per KW	4746	4844	3935	3890	5208
10.	Plant load factor** (*per cent*)	54.17	55.15	44.92	44.41	59.46
11.	Auxiliary consumption (MUs)	102.830	102.843	94.328	91.021	110.948
12.	Percentage of auxiliary consumption to actual generation	13.13	12.87	14.53	14.18	12.91

From the above table, it would be observed that:

There was shortfall in generation of power

(i) The percentage of actual generation to possible generation with reference to hours actually run during 1994-95 to 1998-99 ranged between 68.46 and 82.63 which resulted in shortfall in generation of power aggregating 1185.680 MUs valued at Rs 181.50 crore.

(ii) The generation of power per KW ranged between 3890 units and 5208 units as compared to the standard of 5500 units laid down in the Seventh Annual Electric Power Survey conducted (1972) by Central Electricity Authority.

* Generating capacity means required generation during total hours available in a year.

** Plant load factor represents percentage of actual generation to generating capacity.

(iii) Plant load factor during 1994-95 to 1998-99, varied between 44.41 and 59.46 *per cent* as compared to all India average ranging from 60 to 64.7 *per cent*.

Auxiliary consumption exceeded projected norm

(iv) A part of energy generated is consumed for auxiliary and is not available for sale. Percentage of auxiliary consumption of power to actual generation ranged between 12.87 and 14.53 during 1994-95 to 1998-99 as against projected norm of 8 *per cent.* Excessive auxiliary consumption reduced the availability of power for sale by 203.338 MUs and deprived the Company of potential revenue of Rs 31.52 crore.

The shortfall in generation was attributed by thermal authorities to poor quality of coal, disturbances in operation of equipment, variation in frequency and voltage, high steam pressure after curtis wheel and low condenser vacuum. However, the main reason of loss in generation was forced outages as discussed in paragraph 2B.4.2. These forced outages due to controllable reasons were the result of management failure to take timely action.

2B.4.2 Plant outages

The table below indicates the hours available, actual hours operated and outages during the five years up to 1998-99:

Sl. No.	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
(i)	Total hours available	26280	26352	26280	26280	26280
(ii)	Actual hours operated	18630	18678	17243	15968	18910
(iii)	Availability rate in percentage (ii÷i)	70.9	70.9	65.6	60.8	71.95
(iv)	Shutdown (Hours)					
	a) Reserve shutdown*	141	410	58	657	139
	b) Planned shutdown	4343	2891	2809	2905	2667
	c) Forced shutdown	3166	4373	6170	6750	4564
(v)	Percentage of :					
	a) Reserve shutdown to available hours	0.5	1.6	0.2	2.5	0.53
	b) Planned shutdown to available hours	16.5	10.9	10.7	11.00	10.15
	c) Forced shutdown to available hours	12.1	16.6	23.5	25.7	17.37

It would be observed from the above that:

(i) The availability of hours decreased from 70.9 *per cent* in 1994-95 to 60.8 *per cent* in 1997-98 and thereafter increased to 71.95 *per cent* in 1998-99.

(ii) Forced shutdown increased from 12.1 *per cent* in 1994-95 to 25.7 *per cent* in 1997-98 and thereafter decreased to 17.37 *per cent* in 1998-99.

* Reserve shut down is on account of closing of the plant due to low demand.

Analysis of outages in audit revealed the following :

A. Planned outages

Kulkarni Committee appointed by the Government of India recommended (April 1975) 28/30 days in a year for regular overhauling of boiler. During 1994-95 to 1998-99, the actual time taken by the firms ranged from 66 to 100 days which resulted in loss of 134.640 MUs valued at Rs 25.22 crore.

Similarly, against the recommended period of 42 to 56 days for overhauling of turbo generator, three overhaulings were got done from Bharat Heavy Electricals Limited (BHEL) at an aggregate cost of Rs 97.16 lakh and the actual time taken ranged between 102 and 151 days resulting in loss of 249.480 MUs of power valued at Rs 31.69 crore.

Excess time taken in regular overhaulings resulted in generation loss

Reasons for excess time in overhauling of boilers as observed in audit were delay in release of boiler and procurement of spares by the Company. Further, in some cases, it was seen that non-deployment of sufficient manpower by the firms, poor workmanship, etc., also contributed to delay in overhauling. However, no action was taken against the defaulting firms for delays. Reasons for excess time taken in overhauling though called for (January 1999) were awaited (December 1999).

B. Forced outages

Forced outages of 25023 hours during 1994-95 to 1998-99, were due to shortage of coal (2942 hours); trouble in boiler and its auxiliaries (11873 hours); fault in turbo generator and its auxiliaries (7003 hours); fault in electrical system and grid failure (2295 hours) and other miscellaneous reasons (910 hours).

A few cases of forced outages analysed in audit are discussed as under:

(i) Shortage of coal

The power station could not maintain adequate stock of coal due to lack of additional space for stacking of coal as discussed in para 2B.11 *infra*. Consequently, there was shutdown of Units I and II of the power station for want of coal for 2042 hours during 1994-95 to 1997-98 resulting in generation loss of 84.095 MUs valued at Rs 12.20 crore.

Scrutiny in audit revealed that at the time of shortage of coal, Units I and II (having coal hammer mills) were run with mill reject coal of Unit-III (having coal bowl mills). During the same period, the other power station of the Company (Thermal Power Station, Panipat having coal bowl mills) had disposed of 91425 MT of mill reject coal which could be used for running Units I and II of FTPS.

(ii) Tube leakages

In the boiler and its auxiliaries, leakage of water wall tubes, super heater tubes and economiser tubes was a continuous problem. Due to this, the power house remained shutdown for 8682 hours during 1994-95 to 1998-99 resulting in power loss of 477.51 MUs valued at Rs 79.09 crore. The thermal authorities did not investigate reasons for tubes' leakages to take remedial measures.

Test check of records, however, revealed that these leakages persisted even immediately after overhauling of boilers which indicated lack of proper checking/supervision of overhauling work entailing loss to the Company.

(iii) Failure of power protection system

66 KV grid sub-station A-2, Faridabad situated at a distance of half kilometre from the main power station receives power generated by the power station for further transmission/distribution. It also feeds power supply to the thermal station for auxiliary consumption. In order to ensure that faulty feeders are isolated before the faults travel to generating units causing loss to the plant, a reliable protection system is required to be installed and maintained at the grid sub-station. In this connection, following points were noticed:

Unreliable power protection system caused damage to stator resulting in shutdown of plant

(a) Scrutiny of records revealed that generator stator of Unit-II of power station was damaged (6 June 1997) due to a very severe short circuit/earth fault. Chief Engineer (O and M), thermal power station, observed (November 1998) that the generator stator was damaged as the switchgear installed at the sub-station was very old and failed to isolate the faulty equipment instantaneously at the sub-station thereby feeding heavy fault to thermal equipment. There was nothing on record to show that non-reliability of switchgear was ever brought to the notice of higher authorities by the sub-station. Even after damage, the Company had not taken any action to replace the old switchgear so far (April 1999).

The Unit was re-commissioned on 12 August 1997 after installing new stator. During the intervening period (7 June to 11 August 1997), the unit remained shutdown for 1600 hours resulting in power loss of 88 MUs valued at Rs 16.48 crore. Further, for repair of damaged stator, the Company placed (January 1999) work order on BHEL at a cost of Rs 235 lakh and the damaged stator was awaiting repairs by BHEL (April 1999).

(b) It was further noticed in audit that during June 1997 to June 1998, generating units remained shutdown on 11 occasions for 487 hours due to failure of power supply from the sub-station. This resulted in generation loss of 26.79 MUs valued at Rs 5.02 crore. According to power station authorities, the main reason for failure of power at the sub-station was unreliability of protection system at the sub-station which failed to isolate the faulty feeders. Problem of failure of supply was still persisting as corrective measures had not been taken.

(iv) Faulty repairs of exciter armatures

a) An exciter armature, repaired by BHEL, Hyderabad at a cost of Rs 15.62 lakh was installed at Unit-I in April 1996. The exciter armature was found damaged (September 1996) at the time of overhauling of the unit and subsequently failed thrice in November 1997, May 1998 and August 1998 within warranty period causing shutdown of its Units (I, II and III) for 156 hours resulting in generation loss of 8.58 MUs valued at Rs 1.61 crore. The armature sent to BHEL in September 1998 was lying un-repaired at firm's workshop (April 1999).

b) Another exciter armature, repaired by BHEL, Bombay at a cost of Rs 6.99 lakh and despatched to thermal power station in September 1996, also failed four times in December 1996, March 1997 May 1997 and November 1997. Frequent failure of exciter armatures within warranty period caused shutdown of its Units (I and III) for 200 hours resulting in loss of 11 MUs of power valued at Rs 1.71 crore. The armature was still (August 1999) giving sparking trouble. However, no action could be taken against BHEL for premature failure of armature as there was no provision in the agreement regarding compensation for consequential loss.

(v) Non-procurement of spare/identical electrical motors

Two electric motors are required to run cooling water pumps of a Unit. It was noticed in audit that the two electric motors installed in Unit-II were neither of uniform design nor the power station had procured spare motors to replace them. Due to problem in a motor, the unit remained shutdown for 453 hours resulting in generation loss of 24.92 MUs valued at Rs 3.87 crore.

2B.5 Cost appraisal

The table below indicates the unit cost of generation of electricity by the power station during 1994-95 to 1998-99 :

Sl. No.		Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
1.	(a)	Gross generation (MUs)	783.04	799.34	649.25	641.90	859.38
	(b)	Auxiliary consumption (MUs)	102.83	102.84	94.33	91.02	110.95
	(c)	Power available for sale (MUs)	680.21	696.50	554.92	550.88	748.43
2	Total cost of generation (Rs in crore)		100.71	125.60	128.47	125.19	181.09
3	Cost per unit available for sale (Paise)						
	(a)	Fixed cost on account of depreciation, interest and management expenses	15.93	21.79	33.15	25.05	18.58
	(b)	Fuel cost					
	(i)	Coal	101.52	126.74	149.81	155.87	185.29
	(ii)	Oil	6.61	6.77	12.52	8.60	6.58

Sl. No.		Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
	(c)	Operation, maintenance and direct establishment expenditure	23.99	25.03	36.03	37.73	31.51
		Total	148.05	180.33	231.51	227.25	241.96
4		Average revenue per unit (Paise)	110.45	132.76	155.29	187.28	--*
5		Loss per unit (Paise)	37.60	47.57	76.22	39.97	--
6		Total loss (Rs in crore)	25.58	33.13	42.30	22.02	--

Average generation cost was more than revenue realisation

It would be observed from the above that the cost per unit of power available for sale ranged between 148.05 paise and 241.96 paise during 1994-95 to 1998-99. As against this, the average revenue ranged between 110.45 and 187.28 paise during 1994-95 to 1997-98. Reasons of higher cost of generation, as analysed in audit, were excess consumption of coal, furnace oil and high speed diesel, low plant load factor, excess auxiliary consumption and excess deployment of manpower.

2B.6. Manpower analysis

The project report envisaged deployment of 2.35 persons per MW of installed capacity for the operation and maintenance of the power station. However, keeping in view need based requirement, committee on staffing pattern of the thermal power station recommended in March 1994 deployment of 1183 persons. Compared to the projection and recommendation, the actual number of persons employed was much higher during all the five years up to 1998-99, as detailed below :

Sl. No.	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
1.	Installed capacity (MW)	180	180	180	180	180
2.	Number of employees required as per project report	423	423	423	423	423
3.	Manpower as per need based requirement as assessed by Committee	1183	1183	1183	1183	1183
4.	Actual manpower employed	1369	1363	1337	1309	1271
5.	Expenditure on salaries (Rupees in lakh)	746.29	884.91	995.99	1137.25	1347.37
6.	Extra expenditure with reference to					
a)	Project report	515.70	610.28	680.88	769.75	898.95
b)	Need based requirement (Rupees in lakh)	101.40	116.86	114.72	109.47	93.29

* Figures for 1998-99 could not be worked out as from 14 August 1998, the erstwhile Haryana State Electricity Board was re-organised with the formation of two Companies viz., Haryana Power Generation Corporation Limited (HPGCL) and Haryana Vidyut Prasaran Nigam Limited (HVPNL) and no agreement regarding fixation of sale rate of power by HPGCL to HVPNL had been reached (August 1999).

Extra expenditure was incurred on excess manpower

The extra expenditure on excess staff worked out to Rs 3475.56 lakh and Rs 535.74 lakh, respectively during 1994-95 to 1998-99.

2B.7. Excess consumption of demineralised water

Norms for consumption of demineralised (DM) water had not been fixed by the Company. However, in its annual estimates from 1995-96 onwards, the Company had provided consumption of DM water at the rate of 15.6 tonnes per hour for operation of each unit. The requirement of DM water as per estimate and excess consumption thereof in all the three units during the four years up to 1998-99 were as under:

Sl. No.	Particulars	1995-96	1996-97	1997-98	1998-99
1.	Estimated consumption of DM water per hour per unit (Tonnes)	15.6	15.6	15.6	15.6
2.	Hours of operation	18678	17243	15968	18910
3.	Requirement of DM water as per estimates (Tonnes) (1x2)	291377	268991	249101	294996
4.	Actual consumption of DM water (Tonnes)	297936	329154	321485	317827
5.	Excess consumption of DM water over estimates (Tonnes) (4-3)	6559	60163	72384	22831
6.	Estimated cost of DM water per tonne (Rupees)	23.00	34.64	39.34	32.36
7.	Loss due to excess consumption (Rs in lakh) (5x6)	1.51	20.84	28.48	7.39

It would be seen from above that 1.62 lakh tonnes of DM water valued at Rs 58.22 lakh was consumed in excess of estimates. Reasons for excess consumption of DM water called for from the management in February 1999, were awaited (September 1999).

2B.8. Excess payment of water charges

Pending finalisation of agreement for supply of water, the State Government agreed (September 1974) to supply maximum of 10 cusec* water from Gurgaon canal. The water charges were to be paid on the basis of actual consumption of water as per meter to be installed by the Company. However, no meter had been installed so far (April 1999).

Excess payment of water charges was made

The Irrigation Department after taking into account available hours (131472) claimed Rs 303.26 lakh for 15776.64 lakh cusec water during 1994-95 to 1998-99 (calculated on the basis of 10 cusec). The amount was admitted/paid by the Company. Audit analysis revealed that the consumption of water based on 89429 hours of actual operation worked out to 10731.48 lakh cusec valued at Rs 205.14 lakh during the same period. Excess payment made for 5045.16 lakh cusec water worked out to Rs 98.12 lakh.

* cubic feet per second

2B.9. Excess consumption of steel hammers for coal mills

Norms for consumption of steel hammers, for use in coal mills in Units-I and II, have not been fixed. However, annual estimates for 1994-95 to 1996-97 envisaged consumption of 102 hammers for every 120 hours of coal mill operation which were reduced to 100 hours in annual estimates from 1997-98 for which reasons were not on record. The coal mills operated for 171637 hours during 1994-95 to 1998-99 requiring consumption of 156548 hammers as per estimates. Against this, actual consumption worked out to 195748 hammers thereby resulting in excess consumption of 39200 hammers valued at Rs 107.07 lakh. Reasons for excess consumption of hammers called for in February 1999, were awaited (September 1999).

2B.10. Inventory control

The table below indicates the inventory holdings of spares, consumables (other than fuel), cement and steel for five years ended 1998-99:

Year	Opening stock	Receipt	Consumption	Closing stock	Closing stock equivalent to monthly consumption
	(Rupees in lakh)				
1994-95	1151.83	595.39	668.51	1078.71	19.4
1995-96	1078.71	766.12	517.41	1327.42	30.8
1996-97	1327.42	1033.48	768.67	1592.23	24.9
1997-98	1592.23	1099.22	944.95	1746.50	22.2
1998-99	1746.50	1077.99	743.16	2081.33	33.6

There was increasing trend in inventory holdings

It would be seen from the above that the inventory holding was on higher side and ranged between 19.4 and 33.6 months' consumption. The Company had not classified its stores on the basis of items falling in A, B and C categories according to their value. It had also not fixed the minimum, maximum and reordering levels of inventory to evaluate the excess stock holding. Reasons for non-fixation of levels though called for (January 1999) were not intimated to Audit (September 1999). It was observed in audit that 3035 items of stores and spares valued at Rs 249.79 lakh were lying unused for a period of more than 13 years, i.e., since June 1985. Action to identify obsolete/surplus items had not been taken.

2B.11. Non-provision of facilities for stacking of coal

A mention about non-completion of work for creating additional space for stacking of coal was made in para 3A.10.1 of the Report of the Comptroller and Auditor General of India for the year 1991-92 (Commercial) – Government of Haryana. Additional space for stacking of coal was to be provided at an estimated cost of Rs 650 lakh to increase the coal stacking capacity from 15 to 30 days' consumption as suggested by Ministry of Power, Government of India and avoiding heavy demurrage charges being paid to the Railways due to non-availability of proper unloading facilities for unloading of coal wagons within the permissible time limit of 9-10 hours. The work scheduled to be completed up to March 1988 included (i) providing of 800 metres long railway track, hoppers, conveyor and coal storage shed, (ii) procurement of bulldozers and shunters and other civil and mechanical jobs , besides construction of new accommodation for the staff after dismantlement of old colony.

Additional space for stacking of coal was not created resulting in payment of demurrage of Rs 118.32 lakh

Against the estimated cost of Rs 650 lakh, an expenditure of Rs 457.62 lakh was incurred on construction of new accommodation for staff, dismantlement of old colony, procurement of bulldozers and shunters up to September 1991. However, the main work relating to creation of additional space for stacking of coal was not completed. Reasons for non-taking up other works so as to create additional space for coal stacking called for in February 1999 were awaited in audit (December 1999).

As the work had not been completed, power station had to pay an amount of Rs 118.32 lakh as demurrage charges during 1994-95 to 1998-99 for detention of coal wagons beyond permissible time of 9-10 hours.

2B.12 Non-replacement of defective re-circulatory valves

Under the renovation programme, defective re-circulatory valves of boiler feed pump causing load reduction by 6 to 8 MW, were to be replaced at a cost of Rs 30 lakh. The work was to be completed by March 1994.

The Company, however, after the scheduled period of completion placed (June 1995) an order on Masoneilan (India) Limited, New Delhi for supply of 4 number circulatory valves of 78000 series with accessories at Rs 11.00 lakh instead of 79000 series originally installed. The valves were received in December 1996. Two valves, installed in September 1997 started giving operational trouble and were eroded after 30 to 40 hours' operation. Consequently, the valves were dismantled and the plant continued to operate with old defective valves at reduced load. This resulted in generation loss of 78.14 MUs valued at Rs 14.63 crore during October 1997 to December 1998. The valves of proper design have not been procured as of January 1999. The valves purchased at a cost of Rs 11.00 lakh were still lying with the Company.

2B.13 Other point of interest

2B.13.1 Infructuous expenditure on construction of spillway

The Company, without testing bearing capacity of soil, *inter alia,* issued (12 April 1985) a work order to Raj Construction Company, Panchkula for construction of a masonary made spillway to be raised up to EL 229 metre for ash pond area at a cost of Rs 36.68 lakh. The contractor raised spillway up to EL 221 metre at a cost of Rs 29.68 lakh when test results of soil test disclosed

(April 1986) earth bearing capacity below the spillway at 30 tonnes per square metre against required capacity of 45 tonnes per square metre. The Central Electricity Authority (CEA) – the consultants- recommended (August 1986) that further raising of spillway up to EL 229 metre be considered after 4/5 years when the ash level reached EL 218 metre on the plea that during 4/5 years, soil below the spillway structure may stabilise and gain additional strength due to consolidation process. The bearing capacity of soil at the base of spillway was got re-tested as per recommendation of Central Electricity Authority in October 1992 and the same was not found adequate for construction of spillway beyond EL 221. This necessitated construction of another spillway and closure of existing spillway. A work order for construction of a new spillway to be raised up to EL 229 and closure of old spillway was awarded (December 1993) to Gurcharan Singh Grover, Faridabad at a cost of Rs 57.12 lakh. The work started in January 1994 was completed in August 1995 at a cost of Rs 71.74 lakh. New spillway was made operational at EL 221.

Thus, non-testing the bearing capacity of soil before construction of old spillway, necessitated construction of new spillway (made operational at EL 221) thereby resulting in infructuous expenditure of Rs 29.68 lakh on old spillway.

Conclusion

Though the plant load factor of the power station increased from 44.92 *per cent* in 1996-97 to 59.46 *per cent* in 1998-99, yet it could have been improved further if the Company had controlled the excessive forced outages and avoided shortfall in generation during actual hours of operation . The cost of generation was also higher than the revenue earned due to excessive auxiliary consumption, excessive deployment of manpower and excessive consumption of coal.

In view of the above position, power station is required to take effective measures to optimise the generation and also control higher generation cost by better management of the plant.

The above matters were reported to the Company and the Government in May 1999; their replies had not been received (December 1999).

Section-2C

HARYANA POWER GENERATION CORPORATION LIMITED

Performance of Electrostatic Precipitators (ESPs) installed at Thermal Power Stations

Highlights

The Company was operating eight thermal Units at Panipat (5) and Faridabad (3) Thermal Power Stations (TPSs) with installed capacity of 650 MW and 180 MW respectively. ESPs have been installed in all the 8 units. Emission level of SPM at Panipat and Faridabad Thermal Power Stations varied between 107 and 14806 mg/Nm^3 and 87 and 6245 mg/Nm^3 respectively against the norm of 150 mg/Nm^3.

(Paragraph 2C 3)

The work of replacement of ESPs at Units I and II remained suspended at Panipat plant from April 1993 to September 1995 due to non-payment of bills to BHEL, for which the Company had to make avoidable payment of Rs 0.35 crore for retainment of site establishment by BHEL.

(Paragraph 2C.4 (a))

Non/delayed replacement of ESPs at Units I and II of Faridabad and Panipat TPS caused erosion of induced draft (ID) fan impellers leading to shutdown of Units for 7846 hours resulting in loss of generation of 774.25 MUs valued at Rs 118.09 crore. Besides, the Company had to incur avoidable expenditure of Rs 3.50 crore on repair of ID fan impellers and excess consumption of oil on restart of Units.

(Paragraph 2C.4 (a) and (b))

Performance guarantee tests of ESPs of Units I and II of Faridabad TPS replaced at a cost of Rs 7.35 crore were not conducted to ensure stipulated guaranteed emission level. Emission level of replaced ESPs of Unit I was higher than the guaranteed emission level.

(Paragraphs 2C. 4 (b) and 2C. 5)

2C.1. Introduction

Electrostatic precipitators (ESPs) reduce 'Suspended Particulate Matter' (SPM) in flue gases coming out from coal fired boilers in thermal power stations (TPSs). Excessive SPM not only increases atmospheric pollution but also causes erosion of induced draft (ID) fan impellers necessitating their frequent replacement and shutdown of generating Units leading to loss of generation. ESP is used to collect SPM from the flue gases. SPM so collected slide down into hoppers. The collected ash is then mixed with water to form ash slurry which is finally discharged to ash pond through ash handling system.

The Company operates two thermal power stations at Panipat (PTPS) and Faridabad (FTPS). PTPS has 5 Units with installed capacity of 650 MW and FTPS has three Units with installed capacity of 180 MW (derated to 165 MW during 1989-90).

In order to control SPM coming out of stacks, the Central Pollution Control Board had prescribed (January 1989) that SPM should not exceed 350 milligrams per normal cubic metre (mg/Nm^3) for plants having generating capacity of less than 210 MW and 150 mg/Nm^3 for plants having generating capacity of 210 MW and above. However, depending upon the requirement of local situation such as protected area, the State Pollution Control Boards (SPCB) under Environment (Protection) Act, 1986 could prescribe a limit of 150 mg /Nm^3 irrespective of generation capacity of the plant. Accordingly, the SPCB had prescribed limit of 150 mg /Nm^3 for both the plants being in close vicinity of residential area which was declared as protected area.

2C.2. Scope of audit

The review conducted during February-March 1999 covers the performance, maintenance, replacement of ESPs installed in FTPS and PTPS during the last five years ending 1998-99.

2C.3. Status of ESPs

Emission level of ash dust was more than the norm in all the Units

The Company has installed ESPs in all the 8 thermal Units (Panipat:5 and Faridabad:3). The parameters of calorific value of coal and ash content for which the ESPs were designed were not available on records in respect of 5 Units (Units I and II of Panipat and Unit I to III of Faridbad). The ESPs in the remaining three Units (Units III, IV and V) of Panipat TPS were designed for coal calorific value of 4800 k.cal/kg with ash content of 31.8 *per cent* whereas according to project report, coal available was of calorific value of 4500 k.cal/kg with ash content of 38.1 *per cent*[*]. Against this, the actual calorific

* Taken on actual basis in respect of coal received at Unit I and II of PTPS.

value of the coal fired into boilers was 3808 to 4675 k.cal/kg with ash content of 38 to 46 *per cent.* Consequently, existing ESPs were not able to handle excessive ash content because higher ash content in the coal was not taken care of while designing the ESPs. Actual calorific value of coal fired into boilers of Faridabad TPS was 3977 to 4890 K.cal/kg with ash content of 28.6 to 38.7 *per cent.* The table below indicates installed capacity of Units, dates of their installation, norms of emission level as per SPCB and as designed for the ESPs, and actual emission level:

Sl. No.	Name with Units of TPS	Installed capacity (MW)	When commissioned	Emission level – Suspended Particulate Matter (mg/Nm³)			Whether ESP replaced or not
				SPCB norm	Designed norm	Actual	
	Panipat						
1.	Unit I	110	April 1979	150	NA	987 to 5648 (1993-98)	Yes
2.	Unit II	110	February 1980	150	NA	1719 to 8830 (1993-98)	Work in progress
3.	Unit III	110	January 1985	150	150	202 to 14806 (1993-98)	No
4.	Unit IV	110	January 1987	150	150	107 to 8710 (1993-98)	No
5.	Unit V	210	March 1989	150	150	113 to 1303 (1993-98)	No
	Total	**650**					
	Faridabad						
6	Unit I	60	November 1974	150	NA	3278 to 6245 (1994 to 96)	Yes
7	Unit II	60	March 1976	150	NA	Not measured	Yes
8	Unit III	60	April 1981	150	242.6	87 to 1743 (1994-98)	No
	Total	**180**					

It would be seen from the above table that emission level in 7 Units where emission levels were measured, was more than the SPCB norm thereby increasing atmospheric pollution and causing damage to ID fan impellers resulting in loss of generation as discussed in paragraph 2C.4 *infra.*

Considering the high emission level and old design of ESPs, the replacement work was undertaken at Units I and II of PTPS and FTPS. However, the Board did not analyse the specific reasons for excess emission of dust in respect of Unit V (PTPS) and Unit III (FTPS).

2C.4 Replacement of ESPs

The Company placed (March 1987/March 1989) letter of intent (LOI) on two firms for replacement of ESPs in 4 Units as indicated below in the table:

Sl No	Location/ Unit No. and capacity in MW	Date of LOI	Order date	Date of completion		Vendor/ Contractor	Order value (Rs in crore)	Purpose
				Scheduled	Actual			
1.	**Panipat**							
	Unit I and II of 110 MW each	10.3. 1989	29.1. 1990	Unit I July 1991 January 1998 (Revised) Unit II January 1992 April 1998 (Revised)	March 1999 Work in progress	BHEL	18.50	Design, manufacture, supply and commissioning of ESPs on turn key basis.
2.	**Faridabad**							
	Unit I and II of 60 MW each	31.3. 1987	24.6. 1987	Unit I August 1988 Unit II February 1989	December 1996 August 1998	Voltas/ Power Max	6.76	Design, manufacture, supply and commissioning of ESPs.

(a) Against the order of January 1990 in respect of PTPS, BHEL took up the work in March 1991. The work could not be completed by the scheduled period because the erstwhile Board failed to release the payments as it could not make arrangement for required funds. At the end of March 1993, total amount payable to BHEL aggregated to Rs 11.20 crore (supply of material: Rs 10 crore and execution of civil works: Rs 1.20 crore). Consequently, BHEL stopped the work. However, on Board's request, execution of the work was revived in September 1995 and as a package deal, the Board allowed Rs 0.35 crore to BHEL as compensation for retainment of site establishment during the period of suspension of work, i.e., from April 1993 to September 1995. The Board also agreed to allow price variation on actual basis for supplies/works executed after September 1995. Revised cost of work was estimated at Rs 34 crore with scheduled dates of commissioning as January 1998 and April 1998 for Units I and II respectively. The ESP of Unit I was commissioned in March 1999 whereas ESP of Unit II had not been commissioned so far (June 1999). Total payments made to BHEL amounted to Rs 28.81 crore.

Excessive dust concentration caused damage to ID fan impellers leading to generation loss

It was observed that during the period from April 1995 to December 1998 (record prior to April 1995 was not made available), the excessive dust concentration damaged the ID fan impellers causing shutdown of the Units for 6231 hours on 47 occasions resulting in generation loss of 685.41 MUs valued at Rs 108.41 crore. Further, the expenditure incurred on repair of ID fan impellers worked out to Rs 1.67 crore. In addition to this, the Company had to incur avoidable expenditure of Rs 1.83 crore on excess consumption of oil for restart of Units after repair of ID fan impellers.

(b) After completion of the work valued at Rs 5.84 crore at FTPS, M/S Voltas Limited, Bombay, demanded (January 1993) escalation of Rs 3.80 crore over and above firm price to which the Board did not agree and allotted the left over work to Power Max (India) Private Limited, Bombay at Rs 1.75 crore at the risk and cost of Voltas Limited, Bombay. The work was completed in December 1996 (Unit I) and August 1998 (Unit II). Total payments made against the work amounted to Rs. 7.35 crore (including Rs. 5.60 crore to Voltas Limited). Delay in replacement of ESPs besides causing atmospheric pollution also resulted in damage to the ID fan impellers due to excessive dust concentration thereby causing shutdown of Units for 1615 hours on 58 occasions resulting in generation loss of 88.84 MUs valued at Rs 9.68 crore during March 1989 to July 1998. Of this, the Board claimed Rs 6.49 crore from Voltas Limited in an arbitration case filed (March 1997) against the firm. The decision of arbitration case was awaited (April 1999).

2C.5 Performance of replaced ESPs

Performance guarantee test of ESP in Unit I of Panipat TPS replaced in March 1999 was yet to be carried out.

Though the replaced ESPs in Units I and II of Faridabad TPS were commissioned in December 1996 and August 1998, performance guarantee tests were not carried out. While results of emission level after replacement of ESPs in Unit II were not available on records, scrutiny of results of emission level of Unit I revealed that during January 1997 to December 1998, emission level ranged between 96.5 and 593 mg/Nm^3 thereby causing pollution in atmosphere. Reasons for excess emission level were not investigated.

Conclusion

Parameters for which ESPs were designed in respect of 5 units (Units I to III of FTPS and Units I and II of PTPS) were not on records. ESPs of Units III to V of PTPS were not designed according to the ash content of coal available for firing into boilers.

Emission level of ash dust measured in seven out of eight thermal Units at Panipat and Faridabad was more than the norms prescribed by the State Pollution Control Board. Even then the replacement of ESPs in Unit III to V of PTPS and Unit III of FTPS has not been taken up. There were inordinate delays in replacement of ESPs in Unit-I of PTPS and Unit-I and II of FTPS whereas the work of replacement of ESPs in Unit II of PTPS was still in progress. Due to non /delay in replacement of ESPs, higher emission level caused damage to ID fans with consequential shutdown resulting in generation loss of 774.25 MUs valued at Rs. 118.09 crore.

In order to avoid generation loss and to bring the emission level within permissible limits; there is an urgent need to initiate replacement work of ESPs in Units III to V of PTPS and Unit III of FTPS and to complete the work of replacement of ESPs in Unit II at Panipat and investigate reasons for higher emission level in other Units for taking corrective measures.

The above matters were reported to the Company and the Government in May 1999; their replies had not been received (December 1999).

Section-2D

Haryana Vidyut Prasaran Nigam Limited (HVPNL) and Haryana Power Generation Corporation Limited (HPGCL) (Erstwhile Haryana State Electricity Board)

Physical and financial performance of power sector in VII Five Year Plan

Highlights

During VII plan period, an outlay of Rs 1010.25 crore was envisaged against which the Board could manage funds of Rs 901.99 crore. The Board incurred expenditure of Rs 781.02 crore for the planned activities and remaining amount of Rs 120.97 crore was diverted towards revenue expenditure.

(Paragraph 2D.3)

The erstwhile Board could not achieve the physical targets of generation of power to the extent of 24 *per cent* whereas achievements in respect of transmission lines and installation of transformers were exceeded. There was mismatch between generation and transmission system as transmission lines per MW decreased from 4.61 Circuit (ckt) kms in 1985-86 to 3.62 ckt kms in 1989-90 and transformers capacity declined from 4.06 MVA to 3.92 MVA.

(Paragraphs 2D.4 and 2D.8.1)

Time overrun of all the three power projects completed during VII plan period ranged between 37 and 62 months with cost overrun of Rs.338.05 crore. One project of Dadupur was not taken up.

(Paragraphs 2D 6.1 and 2D.6.2.1)

The funds of the Board to the extent of Rs.44.72 crore were locked up in Yamunanagar Thermal Power Project (Stage I) and Western Yamuna Canal Hydro Electric Project (Stage II) as no work has been started in these projects.

(Paragraph 2D.6.3 (a) and (d))

Against the targets of reduction in transmission and distribution losses from 18 to 16 *per cent*, the losses increased from 17.5 *per cent* in 1985-86 to 24.5 *per cent* in 1989-90. This resulted in loss of 1768.36 MUs valued at Rs 113.73 crore.

(Paragraph 2D.8.3.(a))

The Board sustained loss of Rs 860.83 crore during the five years up to 1989-90 due to low tariffs. The share of agriculture consumers in the total loss was Rs 635.78 crore against which subsidy of Rs 122.95 crore only was received from the State Government.

(Paragraph 2D.10)

2D.1. Introduction

The energy policy of the Government of India aims at assuring adequate energy supply at minimum cost and achieving self-sufficiency in energy supply. The Central Government formulates energy policy, frames Acts/Rules to govern power supply, monitors progress of project implementation works and makes investment decisions. The guiding principles of the VII plan (1985-90) approved by the National Development Council in its meeting held in July1984 were growth, equity and social justice, self reliance, improved efficiency and productivity.

During the VII plan period, it was envisaged to add 488 MW in the installed capacity of the State by completing the ongoing 3 projects (478 MW) of VI plan and taking up one new project (10 MW).

2D.2. Scope of audit

The present review covers physical and financial targets and achievements of power sector in the VII Five Year Plan. It also includes the ongoing projects of earlier five year plans and projects taken up in the VII plan but spill over to subsequent plan periods.

2D.3 Plan outlay and actual expenditure

In the approved VII plan (1985-90), an outlay of Rs 1010.25 crore on power sector was envisaged for the State of Haryana. Based on this outlay, the Board, in consultation with the Planning Department and taking into consideration of the resources available, allocated funds in the annual plans for execution of works followed by actual expenditure.

Table below indicates outlay for the VII Five Year Plan, allocation of funds for five annual plans vis-a-vis actual expenditure for the five years ended March 1990:

Sl. No	Particulars	Outlay as per VII plan	Allocation of funds as per annual plans	Actual expenditure	Shortfall(-)/ Excess(+)
		(Rupees in crore)			
1.	Generation	612.83 (60.66)	492.76 (56.28)	381.77 (48.88)	(-)231.06
2.	Renovation and modernisation of thermal plants	26.67 (2.64)	31.87 (3.64)	23.87 (3.06)	(-)2.80
3.	Transmission and distribution	298.44 (29.54)	303.38 (34.65)	375.38 (48.06)	(+)9.13
4.	Rural electrification	67.81 (6.71)	47.00 (5.37)		
5.	Survey and investigation	4.50 (0.45)	0.55 (0.06)	-	(-)4.50
	Total	**1010.25**	**875.56**	**781.02**	**(-)229.23**
(Figures in brackets indicate percentage of total)					

Plan funds of Rs 120.97 crore were diverted towards revenue expenditure

Approved outlay of Rs 1010.25 crore for the VII plan was to be met from loans from State Government (Rs 773.25 crore), loans from financial institutions (Rs 182 crore) and other deposits (Rs 55 crore) of the Board. It was observed in audit that against the anticipated loan of Rs 773.25 crore from the State Government, the Board could obtain loan of Rs 687.69 crore. Further, the Board borrowed Rs 473.87 crore from financial institutions during the plan period, of which it utilised Rs 259.57 crore for repayment of earlier loans. After repayments, against available funds of Rs 901.99 crore (Rs 687.69 crore plus Rs 214.30 crore), the Board spent Rs 781.02 crore on the projects and the remaining amount of Rs.120.97 crore was diverted towards revenue expenditure.

2D.4. Targets and achievements

Table below indicates targets fixed and achievements thereagainst in regard to generation of power, installation of power transformers, stringing of transmission lines, installation of distribution transformers, distribution lines, pump sets electrified, provision of capacitors and line losses during the VII plan period (1985-90):

Sl. No.	Particulars	Unit	Target	Actual	Percentage of achievement
1.	Generation of power	MUs	34900	26522	76
2.	Installation of power transformers	MVA	1259	2232	177
3.	Transmission lines	Circuit Kms.	796	1033	130
4.	Installation of distribution transformers	Number	NA	23445	--
5.	Distribution lines	Kms	NA	20734	--
6.	Pump sets electrified	Number	75000	65187	87
7.	Provision of capacitors	MVAR	865	672.60	78
8.	Line losses (T&D losses)	*Per cent*	18 to 16	17.5 to 24.5	--

From the table above, it would be seen that the Board failed to achieve targets of generation of power, electrification of pump sets and provision of capacitors. As against the target of reducing line losses from 18 *per cent* in the beginning of April 1985 to 16 per cent at the end of March 1990, the line losses in the Board ranged between 17.5 and 24.5 *per cent* during the plan period.

2D.5. Physical and financial performance

Annual physical and financial performance of the Board during the VII plan period is given in Annexure-12.

2D.6. Generation

At the end of VI Five Year Plan on 31 March 1985, the total installed capacity of the Board was 1311.4 MW (thermal: 477.5 MW; hydro:830 MW; diesel: 3.9MW). During the VII plan period, the required installed capacity was assessed to the order of 2700 MW. In order to meet out this requirement, an addition of 488 MW in the installed capacity was envisaged with the completion of Panipat Thermal Power Station (PTPS) – Stage II (2 units of 110 MW each) and Stage III (1 unit of 210 MW), Western Yamuna Canal (WYC) Hydro Electric Project – Stage I (6 units of 8 MW each) and Dadupur Mini Hydel Project (4 units of 2.5 MW each). Further, 295 MW was to be filled up by additional share from Joint/Central projects leaving deficit of 605.6 MW unfilled.

2D.6.1 Table below indicates plan outlay vis-a-vis actual expenditure incurred in respect of the generating projects to be completed/taken up during the VII plan period:

Sl. No.	Projects	Installed capacity (MW)	Original estimated cost	VII Plan outlay	Actual expenditure during VII plan	Excess(+)/ Shortfall(-) in actual expenditure over outlay for VII Plan
				(Rupees in crore)		
A	**Projects already completed by 31 March 1985**			5.34 (3.82)	13.51	(+)8.17
B	**Projects for completion during VII Plan**					
(a)	**On going projects of VI plan**					
i.	Panipat thermal power station -Stage II	220	72.93	23.59 (67.08)	78.05	(+) 54.46
ii.	Panipat thermal power station -Stage III	210	111.10	165.12 (286.38)	219.22	(+) 54.10
iii.	WYC hydro-electric project-Stage I	48	45.72	21.50 (37.94)	54.13	(+) 32.63
(b)	**New projects**					
i.	Dadupur mini hydel	10	14.73	14.68 (0.42)	-	(-) 14.68
	Sub-total B	**488**	**244.48**	**224.89 (391.82)**	**351.40**	**(+)126.51**
C	**New projects for completion beyond VII plan**					
i.	Yamunanager thermal power station -Stage I	420	315.20	320.00 (63.57)	12.93	(-)307.07
ii	Yamunanager thermal power station -Stage II	420	-	- (0.25)		
iii	Panipat thermal power station -Stage IV	210	238.27	40.00* (31.00)	0.42	(-)39.58
iv.	WYC hydro electric project-Stage II	16	-	12.60 (2.10)	3.51	(-)9.09
v.	Small hydel schemes	6.5	-	10.00 (0.20)	-	(-)10.00
	Sub total C	**1072.5**		**382.60 (97.12)**	**16.86**	**(-)365.74**
	Total			**612.83 (492.76)**	**381.77**	**(-)231.06**

(Figures in brackets indicate allocation of funds for five annual plans of VII plan)

Additional power of 70.08 MUs could not be generated due to not taking up of one project

Against the target of 488 MW in VII plan, the Board could add 478 MW in its installed capacity by completing PTPS Stage II and III (430 MW) and WYC Hydro Electric Project Stage I (48 MW). This resulted in shortfall of 10MW due to non-taking up work of new project of Dadupur Mini Hydel Project. The Board obtained (1993-94) the approval of the State Government to execute the project in private sector due to financial constraints. Further progress was awaited (April 1999). Due to non-taking up of the project, the State could not generate additional power of 70.08 MUs per annum worked out at 80 *per cent* of generating capacity.

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* Common outlay for C(ii) and C(iii).

2D.6.2 Execution of works

2D.6.2.1 Completed projects

Power projects were completed after time overrun of 37 to 62 months and cost overrun of Rs 338.05 crore

The position of time and cost overrun in respect of three projects commissioned in VII plan viz., PTPS Stage II and III and WYC Hydro Electric Project Stage I has been given in Annexure-13. A perusal of the Annexure would reveal that against the total estimated cost of Rs 229.75 crore, actual cost amounted to Rs 567.80 crore. The cost overrun of Rs 338.05 crore represented 147.14 *per cent* of original cost. Time overrun in respect of PTPS Stage II, having two units (Units I and II) with installed capacity of 220 MW was 37 and 45 months and were commissioned in November 1985 and January 1987, respectively whereas one unit of 210 MW of PTPS Stage III was commissioned in March 1989 after time overrun of 51 months. Time overrun in respect of WYC Hydro Electric Project involving six Units of 8 MW (48 MW) ranged between 38 and 62 months and were commissioned between May 1986 and April 1989. The time and cost overrun as commented upon in the Reports of the Comptroller and Auditor General of India for the years 1988-89 and 1991-92 (Commercial)-Government of Haryana, were mainly attributable to following:

(a) Time overrun

- Delay in appointment of consultants, finalisation of tenders and completion of cooling tower and supply of boiler/turbo generator of Unit III (PTPS Stage II).
- Delay in taking possession of land for coal handling plant and shortage of funds (PTPS Stage III).
- Unpredictable strata, acute dewatering problem, late supply of drawings to the contractors, delay in execution of civil works, erection of intake gates, and hoists of power house C (WYC Hydro Electric Project Stage 1).

(b) Cost overrun

- Non-provision of ash pond bund, modification of coal handling plant, additional fire protection and infrastructure facilities at project site (PTPS Stage II).
- Increased cost of civil, mechanical and electrical works due to under estimation, additional scope of work and revision of rates at the time of allotment/execution of works (PTPS Stage II and III).
- Increase in cost of boiler and auxiliary, turbo generator and auxiliary and its spares, additions in scope of work/material, etc., (PTPS Stage III).
- Increase in cost of establishment charges, infrastructure facilities (PTPS Stage III).

- Increase in cost of material and labour, increase in scope of work and additional works, increase in interest and prorata overheads (WYC Hydro Electric Project Stage 1).

2D.6.2.2 Cases of irregularities noticed in the execution of works of the completed projects as commented upon in the Reports of the Comptroller and Auditor General of India for the years 1988-89 and 1991-92 (Commercial) – Government of Haryana, were as under:

(i) Due to abandonment of work relating to construction of diaphragm wall and manual unloading hopper, the Board incurred an infructuous expenditure of Rs 0.31 crore in execution of work of coal handling plant of PTPS Stage II.

(ii) Allotment of work relating to construction of natural drought cooling towers (PTPS–Stage II) to an inexperienced firm in contravention of the recommendations of consultants resulted in extra expenditure of Rs 1.15 crore.

(iii) Due to delay in finalisation and issue of the drawings and layout plan of tail regulator (WYC Hydro Electric Project – Stage I), the Board had to incur an extra expenditure of Rs 0.15 crore on the works.

(iv) Prolonged stay of supervisory engineers from Japan at power houses A and B (WYC Hydro Electric Project–Stage I) due to non-execution of work on both the units simultaneously and non-completion of civil works within the scheduled period resulted in an extra expenditure of Rs 0.43 crore.

2D.6.3 New projects for completion after VII plan

(a) Yamunanagar Thermal Power Station (Stage-I)

Thermal power project at Yamunanagar with two units of 210 MW each sanctioned by the Planning Commission during September 1984 at an estimated cost of Rs 315.20 crore was initially to be completed by the end of 1988-89. During the VII plan, an outlay of Rs 320 crore was approved by the Planning Commission. Cost of the project was revised (1985-86) to Rs 480.45 crore with commissioning schedule in 1991-92. The Board incurred expenditure of Rs 15.47 crore on acquisition of land and other preliminary activities during 1984-85 to 1989-90. However, due to funds constraints, the State Government decided (November 1987) to get the project executed by National Thermal Power Corporation (NTPC) in Central sector with 25 *per cent* financial participation of the Board.

The Central Electricity Authority (CEA) cleared (October 1988) the revised project with 4x210 MW capacity (Stage I: 2 x 210 MW, Stage II: 2x210 MW) at an estimated cost of Rs 1174.40 crore which was revised in 1989-90 to Rs 1582.06 crore. The possession of land acquired by the Board was handed over (February 1990) to NTPC.

The NTPC failed to arrange finances for the project and the Government of India decided (August 1992) to explore the possibility of joint sector/private sector participation in this project. However, despite Ministry of Power decision (October 1993) to introduce competition by asking for price bids in the interest of transparency, a private financing agency, M/S Eisenberg Group of Companies, Israel (EGC) was invited to participate in the project. In April 1994, a Memorandum of Understanding (MOU) was signed between the Board and EGC for setting up a 2X350 MW Thermal Project at Yamunanagar with provision for setting up an additional unit of 350 MW. Draft Power Purchase Agreement (PPA) was signed between EGC and the Board in January 1996 according to which the EGC was to make financial arrangements within six months before signing the final PPA. However, the EGC failed to make financial arrangements within six months and sought extension in the period of agreement. The Board did not grant extension and the PPA stood cancelled in terms of clause 2.3 of the draft PPA without any compensation. Resultantly, Board's attempt to involve private sector participation also failed due to selection of a wrong partner.

The project scheduled to be completed by the end of 1988-89 has not even been taken up

The Board had incurred an expenditure of Rs.38.57 crore on the purchase of land, maintenance of colony and other works up to March 1998 which was locked up as the project was still in doldrums. Thus, due to shifting strategy of execution of project from the Board to NTPC and then selection of a wrong private party, the project which was conceived to be completed by the end of 1988-89 has even not been taken up due to which the State was deprived of energy to the extent of 2207.52 MUs per annum.

(b) Yamunanagar Thermal Power Station (Stage-II)

For execution of 2 X 210 MW thermal project – Stage II at Yamunanagar, the Planning Commission approved an outlay of Rs 40 crore jointly with PTPS - Stage IV. As discussed in the previous paragraph, even the work of Stage-I of this project could not be taken up so far (August 1999). As such, the work of Stage II has also not been taken up.

(c) Panipat Thermal Power Station (Stage-IV)

The Planning Commission, on the advice of CEA, approved (July 1989) installation of Unit VI of 210 MW (Stage IV) at an estimated cost of Rs 238.27 crore. The Project was scheduled to be commissioned in December 1993. The Planning Commission approved an outlay of Rs 40 crore (including Yamunanagar Thermal Power Station Stage II) in the VII Plan against which actual expenditure incurred was Rs 0.42 crore only. The latest revised estimated cost of the project was Rs 645 crore (1996-97). The Board, however, spent Rs 303.82 crore up to March 1998 and the Project was yet to be completed (April 1999). Completion of project even at revised estimated cost of Rs 645 crore would entail extra expenditure to the Board (now HPGCL) to the tune of Rs 406.73 crore when compared to original estimated cost.

Due to non-completion of the project by the scheduled date of December 1993, the State was deprived of 1103.76 MUs (worked out at 60 *per cent* plant load factor) of electricity per annum valued at Rs 91.99 crore at an average sale rate of 83.34 paise per unit based on sale value of 1993-94.

(d) WYC Hydro Electric Project (Stage-II)

The CEA accorded approval in March 1990 to instal 2 units of 8 MW each (estimated cost: Rs 28.80 crore) on the proposed Hathnikund Barrage to be constructed on Yamuna river. During the VII plan period, an outlay of Rs 12.60 crore was approved for the project against which an expenditure of Rs 3.51 crore only was incurred. The implementation of the project was stalled because of non-settlement of dispute between Haryana and Uttar Pradesh Governments on sharing of water in the proposed Hathnikund Barrage. However, on resolving of the dispute during 1994-95, the location of the Hathnikund Barrage was finalised and the construction work was commenced. The work had not yet been completed (April 1999). Consequently, the Board was deprived of 112.13 MUs of electricity per annum (worked out at 80 *per cent* of installed capacity) valued at Rs 9.34 crore (based on sale value of 1993-94).

It was noticed in audit that the erstwhile Board, without resolving of the inter-state dispute with Uttar Pradesh, had procured generating equipment at a cost of Rs 6.15 crore between November 1983 and October 1986 resulting in locking up of funds. The warranty period of equipment expired in June 1987 and same was awaiting installation (April 1999).

(e) Small hydel schemes

A mini hydel power project of 5 X 1.3 MW capacity was identified for execution on Western Yamuna Canal near village Kheri-Barota in district Karnal at an estimated cost of Rs 9.46 crore. Though an outlay of Rs 10 crore was approved in the VII plan, no expenditure was incurred on the project as it was yet to be approved by CEA and Planning Commission (July 1999). As a result, the State was deprived of 45.55 MUs (possible generation at 80 *per cent* of installed capacity) of energy per annum.

2D.7. Renovation and modernisation

In order to overcome various problems restricting the generating capacity of Faridabad Thermal Power Station (FTPS), schemes of renovation and modernisation (R and M) under Phase I and II were got approved from Planning Commission in February 1985 and November 1990, respectively. Similarly, R and M schemes under Phase I and II in respect of Units I and II of PTPS were got approved in February 1985. Schemes of R and M of FTPS and PTPS were last reviewed in the Reports of the Comptroller and Auditor General of India for the years 1991-92 and 1994-95 (Commercial) – Government of Haryana, respectively. Results of implementation of these schemes are discussed below:

(a) Faridabad Thermal Power Station

Payment of demurrage had to be made due to non creation of additional space for stacking of coal

Out of the various works under Phase I to be completed at a revised cost of Rs 43 crore by March 1988, some works (estimated cost: Rs 15.75 crore) were deleted being uneconomical. The works relating to replacement of economiser tubes, platen superheater control and instruments, electrostatic precipitators, augmentation of coal handling plant and other minor activities (estimated cost: Rs 20.75 crore) were completed during January 1986 to August 1998 at a cost of Rs 20.45 crore. However, the work of additional space for coal stacking (estimated cost: Rs 6.50 crore) was still under execution. Due to non-completion of the work, the Board had to pay the demurrage charges and there were forced outages of the plant as discussed in the review on the working of Faridabad Thermal Power Station (Section-2B) included in this Report.

Similarly, in case of phase II, of the 27 activities to be completed at a cost of Rs 10.50 crore by March 1994, 4 activities were subsequently deleted being not feasible (estimated cost : Rs 2.50 crore), 14 activities relating to replacement of superheater, generator field breakers, 10 MVA transformer and other minor activities (estimated cost :Rs 3.14 crore) were completed during October 1990 and December 1996 at a cost of Rs 2.44 crore. Remaining 9 activities involving improvement in cooling water system, provision of additional ash slurry line and re-circulatory valves of boiler and feed pumps (estimated cost :Rs 4.86 crore) were still under execution and an expenditure of Rs 4.12 crore had been incurred up to March 1998.

After completion of activities under Phase I and II by March 1994, plant load factor (PLF) was required to be sustained at 52 *per cent.* It was observed in audit that plant load factor, after increase in 1994-95 (54.17 *per cent*) and in 1995-96 (55.15 *per cent*) came down to 44.92 *per cent* in 1996-97 and to 44.41 *per cent* in 1997-98. Generation loss on account of low PLF in 1996-97 and 1997-98 as compared to 52 *per cent* worked out to 212.036 MUs valued at Rs 38.25 crore.

(b) Panipat Thermal Power Station

Plant load factor was very low even after incurring Rs 39 crore on renovation and modernisation

The original cost of Rs. 16.54 crore in February 1985 for renovation and modernisation scheme under Phase I and II was revised (March 1987) to Rs 20.55 crore. The scheme was to be completed up to March 1986 and after completion, PLF was expected to increase to 48 *per cent.* Up to the end of March 1998, an expenditure of Rs 39 crore was incurred but the scheme had not been completed. Actual PLF of Units I and II during 1988-89 to 1997-98 ranged between 14.55 and 36.96 *per cent* resulting in average generation loss of 467.654 MUs per annum valued at Rs 47.25 crore.

2D.8. Transmission and distribution system

2D.8.1 Physical performance

The completion of transmission lines and sub-stations simultaneously with the commissioning of generating capacity is of utmost importance for evacuation of power. Further, the transmission system must keep pace with the increase in the generating capacity to avoid overloading, to ensure proper voltage, minimise losses and to improve the reliability of the system as a whole.

The table below indicates the position of physical performance in respect of transmission system during the seventh plan period ending March 1990:

	Targets		Achievements		Shortfall(-)/ excess (+)	
Sub-station	Transmission lines	Power transformers	Transmission lines	Power transformers	Transmission lines	Power transformers
	(Circuit Kms)	(MVA)	(Circuit Kms)	(MVA)	(Circuit Kms)	(MVA)
220 KV	494	800	273	1069	(-)221	(+)269
132 KV	100	315	183	434	(+)83	(+)119
66 KV	202	144	213	269	(+)11	(+)125
33 KV	-	-	364	460	(+)364	(+)460
Total	**796**	**1259**	**1033**	**2232**	**(+)237**	**(+)973**

It would be seen from the above table that addition in transmission lines and capacity of transformers was more than the targets fixed for the VII plan period. Year-wise generating capacity, power transformer capacity, transmission lines and transmission and distribution losses are tabulated in Annexure-14. It would be noticed from the Annexure that compared to generating capacity, transmission lines per MW decreased from 4.61 ckt kms in 1985-86 to 3.62 ckt kms in 1989-90 and transformer capacity declined from 4.06 MVA in 1985-86 to 3.92 MVA in 1989-90. It is pertinent to mention here that in case of installation of power transformers and transmission lines, the achievement of target was 177.3 and 129.8 *per cent* respectively, but considering the relative decrease with reference to the generating capacity, it is evident that targets were not in conformity with the growth in generation.

2D.8.2 Non-matching investment in transmission system

The Rajyadhyaksha Committee on power had recommended (1980) that investment in generation must be accompanied by a matching investment in the transmission and distribution system and the expenditure on generation and transmission should be in the ratio of 2:1. It was, however, noticed in audit that investments of Rs 957.75 crore in generation and Rs 321.37 crore in transmission were made up to the year 1989-90. Thus, investment in generation and transmission was in the ratio of 2:0.67 as against the recommended ratio of 2:1. This inproportionate investment resulted in higher transmission and distribution losses as discussed below.

2D.8.3 Transmission and distribution losses

(a) Higher transmission and distribution losses

Targets of reduction in T&D losses were not achieved

In the VII plan, it was envisaged to reduce the line losses (T and D losses) at the rate of 0.5 per cent every year in order to achieve the target of 16 *per cent* losses by 1989-90. Accordingly, the line losses during the plan period were to be reduced from 18 *per cent* in April 1985 to 16 *per cent* in March 1990. It was, however, noticed in audit that instead of reduction, the losses increased from 17.5 *per cent* in 1985-86 to 24.5 *per cent* in 1989-90 as computed by the Board. Excess transmission loss as compared to targets worked out to 1768.36 MUs valued at Rs113.73 crore as detailed in Annexure-14. It is pertinent to mention here that the losses computed by the Board were understated because while computing such losses, the Board had not excluded power sold to other States and common pool supply consumers who were billed for gross supply. Thus, by excluding power sold to such consumers, actual T and D losses for the VII plan period were 20.97, 21.42, 26.37, 27.31 and 26.58 *per cent* during the five years ending March 1990 respectively.

(b) Inadequate distribution system

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

The table below indicates the ratio of LT and HT lines during VII plan period up to March 1990:

Sl. No.	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
1.	HT(11 KV) lines (circuit Kms)	40964	42457	44644	45693	47503
2	LT lines (circuit Kms)	79850	82983	87078	88451	91093
3	Ratio LT/HT lines	1.95:1	1.95:1	1.95:1	1.94:1	1.92:1

It would be seen from the above that during the five years of the VII plan period, the overall LT/HT ratio of the Board ranged between 1.92:1 and 1.95:1. This contributed to increase in distribution losses of 585.36 MUs valued at Rs 29.99 crore (calculated at 2 *per cent* of power available for sale within the State).

(c) System improvement schemes and provision of capacitors

(i) System improvement schemes

With a view to increase reliability of power and reduce line losses, the large number of system improvement schemes were envisaged including installation of capacity of 865 MVAR capacitors during the VII plan period.

The system improvement schemes during the plan period have already been reviewed and discussed in Paragraph 3.5.2 of the Report of the Comptroller and Auditor General of India for the year 1995-96 (Commercial) -Government of Haryana.

(ii) Provision of capacitors

In order to overcome the problem of low voltage leading to increase in the T and D losses, capacitor banks of various ratings are required to be installed at sub-stations. It was, however, observed in audit that as against the planned capacity of

865 MVAR of capacitor banks during the five years ending March 1990, the actual installed capacity was 672.60 MVAR thereby resulting in a shortfall of 192.40 MVAR.

The shortfall in the achievement of the planned capacity resulted in non-reduction of transmission losses to the extent of 110.79 MUs (based on 0.21462 MUs per MVAR per annum) valued at Rs 6.30 crore during the five years period ending March 1991.

(d) Rural Electrification

Against the outlay of Rs.67.81 crore for rural electrification provided in the VII plan, the Board allocated funds of Rs 47 crore. The Board incurred this expenditure on transmission and distribution lines as all the 6745 villages in the State were already electrified in 1970.

(e) Pump sets

In the VII plan, it was envisaged that 15000 tubewell connections would be released per year. It was, however, noticed in audit that only 65187 connections were released against the target of 75000 connections. Thus, Board could achieve 86.9 *per cent* of the targets fixed. Reasons for lower achievement were not on records.

2D.9 Financial position and working results

Financial position and working results of the Board during the VII plan period are tabulated in Annexure-15.

Total deficit during the VII plan amounted to Rs 426.12 crore

From the working results, it would be seen that the Board sustained losses every year during the plan period. Total deficit during the plan period amounted to Rs 426.12 crore. Main reasons for deficit as analysed in audit were low generation coupled with high transmission and distribution losses and fixation of lower tariff.

2D.10 Fixation of tariff

The Board had not framed any guidelines as required under Section 79 of the Electricity Supply Act, 1948 providing the basis for fixation of tariff. Further, the Board does not work out the cost of power separately for each category of consumer but adopts the average cost of power. During the VII plan period (1985-90), the Board made four upward revisions of tariff from April 1985, May 1985, December 1987 and September 1988 with a view to cover the increased cost of power supplied.

Surplus earned/loss sustained from various categories of consumers for the five years up to 1989-90 has been shown in Annexure-16. It would be seen from Annexure-16 that except commercial and industrial consumers, all other categories of consumers were contributing loss due to fixing of lower tariffs. The share of agricultural consumers in the total loss was Rs 635.78 crore against which subsidy received from the State Government amounted to Rs 122.95 crore. Loss during the plan period on this count amounted to Rs 860.83 crore.

Conclusion

During the VII Five Year Plan, though the Board was largely able to achieve the target of generation by completing the ongoing projects of VI Five Year Plan with huge time and cost over-run, yet new projects conceived during the VII Five Year Plan viz., Yamunanagar Thermal Power Station Stage I and II, Panipat Thermal Power Station Stage-IV, Western Yamuna Canal Hydro Electric Project Stage II, small hydel schemes and Dadupur mini hydel to be completed during VII plan period were not taken up/completed even after 9 years, thus, putting the State to a deficit of 1082.5 MW in installed generation capacity and depriving the public of 5746.56 MUs of power per annum.

The above matters were reported to the companies and Government in June1999; their replies had not been received (December 1999).

Section-2E

Haryana Vidyut Prasaran Nigam Limited and Haryana Power Generation Corporation Limited (Erstwhile Haryana State Electricity Board)

Outstanding dues

Highlights

As on 31 March 1998, the total dues outstanding against the erstwhile Haryana State Electricity Board stood at Rs 3873.59 crore which mainly included capital liabilities (Rs 1520.92 crore), current liabilities (Rs 1341.96 crore), loans from State Government (Rs 565.36 crore), etc. Current liabilities include dues against purchase of electricity and fuel amounting to Rs 479.32 crore and Rs 130.24 crore respectively.

(Paragraph 2E.1)

Owing to failure of the Board to pay dues for purchase of power from Central Public Undertakings, the Central Government recovered Rs 361.55 crore during the four years up to March 1998 out of loans and grant-in-aid payable to Government of Haryana which was passed on to the Board by the State Government as interest bearing loan.

(Paragraph 2E.5 (iii))

Installed capacity of the Thermal Plants was underutilised due to low plant load factor. This necessitated purchase of energy from outside agencies at an additional expenditure of Rs 86.89 crore.

(Paragraph 2E.6.4)

Recoverables from the consumers increased from Rs 267.78 crore to Rs 739.79 crore during the last five years ending 31st March 1998. These include Rs 149.02 crore in respect of consumers whose supplies had been permanently disconnected.

(Paragraph 2E.6.5)

Board's funds to the extent of Rs 23.32 crore were locked up in incomplete works and stores not moved for more than ten years.

(Paragraphs 2E.7.1 and 2E.7.2)

Failure to make timely payment of Rs 246.76 crore to Delhi Vidyut Board resulted in stoppage of power supply from March to November 1998 and the Board was deprived of revenue of Rs 18.20 crore.

(Paragraph 2E.8.2)

2E.1. Introduction

The erstwhile Haryana State Electricity Board was constituted on 3 May 1967 under Section 5(i) of the Electricity (Supply) Act, 1948. The Board was responsible for generation, procurement, transmission and distribution of electricity in the State. In the wake of electricity reforms, the Board was reorganised with the incorporation of two companies viz, Haryana Power Generation Corporation Limited and Haryana Vidyut Prasaran Nigam Limited on 17 March 1997 and 18 September 1997 respectively. Both the companies commenced their business on 14 August 1998.

As on 31 March 1998, the total dues outstanding against the Board stood at Rs 3873.59 crore which included capital liabilities (Rs 1520.92 crore), current liabilities (Rs 1341.96 crore), loans from the State Government (Rs 565.36 crore), etc. The current liabilities included among others purchase of power and fuel amounting to Rs 479.32 crore and Rs 130.24 crore respectively.

2E.2. Organisational set up

The Board was managed by five full time members including a Chairman as Chief Executive and two part time members nominated by the State Government. The Chairman was assisted by Member (Finance, Accounts and Commercial) on the aspect of fund management. Fund management in newly created two companies is monitored by Financial Advisors under the administrative control of Director (Finance) of each company.

2E.3. Scope of audit

The present review conducted during February to April 1999 covers analysis of dues outstanding, utilisation of available funds and consequential effects of non/delay in liquidation of outstanding dues during last five years up to 1997-98. The results of audit are discussed in the succeeding paragraphs.

2E.4. Sources and application of funds

The cash inflow of the Board comprised mainly of revenue from sale of energy, subsidy from the State Government and loans obtained from the State

Government, banks and other financial institutions. The cash outflow includes purchase of power, operation and maintenance expenses, repayment of principal and interest on loans and bonds, creation of capital assets, expenditure on account of establishment, purchase of fuel, stores and stocks, etc.

Actual deficit of the Board was Rs 369.98 crore as against estimated deficit of Rs 185.25 crore during 1993-94 to 1997-98

Finance wing of the Board prepares annual financial statement/budget estimates. In addition, cash flow statement at the end of each month indicating the actual cash inflow and outflow were also prepared. The cash inflow and outflow against the estimates for the five years up to 1997-98 are given in Annexure-17. It would be seen from the Annexure that as against the estimated deficit of Rs 185.25 crore during 1993-94 to 1997-98, there was deficit of Rs 369.98 crore which indicated that the Board failed to arrange the funds as per requirement.

2E.5. Dues against the Board

The table below indicates total dues outstanding on account of loans and liabilities at the end of each of five years up to 1997-98:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
(Rupees in crore)					
Capital liabilities	864.71	972.37	1048.96	1132.97	1520.92
Other current liabilities*	1112.32	1106.39	1089.46	1137.22	1341.96
Loans from State Government	911.53	837.41	1163.14	732.39	565.36
Security deposits from consumers	99.59	115.83	128.94	146.07	208.75
Payment due on capital liabilities	517.47	203.58	198.40	246.64	195.19
Cash credit/ overdraft	28.39	15.54	23.96	46.23	41.41
Total	**3534.01**	**3251.12**	**3652.86**	**3441.52**	**3873.59**

Increased dependence on cash credit resulted in interest burden of Rs 33.05 crore

(i) It would be seen from the table that cash credit/ overdraft increased from Rs 15.54 crore at the end of March 1995 to Rs 41.41 crore at the end of March 1998 which indicates increased dependence on cash credit. During the last five years up to 1997-98, the Board paid Rs 33.05 crore as interest on cash credits availed during the period.

(ii) The trade dues increased from Rs 1112.32 crore as on 31 March 1994 to Rs 1341.96 crore as on 31 March 1998. The Board purchased 28673.91 MUs of power valued at Rs 3474.27 crore from National Thermal Power Corporation Limited (NTPC), National Hydro Power Corporation Limited (NHPC), Nuclear Power Corporation Limited (NPC) and others during 1993-94 to 1997-98. In the same period, the Board purchased fuel valued at Rs 2038.01 crore.

* These include trade dues viz., purchase of power, coal, fuel, expenses for O and M supplies, etc.

It was observed in audit that the total outstanding dues in respect of purchase of power, coal and oil, etc., decreased from Rs 953.47 crore in 1993-94 to Rs 848.17 crore in 1995-96 but again increased to Rs 971.71 crore in 1997-98.

The Central Government recovered Rs 361.55 crore out of State Plan Scheme/grants-in-aid due to failure of the Board to pay dues of NTPC, NHPC etc.

(iii) Further analysis in audit revealed that dues outstanding for purchase of power in respect of NHPC increased from Rs 75.84 crore in 1993-94 to Rs 324.37 crore in 1997-98 and in respect of NPC increased from Rs 52.27 crore in 1994-95 to Rs 72.06 crore in 1997-98. However, in respect of NTPC, the position improved as the outstandings decreased from Rs 323.71 crore in 1993-94 to Rs 37.59 crore in 1997-98. Though the amount payable to NTPC had been reconciled, the dues payable to NHPC and NPC, as on 31 March 1998, had not been reconciled (August 1999). As the Board did not make payment to these undertakings in time, the Central Government on behalf of NTPC, NHPC, NPC and Power Grid Corporation of India Limited (PGCIL) recovered Rs 361.55* crore during last four years up to March 1998, out of loans for State Plan Scheme and grant-in-aid payable to the Government of Haryana. In turn, the State Government passed on these recoveries as interest bearing loans to the Board. This resulted in accruing of interest liability of Rs 43.64 crore on these loans during four years up to March 1998.

(iv) Terms and conditions for supply of power by NHPC, NTPC, NPC and PGCIL, *inter alia*, provided that the surcharge at the rate of two *per cent* per month was to be levied on the unpaid amount after one month. It was observed in audit that NHPC, NTPC, NPC and PGCIL had claimed a surcharge of Rs 597.96 crore as on 31 March 1998. The Board had disclosed it as contingent liability in the accounts.

An analysis in audit revealed that the Board could not discharge its liabilities due to low generation of funds coupled with deficiencies in fund management. These aspects are discussed in the succeeding paragraphs.

2E.6. Low generation of funds

2E.6.1 Non-receipt of revenue subsidy from the State Government

Claims for subsidy of Rs 1660.22 crore were not admitted by the State Government

As against revenue subsidy of Rs 4433.62 crore claimed from the State Government during 1980-81 to 1997-98, the Board received Rs 2773.40 crore (Rs 569.15 crore in cash and Rs 2204.25 crore as adjustment against repayment of loans) and claims amounting to Rs 1660.22 crore were not admitted by the State Government. Due to non-receipt of this substantial amount, the ways and means of the Board were adversely affected.

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* This includes Rs 28.20 crore recovered on behalf of PGCIL representing wheeling charges for use of lines for transmission of energy.

2E.6.2 Loans from State Government/financial institutions

The Board estimated to incur an expenditure of Rs 1623.41 crore towards capital works during 1993-94 to 1997-98, against which it could arrange loans of Rs 636.71 crore from the State Government and financial institutions. Of this, the actual expenditure incurred on these capital works was Rs 819.82 crore which indicated that shortfall was financed from the working capital. The lower generation of funds not only resulted in non-completion of works but also locking up of available funds in these works as discussed in paragraph 2E.7.1.

2E.6.3 Premature repayment/adjustment of State Government loans

Out of State Government loans of Rs 2161.15 crore received during 1989-90 to 1997-98, repayments amounting to Rs 123.16 crore had become due during 1994-95 to 1997-98. During this period, the Board, however, adjusted loans of Rs 1276.37 crore against subsidy receivable from Government for rural electrification (Rs 853.24 crore) and energy charges (Rs 423.13 crore) recoverable from various departments of State Government. This resulted in premature adjustments of State Government loans amounting to Rs 1153.21 crore which adversely affected the ways and means position of the Board.

2E.6.4 Under utilisation of installed capacity

Low generation in own plants necessitated purchase of power from other sources

The all India average plant load factor (PLF) of thermal plants ranged between 63 *per cent* and 64.7 *per cent* during 1995-96 to 1997-98. The PLF achieved at PTPS ranged from 39.70 *per cent* (1995-96) to 50.38 *per cent* (1997-98). Similarly, PLF achieved at FTPS ranged from 44.41 *per cent* (1997-98) to 55.15 *per cent* (1995-96). The Board generated 8756.81 MUs in the thermal plants located at Panipat and Faridabad. Consequently, in order to meet the demand, the Board resorted to purchase of 2177.94 MUs of power from NTPC's thermal plants at Dadri and Unchahar during 1995-96 to 1997-98 at a rate ranging between Rs 1.38 to 2.17 per unit against its variable cost of generation which ranged between Rs 1.36 and Rs 1.73 per unit. Had the Board achieved plant load factor even of 60 *per cent* (all India average for the year 1994-95), the plants could have generated additional 2531.63 MUs thereby avoiding purchase of 2177.94 MUs from NTPC and could have saved Rs 86.89 crore.

2E.6.5 Non/delay in recovery from consumers

Outstanding against consumers increased from Rs 267.78 crore to Rs 739.79 crore

Sundry debtors for sale of power increased from Rs 267.78 crore (3.4 month's sale of power) in 1994-95 to Rs 739.79 crore (5.9 month's sale) in 1997-98. Out of Rs 739.79 crore, a sum of Rs 439.91 crore was outstanding against private consumers (Rs 379.15 crore) and Government departments (Rs 60.76 crore). Out of this, amount outstanding for the period exceeding six years was Rs 18.26 crore, between three to six years was Rs 19.14 crore and less than three years was Rs 402.51 crore. Moreover, there were dues of Rs 149.02 crore which were outstanding from consumers whose supplies were permanently disconnected at the end of March 1998. Considering the long outstanding dues, the possibilities of claims becoming time barred cannot be ruled out.

Thus, huge outstanding against consumers had adversely affected financial position of the Board thereby resulting in non-liquidation of outstanding dues to that extent.

2E.6.6 Delay in remittances

A mention regarding inordinate delay in transferring of cash amounting to Rs 182.02 crore from collecting branches of the banks to their head offices with consequential loss of interest of Rs 85.54 lakh has been made in paragraph 3.16 of the Report of the Comptroller and Auditor General of India for the year 1993-94 (Commercial). With a view to arrest such losses, the Board was urged to streamline its procedures thoroughly.

Improper monitoring of remittances resulted in loss of interest

It was observed in audit (April 1999) that the Board did not streamline its procedure for revenue remittances and continued to suffer losses due to delay in remittances by the banks. A test check of bank reconciliation statements of the eleven nationalised banks authorised to collect revenue revealed that there was delay ranging from 9 to 48 days in transfer of funds aggregating to Rs 104.42 crore to cash credit accounts of head office during April 1998 to March 1999. The loss of interest on account of this delay worked out to Rs 38.54 lakh. Thus, despite facing the problem of scarcity of funds, the Board did not monitor its own funds lying in different banks.

2E.7. Injudicious/idle investment

The Board is operating its various activities with borrowed funds. It is imperative that the Board should use the available funds optimally with a view to avoid locking of funds in unproductive projects and procure material as per requirement. However, it has been noticed in audit that the Board had invested huge funds on works which remained incomplete and in procurement of stores in excess of requirement as discussed below:

2E.7.1 Investment on incomplete works

Funds of Rs 21.47 crore locked up in incomplete works

Scrutiny of records of the office of Chief Engineer Construction, Hisar and Panchkula revealed that funds amounting to Rs 21.47 crore were spent on eight works for erection of lines and sub-stations which were at various stages of completion (June 1999). These works were scheduled to be taken up and completed between 1987-88 and 1993-94. The works were actually taken up between November 1989 and June 1994 and had not been completed so far (August 1999).

Due to failure of the Board in completion of lines and sub-stations, desired objectives of the lines/sub-stations could not be achieved and the scarce funds also remained locked up in these incomplete works.

2E.7.2 Procurement of stores in excess of requirements

With a view to make optimum utilisation of scarce funds, it is imperative on the part of the management to procure stores according to requirement so as to avoid locking up of funds. It was, however, observed during test-check of the records of the Controller of Stores, Hisar that the Board was having stores valued at Rs 888.71 lakh (2875 items) as on March 1999. Of which, the stores worth Rs 510.28 lakh did not move from 3 years to more than 10 years. Age wise details of the stock was as under:

Sl.No	Period	No. of items	Value (Rupees in lakh)
1	One year to two years	768	271.90
2	Two years to three years	187	106.53
3	Three years to five years	258	142.21
4	Five years to ten years	673	182.89
5	Above ten years	989	185.18
	Total	**2875**	**888.71**

Further analysis of items involving value of Rs 5 lakh and above revealed that 7 items viz., current transformers, tower material, disc insulators, ACSR conductor, PCC poles, and 11KV oil circuit breakers, etc., lying at various stores valued at Rs 59.14 lakh had not moved out of stores for over two to five years as detailed below:

Particulars	Value (Rupees in lakh)
Two years to three years	29.60
Three years to five years	9.68
Above five years	19.86
Total	**59.14**

The above position was indicative that purchases were made without proper assessment of requirement and thereby locking up of funds of the Board.

2E.8 Non-prioritisation of liquidation of dues

The Board could not arrange the funds according to the requirement and did not prioritise the liquidation of its dues considering the funds available. On the other hand, huge expenses were incurred by the Board injudiciously in procurement of material in excess of requirement and investing funds in the works which remained incomplete. This resulted in blockage of funds and Board could not make timely payments. Due to delay in payment, the Board had to make payment of penal interest and even in one case, supply of electricity was discontinued. These cases are discussed below:

2E.8.1 Avoidable payment of penal interest

(a) Scrutiny of loans obtained from Power Finance Corporation of India (PFC) during 1992-93 to 1996-97 revealed that in nine cases, the Board defaulted (9 to 249 days) in the payment of interest amounting to Rs 8.65 crore, consequently the Board had to pay penal interest of Rs 26.88 lakh.

Delay in repayment of loan attracted penal interest of Rs 0.73 crore

(b) The Board had been obtaining loans from Life Insurance Corporation of India (LIC) for financing its various activities. As per agreed terms and conditions of loans obtained from LIC, in the event of default in payment of instalment of loan and interest due, the Board was liable to pay penal interest at one *per cent* over and above the normal rate of interest. It was observed that due to failure of the Board to arrange the funds, it could not pay instalments aggregating Rs 54.67 crore due in January 1996 to January 1997. The payment was, however, made in October 1997 out of loans of Rs 150 crore received from issue of Bonds. Due to delay in payment, the Board had to make (October 1997) payment of penal interest of Rs 0.73 crore.

2E.8.2 Non-supply of power by Delhi Vidyut Board

Delhi Vidyut Board discontinued the power supply due to non payment of O&M expenses

The Board has one third share in three units of Indra Prastha Power Station, New Delhi having installed capacity of 187.5 MW. In order to draw its share, it had to pay one third of operation and maintenance expenses of the power station. The Board did not pay its share in time, consequently, an amount of Rs 246.76 crore became outstanding as on 14 August 1998. In the meantime, the Delhi Vidyut Board cut off the power supply to Haryana on 17 March 1998. Power supply was restored by Delhi Vidyut Board in December 1998. The State's share during the period worked out to 124.06 MUs. The non-availability of this power resulted not only in inconvenience to the public but the Board was also deprived of revenue of Rs 18.20 crore.

Conclusion

The Board could not liquidate its dues in time due to lack of prioritising the payments and funds constraints. Moreover, the Board could not generate adequate funds due to non-receipt of revenue subsidy from the State Government, under utilisation of installed capacity, and delay in recoveries from consumers, etc. The situation of ways and means of the Board was further deteriorated as it utilised its scarce funds in procurement of stores in excess of requirement and invested huge sums on the works which remained incomplete.

In view of the above, there is an urgent need to fix the priority in the liquidation of dues so as to avoid penal interest, surcharge and ensure uninterrupted supply of power.

The above matters were reported to the Companies and the Government in June 1999; their replies had not been received (December 1999).

Chapter-3

Review relating to statutory corporation

Section-3

Review relating to Statutory Corporation

Haryana Financial Corporation

Disbursement of loans and recovery performance

Highlights

The Corporation was established in April 1967 to provide loan assistance to small and medium scale industrial units to accelerate industrial growth in the State.

(Paragraph 3.1)

Due to low generation of internal resources, the Corporation was depending mainly on borrowed funds resulting in heavy burden of interest which increased from Rs 29.48 crore in 1993-94 to Rs 90.98 crore in 1997-98 and consequential loss of Rs 8.66 crore and Rs 6.69 crore during 1996-97 and 1997-98 respectively against profit of Rs 1.11 crore during 1995-96.

(Paragraph 3.4)

Number of loan applications had declined sharply from 1303 in 1995-96 to 852 in 1997-98 with consequential decrease in disbursements from Rs 272.14 crore to Rs 106.94 crore during the same period. The decrease was attributable to higher lending rate owing to inadequate generation of internal resources.

(Paragraph 3.5(a))

Defective appraisal of projects and disbursement of loans to units with promoters having adverse credit worthiness, additional loan to defaulting units and release of loans without verification of securities had led to non-recovery of Rs 7.61 crore in nine cases.

(Paragraph 3.5(b)(i) to (ix))

The Corporation committed various irregularities viz., disbursement in excess of permissible limits, acceptance of insufficient collateral securities and improper documentation, etc., in disbursement of working capital loans amounting to Rs 37.92 crore to 252 units. Test check of 156 cases revealed that Rs 20.79 crore (including interest) were overdue for recovery from 86 units as on 31 March 1998.

(Paragraph 3.5(c))

The percentage of recovery to the amount recoverable decreased from 47.57 in 1994-95 to 37.96 in 1997-98 resulting in increase of overdues from Rs 116.33 crore to Rs 318.50 crore during the same period. Non-performing assets increased from 20.09 *per cent* to 35.05 *per cent* of total outstanding loans in the same period.

(Paragraph 3.6(a)(i) and 3.7)

Out of 272 units under possession on 31 March 1998, 116 units involving outstandings of Rs 49.91 crore (assessed value:Rs.12.65 crore) were awaiting disposal for one to more than 5 years.

(Paragraph 3.6(b))

As on 31 March 1998, 475 cases involving recovery of Rs 66.04 crore pertaining to the period from 1982-83 to 1997-98 were pending with various collectors. In six cases, the Corporation could not recover Rs 2.88 crore due to non-existence of properties in the names of promoters/guarantors or non-traceability of promoters.

(Paragraph 3.6(c))

3.1. Introduction

The Haryana Financial Corporation was established in April 1967 under the State Financial Corporations (SFC) Act, 1951 to provide loan assistance to small and medium scale industrial units to accelerate industrial growth in the State. From September 1985, the Corporation was empowered to sanction loan up to Rs 60 lakh in each case in case of companies and cooperative societies. The limits were raised to Rs 90 lakh, Rs 150 lakh and Rs 240* lakh from August 1990, October 1994 and February 1995 respectively. In other cases, the limits were Rs 30 lakh and Rs 120 lakh from September 1985 and February 1995 respectively. Since September 1993, the Corporation also took up activities of leasing, merchant banking and working capital facility but the

* Limit was up to Rs 150 lakh during July 1996 to June 1997.

same were discontinued in June 1996 due to non-availability of refinance facility from Industrial Development Bank of India (IDBI) and Small Industries Development Bank of India (SIDBI).

3.2. Organisational set up

The management of the Corporation is vested in a Board of Directors comprising 12 directors including a Chairman. The Managing Director, appointed by the State Government, is the chief executive of the Corporation. He is assisted by three General Managers. The Corporation has 17 branches all over the State headed by Branch Managers who work as functional heads for disbursement and recovery of loans.

3.3. Scope of audit

The performance of specialised schemes covering leasing and merchant banking activities undertaken by the Corporation was reviewed and included in the Report of the Comptroller and Auditor General of India for the year 1996-97 (Commercial)- Government of Haryana. The present review on disbursement of loans alongwith recovery performance during last five years up to 1997-98 was conducted during December 1998 to March 1999 through a test check of records of eight branches.

3.4. Sources of finance

Sources of finance and their utilisation for the last five years up to 1997-98* are given in Annexure-18. It would be seen that during the five years up to 1997-98 , the Corporation disbursed loans amounting to Rs. 781.73 crore whereas recovery during this period was Rs 663.09 crore. In order to fulfil the gap between the recovery (internal generation of funds) and disbursement of loan, the Corporation had to borrow funds, due to which the interest burden had increased from Rs 29.48 crore in 1993-94 to Rs 90.98 crore in 1997-98. This adversely affected the financial health of the Corporation leading to loss of Rs 8.66 crore and Rs 6.69 crore during 1996-97 and 1997-98 respectively as against profit of Rs 1.11 crore during 1995-96.

3.5. Sanction/disbursement of loans

The Corporation provides financial assistance for setting up new industrial projects as well as for expansion, diversification and modernisation of existing units. According to the laid down procedure, a promoter seeking financial

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* Accounts for the year 1998-99 have not been finalised.

assistance from the Corporation is required to furnish an application in the prescribed format alongwith the project report of the unit to be set up with the financial assistance. During appraisal of the project, the Corporation examines the techno-economic viability of the project, security being offered, credit worthiness of promoters, etc. Disbursement is made after entering into an agreement, ensuring clear title of primary security mortgaged and watching the progress of the project. Besides, collateral security in the shape of immovable property having clear title and which can be sold in case of default by the loanee is obtained, the limit of which depends upon the financial status of the promoters.

Disbursement of loans declined from Rs 272.14 crore in 1995-96 to Rs 106.94 crore in 1997-98

3.5(a) A comparative statement showing the receipt of loan applications, sanctions and disbursements made during the five years ending 1997-98 is given in Annexure-19. It would be seen from Annexure-19 that loans sanctioned and disbursed by the Corporation during five years up to 1997-98 amounted to Rs 1116.39 crore and Rs 781.73 crore respectively. Further analysis of the Annexure would reveal that performance of the Corporation started declining sharply after 1995-96, as disbursement of loan came down to Rs 137.88 crore during 1996-97 and Rs 106.94 crore during 1997-98 as against Rs 272.14 crore during 1995-96. Loan applications also declined from 1303 during 1995-96 to 852 during 1997-98.

The Management attributed (December 1998) the decline in disbursement to higher rate of interest, deceleration of industrial growth and discontinuance of activities of working capital finance, leasing and merchant banking. Audit analysis, however, revealed that higher rate of interest was due to the Management's failure to generate internal resources necessitating raising of funds from commercial banks, which not only affected the profitability of the Corporation but also forced it to reduce its targets of disbursement by 32 *per cent* during 1996-97 and by 42 *per cent* in 1997-98.

3.5(b) Project appraisal

A few cases involving deficiencies in project appraisals and disbursement of loans such as financing unviable units, acceptance of defective security ignoring adverse reports regarding credit worthiness of promoters, disbursement of additional loans to defaulting units, non-verification of titles of securities, etc., are discussed below:

The Corporation disbursed loans without reducing the size of the project as desired by IDBI

(i) Nova Marb (P) Limited applied (April 1986) for a loan of Rs 60 lakh for setting up a synthetic marble and granite decorated tiles manufacturing unit at Bhiwani with installed capacity of 3450 TPA. Before sanction of loan, the Corporation discussed the case with IDBI which advised that keeping in view promoters' experience and technology involved in the process being sophisticated, the capacity of the unit be reduced to 500 TPA from 3450 TPA. Accordingly, the Corporation asked (October 1986) the promoters to reduce the size of the project. Even though the promoters did not reduce the installed capacity as desired by IDBI, the Corporation sanctioned (March 1987) loan of Rs 60 lakh. An amount of Rs 52.73 lakh was disbursed between October 1987 and March 1989 and balance loan was cancelled.

The unit started commercial production in January 1989. During 1989-90, the unit effected sales of Rs 0.95 lakh against the projected sales of Rs 207 lakh. As the unit did not repay the instalments of loan, the Corporation finally took over possession of unit in May 1991.

The unit was put to auction (February 1992) where highest bid of Rs 52.44 lakh was not accepted (February 1992) on the plea that the reserve price of the unit was not assessed. After getting the value of unit assessed (April 1992) at Rs 56.56 lakh, the unit was put to auction in June 1992, October 1992 and January 1993 but no bid was received. The total amount outstanding against the unit amounted to Rs 238.20 lakh on 31 January 1999. The unit had not been sold so far (March 1999).

Thus, sanction of loan to an unviable unit resulted in non-recovery of Rs 238.20 lakh. Besides, the Corporation also lost opportunity to recover at least Rs 52.44 lakh because of its failure to assess the value of the unit.

(ii) Kalptaru Basic Drugs (P) Limited applied for a term loan of Rs 30 lakh for setting up a bulk drug project in district Rohtak. On appraisal of the project, the proposed land measuring 4 kanals[#] 8 marlas[##] was found insufficient and it was decided that the unit would take adjoining land measuring 9 kanals 12 marlas owned by its managing director on lease for about 20 years and provide it as collateral security. Acceptance of leasehold land as collateral security being not marketable was in contravention to its laid down procedure. Out of sanctioned loan of Rs 29.10 lakh, the Corporation released Rs 13.31 lakh between August 1991 and February 1992 and the balance loan was cancelled as the loanee was not interested to implement the complete project. The unit went in default (Rs 2.22 lakh as on 1 March 1993) and the Corporation took over the possession of the unit and the collateral security in July 1994.

Leasehold land taken as collateral security could not be sold to recover the loan

The Corporation invited (July 1995) tenders and sold (October 1995) land, (14 kanals including 9 kanals and 12 marlas on leasehold with the unit), building and machinery of the unit for Rs 14 lakh. A sum of Rs 3.50 lakh being 25 *per cent* of the bid amount was received (November 1995) and possession of the unit was handed over (January 1996) to the buyer. However, being the leasehold land, the ownership of land measuring 9 kanals and 12 marlas was not with the Corporation and could not be transferred. Therefore, the buyer of the unit requested (November 1996) the Corporation to refund Rs 3.50 lakh. The Corporation took back the possession of unit in January 1998 and the same was lying unsold so far (March 1999).

Thus, due to acceptance of leasehold land as collateral security in contravention to its laid down procedure, recovery of Rs 33.51 lakh (including interest) had become doubtful.

(iii) Sudha Food Packs (P) Limited, Panchkula approached (September 1991) for a term loan of Rs 65.76 lakh for setting up a multilayer co-extruated

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\# 1 Kanal = 20 Marla

\## 1 Marla = 25 Square yards

plastic fibres project which was subsequently increased (December 1991) to Rs 85 lakh due to increase in the capital cost of project. While considering the loan application, the Corporation felt that the promoters of the unit had nominal means and as such a collateral security of at least 20 *per cent* be obtained. Subsequently, the proposal to obtain collateral security was dropped without assigning any justification. Loan of Rs 85 lakh was sanctioned with the condition that technical adviser of the unit (Shri Arun Sharma) be inducted as a director with a minimum equity contribution of Rs 0.75 lakh and his credit worthiness be verified from Punjab Financial Corporation (PFC) from which his unit had availed a loan of Rs 52.24 lakh. Before release, the Corporation approached (February 1992) the PFC to ascertain the credit worthiness of the director. The PFC intimated (April 1992) that the unit of that person was in default since inception. However, the Corporation ignored this fact on the plea that Shri Sharma was only a technical director in the unit and released (between June 1992 and April 1993) a loan of Rs 77.59 lakh to the unit.

Disbursement of loan by ignoring prescribed procedure led to non-recovery of Rs 112.16 lakh

The unit went in default and the Corporation took over (April 1996) the possession when the dues accumulated to Rs 162.16 lakh. The unit was sold for Rs 50 lakh leaving an unrecovered balance of Rs 112.16 lakh (principal : Rs 34.21 lakh and interest : Rs 77.95 lakh).

Thus, release of loan to the promoters with insufficient resources, relaxing the requirement of collateral security and ignoring the adverse report from PFC resulted in non-recovery of loan of Rs 112.16 lakh.

(iv) The Corporation sanctioned (March 1994) a term loan of Rs 70.50 lakh to M/s Pankaj Agro Industries (P) Limited, Bhiwani for setting up a unit for production of white button mushrooms on its own land. The loan amounting to Rs 57.69 lakh was disbursed during January 1995 to May 1996 against the security of building and machinery and balance loan (Rs 12.81 lakh) was cancelled (February 1997) due to non-demand by the unit.

The unit again approached (October 1997) the Corporation for additional term loan of Rs 46.90 lakh to implement the original scheme and enhancement of installed capacity. The Corporation sanctioned (October 1997) second loan of Rs 30 lakh to the unit and also revived the earlier cancelled loan of Rs 12.81 lakh with the following stipulations:

(a) Before disbursement, the promoter would furnish collateral security equivalent to 150 *per cent* of the total term loans.

(b) The amount of overdue interest of Rs 12.50 lakh on earlier loan would be adjusted at the time of disbursement of balance original loan.

In order to favour the loanee, the loan was disbursed without adjusting the over due interest and collateral security was accepted at inflated value

It was observed that in order to fulfil the condition of collateral security equivalent to 150 *per cent* of the total term loan, the value of the security was inflated to Rs 1.76 crore though the same security had earlier been valued at Rs 75.83 lakh on the same day (23 December 1997) by the same valuer. Besides, the Corporation released entire loan of Rs 42.81 lakh between February and August 1998 without adjusting overdue interest as stipulated.

The unit was in default since March 1996 and the Corporation recalled the entire loan of Rs 129.56 lakh (including interest) in January 1999. Further action was awaited (February 1999).

Thus, the disbursement of loan without adjusting the overdue interest (Rs 12.50 lakh) and acceptance of collateral security at inflated value to favour the loanee rendered the recovery of Rs 129.56 lakh doubtful.

(v) The Corporation sanctioned (September 1992, December 1992 and March 1993) three separate loans to Shiva Garments (Rs 7.40 lakh), Skylark Garments (Rs 7.43 lakh) and Skylark India (Rs 7.40 lakh) for setting up three different units at Bhora kalan (Gurgaon) and disbursed Rs 6.25 lakh, Rs 7.25 lakh and Rs 6.32 lakh respectively between December 1992 and October 1993.

As all the units were in default in repayment of loans, entire loans of the three units were recalled (August 1996) and the Corporation decided (September 1996) to take possession of assets of the units. However, the possession of assets could not be taken due to following reasons:

(a) The Corporation accepted the primary security of unpartitioned land of 4 kanals for all the three units, without entry of mortgage in revenue records. The promoters sold the land in 1996 without the knowledge of the Corporation.

(b) Buildings constructed by all the three units were on another land which was not mortgaged to the Corporation.

(c) Machinery installed by all the three units had been removed by the units and disposed of without the knowledge of the Corporation.

The Corporation accepted security of unpartitioned land and loan was disbursed without completing required formalities

FIRs were lodged (February 1998) against all the three promoters of the units. Legal Advisor of the Corporation opined (December 1997) that there was active connivance on the part of the officials of the Corporation because acceptance of security of unpartitioned land was against the policy of the Corporation. Due to non-completion of required formalities coupled with failure to notice the construction of buildings at alternate sites, the purpose of obtaining security against loans was defeated and amount of Rs 22.65 lakh (including interest up to May 1998) remained unrecovered.

(vi) In another case (Aditya Chain Industries, Bhiwani) also, the Corporation could not take over the possession of the unit as the premises was being used by the promoter for residential purpose. Consequently, the recovery of Rs 12.31 lakh (principal : Rs 10.10 lakh and interest : Rs 2.21 lakh) has become doubtful.

Sanction of working capital was not ensured before disbursement of loan

(vii) The Corporation sanctioned (July 1993) a term loan of Rs 60 lakh to M/s Tamal Chemicals Pvt. Limited, Panchkula for setting up a feric alum plant subject to the stipulation that the unit would offer collateral security to the extent of 30 *per cent* of term loan sanctioned, besides ensuring the sanction of working capital (Rs 9.74 lakh) from some bank during the course of disbursement. The amount of collateral security was reduced to 20 *per cent* in December 1993 for which no reasons were recorded. Entire loan was disbursed during December 1993 to February 1995 without the sanction of working capital by a bank.

The unit did not commence commercial production as it could not make arrangement of working capital. Due to persistent default, Corporation took over the possession (July 1996) of the unit and sold the same for Rs 18 lakh in March 1998. After adjusting the sale proceeds, Rs 127.59 lakh (principal: Rs 43.11 lakh and interest: Rs 84.48 lakh) were outstanding as on November 1998. The Corporation took over (April 1999) the possession of collateral security (assessed value :Rs 3.63 lakh) disposal of which was awaited (July 1999).

Thus, release of funds without ensuring the working capital had put the Corporation's funds of Rs 127.59 lakh at stake.

Loan was disbursed against security of land and building not in the name of loanee/guarantor

(viii) The Corporation sanctioned (May 1995) a term loan of Rs 37.96 lakh to a partnership firm named Payal Printers, Gurgaon for setting up an off-set printing press and disbursed Rs 36.24 lakh during August 1995 to January 1996. The loan was secured against mortgage of land, building and machinery of proposed unit. In addition, the Corporation also obtained collateral security of land of a partner (guarantor) measuring 187 kanals and 17 marlas. On a visit by a representative of the Corporation, it was found (7 May 1996) that no machinery was available at site and the unit was found closed. Resultantly, the Corporation recalled (10 May 1996) the entire loan, but no payment was made by the borrower. The Corporation decided (21 May 1996) to take possession of the unit and approached Tehsildar, Gurgaon for confirmation if the properties mortgaged including collateral security were in the name of unit/guarantor. The Tehsildar stated (May 1996) that mortgaged properties, as per revenue records, did not exist in the names of the loanee/guarantor. Hence the possession of the unit could not be taken for effecting recovery of dues.

Thus, non-verification of titles of the securities before disbursement of loan had resulted in non- recovery of Rs 62.44 lakh (including interest of Rs 26.18 lakh up to August 1998).

(ix) In a similar case, the Corporation failed to recover Rs 22.13 lakh (including interest of Rs 10.52 lakh up to December 1998) from Priya International, Gurgaon as the mortgaged properties were not in the name of the borrower or guarantor.

3.5 (c) Working capital loan

The Corporation introduced (October 1994) a scheme for providing working capital facility (for one year) up to Rs 25 lakh (enhanced to Rs 100 lakh) to industrial units. The loan was to be secured against stock and book debts besides collateral security. Up to June 1996, the Corporation disbursed Rs 37.92 crore as working capital loan (inclusive of bridge loan of Rs 7.32 crore) to 252 units.

In view of non-availability of refinance facility from IDBI/SIDBI against working capital assistance, non-receipt of regular stock statements from the loanees and poor control over disbursements, the Corporation decided (June 1996) to discontinue the facility and convert the existing dues in working capital term loan repayable within a maximum period of 5 years. At the instance of Board of Directors, the Corporation got investigated the scheme and found (August 1996) following irregularities in its operation:

Sl. No.	Type of Irregularity	No. of units	Amount involved (Rupees in crore)
1.	Non- submission of monthly stock statements	150	25.62
2.	Shortcomings in sanction/disbursement viz., disbursement more than permissible limit, higher repayment period. processing fee not charged, etc.	45	8.91
3.	Physical verification not conducted	134	21.54
4.	Units lying closed	29	3.16
5.	Working capital facility not converted into working capital term loan	130	18.19
6.	Insufficient collateral security	13	1.94
7.	Improper documentation	13	2.99
8.	Insufficient stock	42	4.62

The Corporation had not fixed responsibility for above lapses so far (July 1999).

86 units were in default of Rs 20.79 crore in five branch offices

Out of total 252 units to whom the facility was extended, 156 cases (loan disbursed : Rs 23.86 crore) were test checked in 5 branch offices (Bhiwani, Panipat, Rewari, Hisar and Rohtak) and it was observed that 86 units (disbursement : Rs 16.46 crore) were in default to the extent of Rs 20.79 crore (including interest) as on 31 March 1998.

A few illustrative cases are discussed in succeeding paragraphs:

(i) The Corporation sanctioned (January 1995) working capital loan of Rs 18.15 lakh to Sanjay Oil Mills, Jind having two partners (Vinod Goyal and Mrs. Neetu Goyal) against collateral security of leasehold land (Rs 11.87 lakh), building (Rs 6.20 lakh) and machinery (Rs 6.32 lakh). The Corporation also obtained personal guarantee of husband of a partner, who declared to own 50 *per cent* share in a house at Jind. The unit defaulted in repayment and the Corporation, on the request of the loanee, took over (July 1996) the possession of the unit and sold (March 1997) it for Rs 6.01 lakh against the assessed value of Rs 13 lakh. Recovery certificate for recovery of balance amount of

Rs 20.01 lakh (including interest) issued (May 1997) by the Corporation was returned by the Collector, Jind with the remarks that no property existed in the names of partners and guarantor (who as per affidavit owned a house valued at Rs 10 lakh).

Thus, lapse on the part of Corporation in sanctioning loan partly against machinery (moveable asset) and other assets (evaluated at inflated value) and non-ensuring the title of the property mentioned in the affidavit by the guarantor led to non-recovery of Rs 20.01 lakh.

(ii) The Corporation sanctioned (December 1994) a working capital limit of Rs 18 lakh to Sarin Velvet, Panipat. As per terms and conditions of the loan, the loanee was required to offer land and building of the unit, as collateral security value of which should not be less than 50 *per cent* of the sanctioned limit. However, the Corporation accepted the assets valued at Rs 10.80 lakh including machinery (Rs 3 lakh) as collateral security by way of mortgage and released Rs 18 lakh in February/March 1995. The machinery being a moveable asset was not to be accepted as security as per provision of Manual for Disbursement.

In April 1996, the Corporation converted working capital limit into working capital term loan repayable within 3 years in nine instalments. As per stipulation of the sanction, the loanee was required to execute fresh legal documents and 100 *per cent* collateral security of the loan. However, the loanee neither executed legal documents nor furnished additional collateral security. On default by the unit, the Corporation took over (February 1997) the possession of the unit, whose value was assessed at Rs 9.23 lakh. The disposal of the unit was awaited (March 1999). Thus, the acceptance of machinery as collateral security and poor follow up on the part of management had put the recovery of Rs 28.27 lakh (including interest) at stake.

(iii) M/s Sunita Textiles, Panipat was in default of Rs 5.70 lakh (January 1995) in repayment of instalment of loan of Rs 24.89 lakh disbursed during September 1991 to February 1992. In spite of the unit in default, the Corporation sanctioned (January 1995) the working capital loan of Rs 15.90 lakh on the stipulation that it would be ensured at the time of disbursement of new loan that the unit was regular in repayment of earlier loan.

Ignoring the default, the Corporation released the entire working capital loan (February/March 1995) to the loanee. As the loanee did not respond to the notice (April 1995) for clearing the overdues, the Corporation recalled both the loans in September 1995. The loanee obtained (December 1996) stay from the court against recovery which was got vacated and finally the possession of unit was taken in August 1998, whose value was assessed at Rs 12.07 lakh. No further progress had been made so far (February 1999). Total recoverable amount at the end of June 1999 was Rs 42.15 lakh.

Thus, the release of working capital to an already defaulting unit had put the funds of Rs 30.08 lakh (after adjusting assessed value of unit acquired) at stake.

3.6. Recovery performance

Recovery of loan instalments is pursued by respective branch offices and the head office monitors overall recovery position of the Corporation. In case of continuous default by the loanees, the unit and collateral security are acquired by the Corporation under Section 29 of SFC Act. The assets so acquired are sold by the Corporation through open auction and realisations adjusted against the dues. In case of non-recovery of full amount, recovery of shortfall amount is pursued through the District Collectors for recovery as arrears of land revenue under Section 3 of Haryana Public Moneys (Recovery of Dues) Act, 1979. Such recovery is effected by issue of recovery certificate to the concerned collector.

Amount overdue for recovery was Rs 318.50 crore as on 31 March 1999

3.6 (a) (i) Up to 1997-98, the Corporation disbursed term loans aggregating Rs 1209.23 crore to 14998 units out of which Rs 597.23 crore (principal: Rs 594.05 crore and interest: Rs 3.18 crore) were outstanding from 5901 assisted units as on 31 March 1998. Further, an amount of Rs 318.50 crore (principal : Rs 104.68 crore, interest : Rs 213.82 crore) was overdue from 3688 units. The details of the amount due for recovery (including interest), targets fixed, amount recovered during last five years up to 1997-98 are given in the table below:

Sl. No.	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
		(Rupees in crore)				
1.	Amount due for recovery					
a)	Arrears at the beginning of the year	87.72	97.60	116.33	153.06	227.58
b)	Amount due during the year	88.64	133.71	170.28	247.14	296.87
c)	Total recoverable	176.36	231.31	286.61	400.20	524.45
d)	Amount rescheduled	5.97	9.44	5.87	10.39	11.10
e)	Net recoverable	170.39	221.87	280.74	389.81	513.35
2.	Target for recovery	76.00	109.00	155.00	230.00	217.00
3.	Percentage of target to net recoverable	44.60	49.13	55.21	59.00	42.27
4.	Recovery against					
a)	Old dues	16.90	17.05	19.35	23.11	39.24
b)	Current year demand	55.89	88.49	108.33	139.12	155.61
	Total	**72.79**	**105.54**	**127.68**	**162.23**	**194.85**
5.	Amount in arrear	97.60	116.33	153.06	227.58	318.50
6.	Percentage of recovery against					
a)	Net recoverable	42.72	47.57	45.48	41.62	37.96
b)	Target	95.78	96.82	82.37	70.53	89.79
c)	Arrear	19.27	17.47	16.63	15.10	17.24
d)	Current year demand	63.05	66.18	63.62	56.29	52.42

Percentage of recovery to net recoverable amount decreased from 47.57 in 1994-95 to 37.96 in 1997-98

It would be seen from the above table that the percentage of recovery to net recoverable decreased from 47.57 in 1994-95 to 37.96 in 1997-98 indicating poor monitoring of recovery. Recovery of old dues ranged between 15.10 *per cent* and 19.27 *per cent* as against 52.42 and 66.18 of the current demand. Low recovery against old arrears was indicative that concrete efforts were not made for making recovery from chronic defaulters.

It was noticed in audit that the Corporation during discussion (August 1994) with the IDBI/SIDBI, made a commitment to effect recovery of current dues at 90 *per cent*. The actual recovery, however, recorded a constant decline from 66.18 *per cent* in 1994-95 to 52.42 *per cent* in 1997-98.

Poor recovery had not only adversely affected the financial health of the Corporation but also forced the Corporation to reduce its targets of disbursement of loan as discussed in paragraph 3.5 (a) *supra*. Consequently, the real entrepreneurs were deprived of the loan facilities for industries, defeating the very purpose for which the Corporation was formed.

3.6 (a) (ii)Agewise analysis of arrears

Agewise analysis of arrears as on 31 March 1998 is tabulated below:

Sl. No.	Age of arrears	No. of units	Principal	Interest	Total
			(Rupees in crore)		
1.	Up to 6 months	996	6.26	15.71	21.97
2.	6 months to one year	400	6.96	4.44	11.40
3.	One year to three years	523	20.73	14.40	35.13
4.	Three years to five years	171	6.06	7.46	13.52
5.	More than five years	1598	64.67	171.81	236.48
	Total	**3688**	**104.68**	**213.82**	**318.50**

It would be seen from the above table that out of overdue amount of Rs 318.50 crore, Rs 236.48 crore were more than 5 years old which constitute 74.25 *per cent* of the total overdues.

3.6 (b) Possession of units

Section 29 of the SFC Act empowers the Corporation to take the possession of the loanee unit and dispose of the same to recover its dues, in case the unit fails to repay the dues.

Assessed value of 260 acquired units was Rs 32.02 crore against recoverable amount of Rs 81.45 crore

Out of 3688 units in default (Rs 318.50 crore) as on 31 March 1998, the Corporation was having the possession of 272 units from which Rs 87.42 crore were recoverable. Out of this, the value of assets of 260 units, for which information was made available to audit, was assessed at Rs 32.02 crore against Rs 81.45 crore recoverable from them, thereby leaving a deficit of Rs 49.43 crore. Further, out of these 260 units, 116 units against which Rs 49.91 crore (assessed value : Rs 12.65 crore) were outstanding, were pending for disposal for the period ranging from one to more than 5 years.

The units could not be sold, as either the bids received were not acceptable to the Corporation or there were no bidders. To safeguard the assets of the units taken over, the Corporation incurred Rs 2.21 crore on security of the units during the five years ending March 1998.

This is indicative of defective financing, unrealistic reserve price (assessed value) for auction and non-ascertaining the prospects of sales of the units before taking their possession.

3.6 (c) Recovery of loan as land revenue

475 recovery cases involving amount of Rs 66.04 crore were pending with district collectors

As on 31 March 1998, recovery certificates in respect of 475 cases involving an amount of Rs 66.04 crore (pertaining to the period 1982-83 to 1997-98) were pending with various district collectors for recovery. The Corporation recovered Rs 0.29 crore in 11 cases during 1992-93 to 1996-97 and recovery certificates in respect of 34 defaulters involving Rs 0.29 crore were received back with the remarks that either the defaulters were not traceable or they had no property. Huge pendency of recovery certificates shows ineffectiveness of this measure to make recovery. Six cases (outstanding amount: Rs 287.97 lakh), where the property of promoters was either inadequate or non-existing or their whereabouts were not known are given in Annexure-20.

3.7. Classification of outstanding loans

In the case of financial corporations, 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 loans.

In case of standard assets, the repayments are regular, whereas sub-standard assets are those where instalments of principal are overdue for periods exceeding one to two years. Any sub-standard asset where no recovery is received beyond two years becomes doubtful and an asset not backed by any security and where loss has not been written off wholly or partly is termed as loss asset. According to these guidelines of the IDBI, the Corporation has classified its loans during the 5 years ending 31 March 1998 as follows;

Sl. No.	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
		(Rupees in crore)				
(i)	Loans outstanding at the close of the year	316.16	393.80	546.88	602.60	597.23
(ii)	**Classification of loans**					
a)	Standard	262.86	314.68	448.76	418.48	387.92
b)	Sub-standard	17.88	56.76	61.37	114.42	112.81
c)	Doubtful	28.95	12.40	33.28	61.60	86.22
d)	Irrecoverable (Loss)	6.47	9.96	3.47	8.10	10.28
e)	Percentage of sub-standard, doubtful and irrecoverable assets to total loans outstanding	16.86	20.09	17.94	30.55	35.05

Non standard assets had increased from 16.86 per cent to 35.05 per cent

From the above, it would be observed that the non-standard assets (sub-standard, doubtful and loss assets) had increased from 16.86 *per cent* in 1993-94 to 35.05 *per cent* in 1997-98 to total recoverable amount. The heavy accumulation of non-standard assets resulting from poor recovery of loans had been affecting the financial position adversely, because the Corporation had to make payments to financial institutions/banks without recovering the same from its loanees. Besides, heavy accumulation of non-standard assets had also enhanced average cost of funds which increased from 11.94 *per cent* in 1993-94 to 14.60 *per cent* in 1997-98 thereby resulting decrease in the interest margin of the Corporation. During the last five years up to 1997-98, the actual margin varied between (-) 0.24 *per cent* to 2.72 *per cent* as against available minimum margin of three *per cent*.

Conclusion

The Corporation was formed to provide loans to small and medium industrial units to accelerate industrial growth in the State. It also provided working capital loan facility during October 1994 to June 1996. However, failure of the Corporation to follow its own laid down procedure for appraising the projects coupled with deficiencies in sanction and disbursement of loans resulted in heavy arrears, recovery of which is doubtful. Further, lack of monitoring of recovery resulted in inadequate generation of internal resources which not only converted the profit making Corporation into loss incurring one but also limited its loan disbursement activity. In view of this, the Corporation needs to take urgent steps for (i) effectively following its laid down procedure for appraisal of projects, sanction/disbursements and (ii) improving the recovery performance to reduce over dependence on borrowed funds.

The above matters were reported to the Corporation and the Government in May 1999; their replies had not been received (December 1999).

Chapter-4

CHAPTER 4

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

4A GOVERNMENT COMPANIES

4A.1 Haryana Seeds Development Corporation Limited

4A.1.1 Loss due to failure of fresh cotton seed

Purchase of sub-standard seed cotton from the growers led to loss of Rs 10.65 lakh in disposal of seed as the same did not meet the minimum standards of germination.

The Company procures raw seed cotton from growers for production of certified seed after ginning of raw cotton and processing of seed at its plants at Sirsa and Hisar. It is the overall responsibility of Regional Manager incharge of respective plant to accept seed cotton conforming to prescribed quality norms which, *inter alia*, provide moisture up to highest limit of 10 *per cent*.

The head office of the Company directed (November 1997) Regional Managers of the plants to constitute plant level committees so as to ensure the receipt of seed cotton of prescribed quality. During Kharif 1997, there was unprecedented bad weather and rains in the months of October and November 1997. Hisar plant of the Company did not procure any seed cotton as it was found to be having moisture content above 10 *per cent*. However, it was observed in audit (August 1998) that Sirsa plant accepted 3841.63 quintals of seed cotton from growers without checking its moisture content and germination potential. The Company got 2530.64 quintals of seed after ginning of seed cotton at Sirsa. Out of this, 1455.53 quintals of seed was retained at Sirsa for machine delinting and 1075.11 quintals of seed was sent (March 1998) to Hisar for acid delinting.

The Company obtained 1930.77 quintals of fresh cotton seed after delinting at Sirsa (1140.47 quintals) and Hisar (790.30 quintals). On processing for certification, seed weighing 126.55 quintals (11.10 *per cent*) at Sirsa and 659.60 quintals (83.46 *per cent*) at Hisar finally failed as it could not meet minimum standards of germination required for certification. The Company disposed of rejected seed at a loss of Rs 10.65 lakh.

On being pointed out in audit (August 1998), the Company constituted (November 1998) a committee to conduct preliminary enquiry to find out the reasons for failure of cotton seed. The enquiry committee attributed (December 1998) the large scale failure of seed to acceptance of seed cotton with higher moisture content; non-drying of seed in sun before acid delinting, over heating of seed during delinting and improper storage of seed. The Company issued charge sheets (February 1999) to three officers of Sirsa plant and two officers of Hisar plant for causing financial loss to the Company.

The Government stated (June 1999) that an enquiry on the charge sheets issued to five officers had been ordered and further administrative action would be taken on receipt of findings of the enquiry report.

4A.2 Haryana State Industrial Development Corporation Limited

4A.2.1 Undue benefit to collaborator in buy back of shares

The Company favoured the collaborator in settlement of dispute in buy back of shares and suffered loss of Rs 20.48 lakh.

As per financial collaboration agreements (October 1984 and February 1991), the Company subscribed (April 1986 to March 1991) 537040 equity shares (Rs 53.70 lakh) in Haryana Leather Chemicals Limited (HLCL) under its joint sector scheme. The Company further subscribed (October 1992) 133800 shares (Rs 13.38 lakh) in the rights issue of HLCL. The Company, thus, held 670840 shares of HLCL at an investment of Rs 67.08 lakh. The collaboration agreements, *inter alia*, provided that upon the expiry of the period of five years from the date of commencement of commercial production by the unit, the collaborator was bound to purchase the equity shareholding of the Company at the highest of the amount paid by the Company plus interest at 12 *per cent* or average price of shares on stock exchange for the period of last two months or assessed value of shares determined by an auditor of the Company. In the event of failure of the collaborator to purchase the equity shareholding, the Company was entitled to sell its shares at the risk and cost of the collaborator who had to make good the loss to the Company, if any, sustained on sale of its shareholdings.

After completing the five years from the date of commencement of commercial production (April 1988), the Company asked (April 1993) the collaborator to buy back its shareholdings. The collaborator failed to buy back its shareholdings in spite of wait by the Company up to December 1993. Meanwhile, the Company sold (2 February 1994) 298800 shares at Rs 35 per share at a profit of Rs 74.70 lakh. The collaborator, however, obtained (10 February 1994) injunction from the court of Sub-Judge, Chandigarh restraining the Company from further dealing in shares which was vacated in

December 1994. The Collaborator, again, obtained (January 1995) the injunction from High Court. On the advice of High Court, the Company settled (August 1997) the dispute with collaborator, who deposited Rs 12.19 lakh for buy back of 121940 shares (at Rs 10 each) leaving 250100 shares at the disposal of the Company absolving him from the liability of further buy back towards full and final settlement.

It was noticed in audit (September 1998) that the Company did not act as per agreement which provided for sale of its equity shareholding in the open market at collaborator's risk and cost on his failure to buy back. Instead, the Company resorted to favoured settlement (August 1997) with the collaborator and realised only Rs 10 per share on 121940 shares against the value of Rs 26.80 per share (worked out by adding interest payable to the value of shares in terms of collaboration agreement) and suffered loss of Rs 20.48 lakh. Further, the collaborator was also absolved to buy back of 250100 shares contrary to the terms of collaboration agreement.

The Company stated (March 1999) that in view of court case, it was left with no alternative but to arrive at settlement as the purchaser of 298800 shares was pressing for getting the shares transferred in his favour. The reply is not convincing as the High Court had only advised the Company to consider the proposals of collaborator, if possible, and thus Company could have avoided unfavourable settlement. Moreover, it was observed that the collaborator had allowed transfer of shares in September 1995 whereas the settlement was effected in August 1997.

The matter was reported to the Government in February 1999, the reply had not been received (December 1999).

4A.3 Haryana Forest Development Corporation Limited

4A.3.1 Avoidable payment of interest on income tax

Due to non-compliance of the provisions of the Income Tax Act, 1961, regarding payment of advance income tax, the Company paid interest of Rs 5.11 lakh.

According to the provisions of the Income Tax Act, 1961, advance tax is payable in four instalments on or before 15 June, 15 September, 15 December and 15 March each year. In case of default, simple interest at the rate of 1.5 *per cent* per month for a period of three months on the amount of shortfall of the tax due is payable and in case advance tax paid is less than 90 *per cent* of the assessed tax up to March of the financial year, simple interest at the rate of 2 *per cent* per month is payable up to the date of such payment.

It was noticed in audit (August 1998) that the Company failed to deposit income tax in advance during the financial year 1996-97 except for the one instalment of Rs 55 lakh deposited on 15 March 1997 and the balance of Rs 7.99 lakh in November 1997 against the self assessed tax of Rs 62.99 lakh. Consequently, the Company paid (November 1997) interest of Rs 5.11 lakh for not making the payment of advance income tax as per schedule despite the fact that the Company had sufficient funds ranging between Rs 42.64 lakh and Rs 141.63 lakh during April 1996 to March 1997.

The Company stated (February 1999) that most of the timber was sold during second half of the financial year and quantum of sale of timber and expected income could not be anticipated. The reply is not convincing as the Company has to estimate its taxable income at every stage on the date of payment of advance tax.

The matter was reported to the Government in February 1999; the reply had not been received (December 1999).

4A.3.2 Loss of interest due to improper cash management

Failure of the Company to invest surplus funds in term deposits and keeping the same in saving bank accounts deprived it of extra interest income of Rs 9.23 lakh.

The head office of the Company had been investing its surplus funds in term deposits and minimum monthly balances after meeting its requirements ranged between Rs 0.03 lakh and Rs 8.82 lakh during April 1996 to March 1998. However, it had not evolved any system for optimal management of its surplus funds lying with its regional offices either by getting the same transferred to head office for profitable investment in financial institutions or in term deposits in nationalised banks at higher rate of interest.

It was noticed in audit (August 1998) that monthly balances of surplus funds kept in saving bank accounts by four regional offices ranged between Rs 39.53 lakh (April 1996) and Rs 223.81 lakh (February 1998) after meeting all the expenses. Had the Company invested its surplus funds of its regional offices in term deposits even after retaining sufficient funds amounting to Rs 20 lakh in saving banks for unforeseen contingencies, the Company could have earned extra interest income of Rs 9.23 lakh (difference of 4 *per cent* interest rate between savings accounts and term deposits).

The Company while admitting its lapse stated (November 1998) that it had now given special attention towards cash management, got the maximum possible funds transferred from its regional offices to head office and invested Rs 1.43 crore in FDRs. Having not paid due attention towards optimal management of its surplus funds lying in regional offices during April 1996 to March 1998, the Company had lost extra interest income of Rs 9.23 lakh for which no action against officials responsible for the lapse had been taken (March 1999). Contrary to its claim, it was observed in audit that regional offices were still not investing its funds in term deposits.

The matter was reported to the Government in March 1999; the reply had not been received (December 1999).

4A.4 Haryana Land Reclamation and Development Corporation Limited

4A.4.1 Avoidable payment of interest on income tax

Due to non-compliance of the provisions of the Income Tax Act, 1961, in payment of advance tax, the Company had to pay avoidable interest of Rs 9.26 lakh.

As mentioned in paragraph 4A.3.1 *supra* that according to the provisions of Income Tax Act, 1961, advance tax is payable in instalments and in case of default, interest is payable. Further, tax on capital gains does not attract penal interest if it is paid by 31 March of the relevant financial year.

It was observed that the Company estimated its total income at Rs 77.65 lakh for the year 1994-95 on which the advance income tax worked out to Rs 35.67 lakh payable as Rs 5.35 lakh, Rs 10.70 lakh, Rs 10.70 lakh and Rs 8.92 lakh on 15 June 1994, 15 September 1994, 15 December 1994 and 15 March 1995 respectively. However, the Company did not consider the capital gain of Rs 64.36 lakh accrued on sale of old tractors while estimating the total income. The Company deposited tax of Rs 23.50 lakh on 14 December 1994 and Rs 9 lakh on 15 March 1995 and after taking into account capital gain of Rs 64.36 lakh, deposited a sum of Rs 38 lakh on the total assessed income of Rs 141.90 lakh on 27 November 1995. The Assessing Officer imposed (August 1996) penalty of interest of Rs 9.26 lakh for delayed payment. Had the income tax been deposited in advance as per provisions of the Act, *ibid*, interest of Rs 9.26 lakh could have been avoided.

The Company and Government in their replies stated (May, June 1999) that income tax on capital gains on sale of vehicles could not be anticipated in advance as these were sold in last quarter of the year. The reply is not acceptable as the vehicles were sold from April 1994 to 25 March 1995 and the Company could pay advance income tax accruing out of capital gains by 31 March 1995 to avoid penal action.

4A.5 Haryana Tourism Corporation Limited

4A.5.1 Loss of revenue

Award of contract for selling rights of soft drinks on single tender basis due to not allowing the prescribed time to tenderers to offer their rates resulted in loss of revenue of Rs 21 lakh.

The Company sells soft drinks at its different tourist resorts. For this purpose, contract for exclusive selling rights awarded to Pepsi Foods Limited (PFL) was going to expire on 31 August 1998. However, for awarding such rights from September 1998, the Company belatedly issued (27 August 1998) a tender notice inviting offers up to 31 August 1998 (within 5 days). Only PFL submitted its tender on 31 August 1998 for Rs 23 lakh (including Rs 10 lakh to be spent on advertisement). The Board of Directors of the Company approved (8 September 1998) the sole selling rights to PFL. It was, however, seen in audit (April 1999) that the Company had received another offer on 8 September 1998 from Coca Cola India (CCI), Gurgaon for Rs 44 lakh (Rs 24 lakh for sponsorship of marketing activities of the Company and Rs 20 lakh for advertisements). The offer was not considered by the Company as the same was received after closing date of tenders, i.e., 31 August 1998. The action of the Company in awarding contract to PFL lacked justification because invitation of tenders by allowing five days time for tendering was inappropriate and it had better offer in hand on the date of decision requiring rejection of single lower offer in view of financial prudence.

The Government stated (July 1999) that the offer of CCI was time barred and non-responsive as this was just for spending of Rs 44 lakh on advertisement/sponsorship of various events/activities organised by the Company. It was further stated that accepting the offer of CCI would have restricted sponsorship from other organisations. The reply is not convincing in view of the following facts:

(i) The decision to award the rights though taken on 8 September 1998 was communicated to PFL on 18 November 1998. Moreover, as mentioned above offer of CCI was better.

(ii) Expenditure on promotional activities would have reduced the expenses of the Company/Government on publicity besides accruing long-term benefits by airing the publicity on international TV channels, and

(iii) CCI had not proposed any restrictions on sponsorship from other organisations.

4A.5.2 Loss of revenue due to late execution of agreement

Due to delay in execution of an agreement for two and half months for leasing out of sites, the Company lost revenue of Rs 10.09 lakh.

The Company invited (November 1997) quotations for leasing out sites for installation of hoardings at its land at Dundahera in Gurgaon district. In response to it, nine quotations received were opened on 9 December 1997. After negotiations, offer of M/S SELVEL Media Service Limited for Rs 49.22 lakh was accepted. The firm deposited Rs 12.31 lakh as first instalment of lease money on 14 January 1998 and agreed to enter into agreement from 1 February 1998.

However, the formal agreement was signed on 15 April 1998 and lease money became payable from this date. Delay of two and a half months in entering into agreement resulted in loss of revenue of Rs 10.09 lakh.

The Government stated (July 1999) that delay in execution of agreement was caused due to obtaining of sanction of higher authority as the Company was considering the offer of second highest tenderer. The contention of the Government is not tenable as the Company was competent to finalise the tenders and sanction of Government was not required.

4A.6 Haryana Vidyut Prasaran Nigam Limited

4A.6.1 Extra expenditure on purchase of H.T. insulation testers

Purchase of testers at higher rates from a firm resulted in extra expenditure of Rs 29.70 lakh.

M/s Riken Instrumentation, Chandigarh (firm) introduced (September 1991) itself to the erstwhile Haryana State Electricity Board (Board) as manufacturer of H.T. insulation testers and offered to supply at Rs 0.54 lakh per tester. The Board adopted (December 1993) the specifications of the firm with minor changes as it was not having its own specifications for these testers . The Board issued limited (January 1994) tender inquiry on three firms and procured 45 number testers from the firm (November-December 1994) at ex-works rate of Rs 88600 per tester.

The firm again represented (January 1995) to the Board and offered to supply more testers at the same rates, terms and conditions. The Board assessed (January 1995) its requirement at 81 number testers. The tenders invited for the purpose were opened on 24 March 1995. Five tenders were received and the lowest rate of Rs 51830 was quoted by M/s Conin Prakriti Instrumentation Limited, New Delhi, whereas the rate quoted by the firm (M/s Riken Instrumentation, Chandigarh) was Rs 88500 per tester. It was noticed in audit (November 1997) that the Board ignored the first lowest offer (April 1995) on the grounds that specifications of tester offered did not tally with the Board's specifications and it had not supplied technical details of the tester. The Board placed (April 1995) purchase order on the firm (M/s Riken Instrumentation, Chandigarh) at the ex-works rate of Rs 88500 per tester for supply of 81 number testers. The firm supplied the material during July 1995 to November 1995.

Evidently, adoption of specifications of tester offered by Chandigarh firm helped it in getting the order from the Board in spite of the fact that the tester offered by the other firm (M/s Conin Prakriti Instrumentation Limited) was cheaper by Rs 36670. The lowest firm had also earlier supplied (July 1986 and February 1992) 20 number testers to the Board for which no complaint was on record. The Board also did not compare the quality of testers supplied earlier by both the firms. This resulted in extra expenditure of Rs 29.70 lakh on purchase of testers by ignoring the lowest rate.

The matter was reported to the Company and the Government in May 1999; their replies had not been received (December 1999).

4A.6.2 Loss due to non-invoking of risk purchase clause

Failure to invoke risk purchase clause against M/s Jaipur Metals and Electricals Limited, Jaipur (JMEL) for non-supply of Zebra Conductor resulted in loss of Rs 23.76 lakh.

The erstwhile Board placed (June 1996) an order for purchase of 463 Kms ACSR Zebra Conductor on the lowest rate of firm JMEL at their ex-works variable rate of Rs 116500 per Km (equivalent rate: Rs 138154 per Km) with 100 *per cent* payment after 90 days from the date of proof of despatch of material with a rebate of ½ *per cent* per week and part thereof for early payment. The supplier was to commence supplies within four months of receipt of purchase order and supply 300 Kms conductor up to March 1997 and balance quantity by June 1997. The purchase order, *inter alia*, provided for procurement of material from any alternative source at the risk and cost of the supplier and claim liquidated damages equivalent to 5 *per cent* of the value of undelivered material.

JMEL failed to commence supplies. Anticipating non-supply of 300 Kms conductor up to March 1997, the Board instead of resorting to effect purchase at the risk and cost of JMEL, decided (March 1997) to place order on second lowest tenderer M/s Haryana Conductors Private Limited, Kundli (HCPL) for supply of 300 Kms conductor at variable equivalent rate of Rs 138154 per Km (of first lowest firm) with one *per cent* discount in case 100 *per cent* payment was made within 30 days of receipt of material. Due to early payment terms, the equivalent rate allowed to this firm worked out to Rs 142989 per Km. The Board issued (July 1997/January 1998) risk purchase notices and cancelled (May 1998) the purchase order for 300 Kms and decided to invoke risk purchase clause for balance quantity (163 Kms) besides levy of liquidated damages at the rate of 5 *per cent* on the full quantity. HCPL supplied the ordered quantity of 300 Kms up to November 1997 at an extra cost of Rs 23.76 lakh (including price variation of Rs 9.26 lakh allowed for the period April to November 1997). The Board demanded (March 1999) a sum of Rs 39.40 lakh consisting of liquidated damages in respect of 300 Kms (Rs 17.70 lakh) and extra expenditure and liquidated damages of 163 Kms (Rs 21.70 lakh). However, the Board did not claim Rs 14.50 lakh incurred due to acceptance of early payment terms and Rs 9.26 lakh being extra expenditure of price variation.

4A.6.3 Loss due to incorrect billing

Incorrect application of multiplying factor coupled with acceptance of part payment from the consumer and allowing the bank guarantee to lapse resulted in non-recovery of Rs 20.86 lakh.

During periodical checking of meter of Swati Handloom, Panipat by Maintenance and Protection Wing of the erstwhile Haryana State Electricity Board (Board), it was found that the consumer was being billed for lesser units due to application of incorrect multiplying factor for the period from March 1994 to January 1995. The readings recorded by meter were multiplied by 3/8 instead of 30/8. Accordingly, a demand for Rs 4.29 lakh (including Rs 3.68 lakh for the period from March 1994 to January 1995) was raised in February 1995. The consumer filed (March 1995) an appeal in a court challenging the multiplying factor and sought permanent injunction restraining the Board from disconnecting the supply of power. The Sub-Judge restrained (March 1995) the Board from disconnecting the supply to the consumer subject to furnishing a bank guarantee of Rs 4.29 lakh. The consumer furnished the bank guarantee valid for one year, i.e., up to March 1996. It was observed in audit (May 1999) that the Sub Divisional Officer (SDO) did not take any action to get the bank guarantee renewed from the consumer/his banker during the currency of the case and allowed it to lapse in March 1996. The consumer did not pay any sum towards demand of Rs 4.29 lakh.

Secondly, the SDO in contravention of rules, accepted Rs 1.30 lakh as part payments of the current bills from the consumer against the recoverable amount of Rs 6.36 lakh for the period April 1995 to January 1996. Thereafter, the consumer had paid current monthly bills up to January 1997 without any payment towards arrears.

The suit was withdrawn by the consumer on 7 January 1998. However, the connection was disconnected on 27 April 1998 when the outstanding amount increased to Rs 20.86 lakh. No action against the consumer had been taken to recover the outstanding amount. Thus, lapse of the Board on various counts resulted in loss of revenue of Rs 20.86 lakh.

The matter was reported to the Company and the Government in June 1999; their replies had not been received (December 1999).

4A.6.4 Extra expenditure on procurement of conductor

Due to delay in release of payments, the Company could not invoke risk purchase clause and had to bear extra expenditure of Rs 19.12 lakh incurred on purchase of conductor from alternative source.

The erstwhile Haryana State Electricity Board placed (October and November 1993) two purchase orders on M/s Bharat Engineers Chhanni (Himachal Pradesh) for supply of (i) 500 kms ACSR squirrel conductor at variable rate of Rs 5100 per km (ii) 500 kms ACSR weasel conductor at variable rate of Rs 7290 per km for first 250 kms and Rs 7390 per km for next 250 kms. The rates were FOR destination inclusive of excise duty and taxes. The purchase orders, *inter alia*, stipulated for delivery of material by the firm by March 1994 and release of full payment by the Board within 60 days of receipt of material,. In case of default by the firm, the Board was entitled to make purchases at risk and cost of the firm.

The firm supplied 101 kms of squirrel conductor in December 1993 and 65 kms of weasel conductor in January 1994. The payments for these supplies due in February 1994 and March 1994 were made by the Board to the firm in April 1994 and June 1994 respectively. The firm did not supply the balance quantity of conductor. The risk purchase notices issued by the Board in July and August 1994 were received by the representative of the firm but no response was received. Final risk purchase notice issued in November 1994 was also received back un-delivered. It was observed in audit (October 1998) that the firm attributed (November 1994/May 1995) the non-supply of balance quantity to delayed release of their dues and requested (May 1995) for cancellation of purchase orders for balance quantity without any financial liability on either side. The Board decided (October 1996) not to enforce risk purchase because it failed to make the payment as per terms of the contract.

The balance quantity of these orders was recouped by the Board from alternative source by placing orders in November 1994 and March 1995 at the rate of Rs 6576 (squirrel) and Rs 10387 (weasel) per km entailing extra expenditure of Rs 19.12 lakh.

The matter was reported to the Company and the Government in June 1999; their replies had not been received (December 1999).

4A.6.5 Short levy of penalty for theft of energy

The Company incurred a loss of revenue of Rs 9.91 lakh due to wrong computation of penalty for theft of energy.

In order to avoid chances of theft of energy, the erstwhile Haryana State Electricity Board issued instructions in May 1980 which provided for fixing of welded strips on the heads of the nuts of cubical of the metering equipment. Board's terms and conditions of supply of energy as amended (April 1991) provided for a penalty at thrice the rate of tariff in force for theft of energy to be worked out on the basis of load, number of working hours and days per month depending on the nature of industry for the entire period during which there had been theft of energy. If such period cannot be determined, the period of preceding six months from the date on which theft is detected was to be taken into consideration.

The premises of a consumer (M/s National Ice Factory) under operation sub-division No.-I, Ambala Cantt. were checked on 7 November 1997 by vigilance staff of the Board who found the meter laid in reverse direction on a wooden table by opening the four nuts from the bolts of the meter cubical thereby making the meter dead to commit theft of energy. It was observed in audit (March 1998) that a penalty of Rs 2.97 lakh, for theft of energy, by taking 12 hours working in a day and 25 days in a month, was recovered (December 1997) from the consumer. The period of theft was taken from 3 September 1997 when the previous checking was done by Maintenance and Protection (M&P) wing of the Board.

Calculation of penalty by restricting the period to the date of last checking by M & P wing lacked justification because the Board had not fixed welded strips on the heads of nuts of meter cubical and modus operandi of theft found by vigilance wing could be adopted any time without interfering with the seals/accuracy of the meter. As the period of theft was not determinable and the industry being of continuous process, the consumer should have been charged penalty of Rs 17.39 lakh on the basis of 20 hours working per day for 30 days in a month for the preceding six months. On being pointed out in audit in August 1998, the sub-division raised (February 1999) a supplementary bill for Rs 4.51 lakh after taking into account 20 hours working per day and 30 days in a month. However, the period was not taken up to preceding six months resulting in short recovery of penalty amounting to Rs 9.91 lakh. The recovery of Rs 4.51 lakh was also awaited (April 1999).

The matter was reported to the Company and the Government in May 1999; their replies had not been received (December 1999).

4A.6.6 Loss of interest on payment of energy bills

Due to lack of financial planning in payment of energy bills, the Company had to bear extra burden of interest of Rs 7.28 lakh.

The erstwhile Haryana State Electricity Board has been purchasing power from National Thermal Power Corporation (NTPC) for onward distribution in the State. As per notification (April 1994) of the Government of India, Ministry of Power, a rebate of one *per cent* and one and a half *per cent* was admissible on bills raised by NTPC for supply of power, if the payment was made by the Board within a period of one month and 20 days respectively from the dates of issue of bills.

It was noticed in audit (January 1998) that though the Board had been operating on cash credit arrangements due to its tight financial position, it had not planned its power purchase payments properly but had been making payments ahead of the permissible period allowed for availment of rebate. A test check of records for the period from May 1994 to December 1995 revealed that in 10 cases, the payments could have been postponed for 7 days to 17 days without losing entitlement to rebate. By doing so, the Company could have avoided interest of Rs 7.28 lakh (paid on cash credits), worked out after allowing benefit of 5 days for any eventuality.

The Board stated (February 1998) that due to scarcity of funds, cheques were issued irrespective of the facts whether the due date was ahead or had arrived and payment risk could not be taken to avoid disruption in power supply. The reply is not tenable because the Board could have avoided payments ahead of schedule by keeping strict vigil on its fund position.

The matter was reported to the Company and the Government in April 1999; their replies had not been received (December 1999).

4A.6.7 Non-recovery of service connection charges

Due to incorrect interpretation of instructions, the Company did not recover service connection charges amounting to Rs 5 lakh.

The erstwhile Haryana State Electricity Board instructed on 25 November 1993, its field offices to levy fixed service connection charges at the rate of Rs 500 per KVA on HT industrial consumers at the time of release of new connections/extension in contract demand.

Sub-urban sub-division-I, Bhiwani, released (25 November 1993) orders for a new connection to M/s R.K. Ispat Private Limited , Bhiwani with a contract demand of 750 KVA. The connection was released to the consumer on 14 January 1994 without recovering fixed service charges of Rs 3.75 lakh. In another case, on request of M/S S.K. Foils (P) Limited, Bhiwani, a job order was issued on 25 November 1993 for extending the contract demand by 250 KVA. The job order was executed on 13 January 1994 without recovering fixed service charges of Rs 1.25 lakh. However, at the instance of internal audit, both these consumers' accounts were debited by these amounts in December 1996 after a lapse of three years. The payments were not made by the consumers. It was observed in audit (May 1999) that the Chief Engineer (Operation), Zone III, Hisar decided (January 1998) not to recover the amount on the plea that the instructions were applicable to cases where service connection orders were issued after the date of circular .The contention of the Chief Engineer was not in order as the instructions were to come into force with immediate effect, i.e., from 25 November 1993 itself.

Thus, the Board did not recover Rs 5 lakh from these two consumers due to wrong interpretation of sales circular.

The matter was reported to the Government in May 1999; the reply had not been received (December 1999).

4A.7 Haryana Power Generation Corporation Limited

4A.7.1 Loss due to non-taking of safety measures

The Company had to incur expenditure of Rs 20.16 lakh on repairs of power house besides loss of power generation valued at Rs 2.49 crore due to inadequate safety measures.

The hydel channel, on which power houses (A, B&C) are situated, emanates from West Yamuna Canal (WYC) at Tajewala and terminates at Dadupur. The Irrigation Department, Haryana regulates the water flow in the hydel channel as the control of head regulator, etc., of WYC (at Tajewala) vests with it.

In view of the annual repair and maintenance of the hydel channel and power houses, Company's Chief Engineer (Hydel) requested the Irrigation Authorities to stop the supply of water in the channel through Tajewala head regulator from 15 March to 9 April 1997. Accordingly, the Executive Engineer (Irrigation) closed the head regulator on 15 March 1997. The repair work was taken up as per schedule. It was observed in audit (February 1998) that on the night of 31 March/1st April 1997, the water entered into the channel due to overflowing the closed head regulator gates at Tajewala. Water entered into the channel flowed into the machine hall of Power House 'A' thereby causing damage to the machinery/equipment installed therein. According to Irrigation Department, damage to the machinery occurred due to negligence and omissions on the part of officials of the Company because they did not take precautionary measures while carrying out repairs viz., non-closing of intake gate of power house, keeping the main hole of generator unit open after the workmen were out, closing of exit gates of power house, etc. However, the Company held the staff of Irrigation Department responsible for the mishap because they failed to exercise timely regulation of gates.

The damaged equipment were repaired at a cost of Rs. 20.16 lakh, and the Power House 'A' became operative on 23 June 1997 (Unit-I) and 16 August 1997 (Unit-II) as against the scheduled date of 10 April 1997. The loss on account of power generation worked out to 28.624 MUs (value : Rs 2.49 crore) for the intervening period. The Company lodged (February 1998) its claim of Rs 20.16 lakh in respect of repairs which had not been admitted by Irrigation Department so far (February 1999).

The Company/State Government did not conduct any enquiry to fix the responsibility.

The matter was reported to the Company and the Government in June 1999; their replies had not been received (December 1999).

4A.7.2 Injudicious extension of contractual period for sale of mill reject coal

Injudicious and hasty decision to allow extension in contract period for sale of mill reject coal resulted in loss of Rs 5.53 lakh.

The Engineer-in-Chief (operation and maintenance) Panipat Thermal Power Station (PTPS), Panipat, awarded (April 1995) a contract to M/s Trade Associates, New Delhi for sale of mill reject coal at the rate of Rs 265 per metric tonne (MT) for a contractual quantity of 30000 MT. The contract was for a period of one year from 25 April 1995 to 24 April 1996. Terms and conditions of the contract provided for increase in contractual quantity up to 60000 MT and the firm was required to lift minimum 3000 MT of mill reject coal every month except for three months of rainy season viz., July, August and September when monthly lifting was fixed at 1000 MT.

The firm sought (September 1995) extension of three months in contractual period on the ground that lifting of coal was adversely affected due to heavy rains. It was observed in audit (August 1998) that against scheduled quantity of 9375 MT, the contractor had lifted 7595 MT up to September 1995 and the deficiency in lifting could be made up during the remaining period of contract. However, the extension of time up to July 1996, was allowed. The firm had lifted 31819 MT of mill reject coal against contractual quantity of 30000 MT within the original contract period and another 3813 MT in extension period.

Thus, granting extension at an early stage of contract resulted in a loss of Rs 5.53 lakh on the sale of 3813 MT of coal when compared with the rate of Rs 410 per MT at which coal rejects were sold subsequently.

4B. STATUTORY CORPORATION

4B.1 Haryana Warehousing Corporation Limited

4B.1.1 Storage gain in wheat stocks below norms

The Corporation did not account for requisite storage gain of 10165.29 quintals of wheat which resulted in loss of Rs 42.08 lakh at two centres.

Wheat stored in warehouse gets gain in weight due to moisture content in the atmosphere. In order to bring uniformity in storage gain norms, the State Government in its meeting (July 1992) with procuring agencies fixed norms for storage gain in wheat, which were adopted by the Corporation w.e.f. April 1992. As per these norms, storage gain was fixed between 800 grams and 1400 grams per quintal from the months of July to March. The Corporation accordingly instructed (August 1992) its District Managers to comply with the norms and in case, the storage gain was less than the prescribed norm, a detailed enquiry was to be conducted for fixing the responsibility of the concerned staff for the shortages noticed.

During the course of audit, it was noticed (December 1998) that at Ratia (Hisar) and Bani (Sirsa) centres of the Corporation, there was storage gain of only 4960.61 quintals and 3409.76 quintals of wheat against the required gain of 12044.39 quintals and 6491.27 quintals during the years 1992-93 to 1996-97 and 1993-94 to 1996-97 respectively. Thus, there was shortage of 10165.29 quintals (7083.78+3081.51 quintals) valued at Rs 42.08 lakh which was not accounted for. The storage gain in the other centres was more or less within the accepted norm.

The Corporation stated (May 1999) that disciplinary proceedings had been initiated against the concerned staff in August 1998. Further developments were awaited (July 1999).

The matter was reported to the Government in March 1999; the reply had not been received (December 1999).

4B.1.2 Loss of carry over charges

Failure of the Corporation to adhere to the linkage plan for delivery of wheat to Food Corporation of India resulted in carry over expenses of Rs 11.69 lakh which remained un-reimbursed.

The Corporation procures wheat from mandis for delivery to Food Corporation of India (FCI). In case, after procurement from mandis, wheat is stored by the Corporation in its own godowns and delivered to FCI subsequently, carry over charges at monthly rates fixed by the Government of India are paid by FCI. If, however, FCI gives any linkage plan in advance for delivery of wheat direct from mandis to godowns of FCI, no carry over charges are paid even if the Corporation stores wheat in its godowns by ignoring the linkage plan given by FCI.

A test check of records of District Manager, Rewari revealed (December 1998) that FCI gave linkage plan on 8 April 1996 for direct delivery of wheat stocks from different mandis to FCI godowns. However, in case of three mandis of Rewari district, the Corporation failed to transport 2771 tonnes of wheat direct from mandis to FCI godowns as per linkage plan in the absence of finalisation of transportation rates by the Deputy Commissioner. The Corporation also failed to make alternative transportation arrangements and the stocks were kept in its godowns.

The Corporation requested (May 1996) FCI to take ex-godown delivery of wheat stocks stored in its godowns. The FCI, however, stressed upon the Corporation on 11 June 1996 to deliver the wheat at linked storage centres before 30 June 1996 failing which no carry over charges would be payable.

The wheat was actually delivered to FCI during August 1996 to March 1997 in accordance with movement plan. The FCI did not reimburse Rs 11.69 lakh on account of carry over charges for the period stocks remained in the godowns of the Corporation. Had the Corporation made adequate transportation arrangements and despatched stock as per linkage plan before 30 June 1996, the incidence of carry over expenses could have been avoided.

The matter was reported to the Government in May 1999; the reply had not been received (December 1999).

Rita Mitra

Chandigarh **(Rita Mitra)**
Dated: 22 MAR 2000 **Accountant General (Audit) Haryana**

Countersigned

V. K. Shunglu

New Delhi **(V.K. Shunglu)**
Dated: 27 MAR 2000 **Comptroller and Auditor General of India**

ANNEXURES

ANNEXURE-1

Statement of companies in which State Government had invested more than Rs 10 lakh in equity capital of each of such companies but which are not subject to audit by the Comptroller and Auditor General of India.

(Referred to in Preface and Paragraph 1.11)

Sl. No.	Name of the Company	Amount of investment in equity capital up to 1998-99
		(Rs in lakh)
1.	Sehgal Papers Limited, Dharuhera	25.00
2.	Ram Fibres Limited, Bhiwani	14.50
3.	Victor Cables, Faridabad	12.75
4.	Bharat Steel Tubes Limited, Ganaur	15.39
	Total	**67.64**

ANNEXURE-2

Statement showing particulars of capital, loans/equity received out of budget and loans outstanding as on 31 March 1999 in respect of Government companies and Statutory corporations.

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

(Referred to in paragraph No. 1.2.1, 1.4)

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 1998-99			Debt equity ratio for 1998-99 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total				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. Government companies													
AGRICULTURE & ALLIED							Equity	Loan					
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10	--	--	--	1089.10	--	--	--	2401.00	--	2401.00	2.20:1 (2.34:1)
2.	Haryana Dairy Development Corporation Limited.	557.48	--	--	--	557.48	-	-	-	-	-	-	0.00:1 (0.51:1)
3.	Haryana Agro Industries Corporation Limited	253.83	160.21	--	--	414.04	--	--	--	170.39	--	170.39	0.41:1 (0.49:1)
4.	Haryana Land Reclamation and Development Corporation Limited	136.64	--	--	19.66	156.30	--	--	--	--	--	--	0.00:1 (0.00:1)
5.	Haryana Seeds Development Corporation Limited	274.87	111.50	--	87.50	473.87	--	--	--	--	2.82	2.82	0.01:1 (0.79:1)
Sector wise total		2311.92	271.71	--	107.16	2690.79	--	--	--	2571.39	2.82	2574.21	0.96:1 (1.27:1)
INDUSTRY													
6.	Haryana State Industrial Development Corporation Limited	6219.47	--	--	--	6219.47	178.00	--	10244.00	244.62	33881.49	34126.11	5.49:1 (4.86:1)
7.	Haryana State Small Industries and Export Corporation Limited	178.22	10.00	--	--	188.22	3.17	--	--	--	18.75	18.75	0.10:1 (0.20:1)

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 1998-99			Debt equity ratio for 1998-99 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total				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
8.	Haryana Tanneries Limited	117.15	--	--	18.00	135.15	--	--	--	253.19	102.21	355.40	2.63:1 (4.21:1)
9.	Punjab State Irons Limited	7.45	--	--	--	7.45	--	--	--	--	--	--	0.00:1 (0.00:1)
10.	Haryana Concast Limited@	290.00	--	340.51	54.99	685.50	-	-	-	-	568.04	568.04	0.83:1 (0.65:1)
Sector wise total		6812.29	10.00	340.51	72.99	7235.79	181.17	--	10244.00	497.81	34570.49	35068.30	4.85:1 (4.31:1)
ENGINEERING													
11.	Haryana Roadways Engineering Corporation Limited	200.00	--	--	--	200.00	--	--	1262.67		5070.61	5070.61	25.35:1 (28.50:1)
Sectorwise total		200.00	--	--	--	200.00	--	--	1262.67	--	5070.61	5070.61	25.35:1 (28.50:1)
ELECTRONICS													
12.	Haryana State Electronics Development Corporation Limited	773.76	--	--	--	773.76	40.00	--	--	12.50	--	12.50	0.02:1 (0.02:1)
13.	Hartron Informatics Limited@	--	--	50.00	--	50.00	--	--	--	--	--	--	0.00:1 (0.00:1)
Sectorwise total		773.76	--	50.00	--	823.76	40.00	--	--	12.50	--	12.50	0.02:1 (0.02:1)
HANDLOOM and HANDICRAFTS													
14.	Haryana State Handloom and Handicrafts Corporation Limited	265.17	30.00	--	--	295.17	5.00	--	--	122.50	--	122.50	0.42:1 (0.43:1)
Sector wise total		265.17	30.00	--	--	295.17	5.00	--	--	122.50	--	122.50	0.42:1 (0.43:1)
FOREST													
15.	Haryana Forest Development Corporation Limited	60.46	--	--	--	60.46	--	--	--	--	--	--	0.00:1 (0.00:1)
Sector wise total		60.46	--	--	--	60.46	--	--	--	--	--	--	0.00:1 (0.00:1)

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 1998-99			Debt equity ratio for 1998-99 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total				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
MINING													
16.	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													
17.	Haryana Police Housing Corporation Limited	2875.00	--	--	--	2875.00	--	--	--	--	1449.89	1449.89	0.50:1 (0.70:1)
Sector wise total		2875.00	--	--	--	2875.00	--	--	--	--	1449.89	1449.89	0.50:1 (0.70:1)
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION													
18.	Haryana Harijan Kalyan Nigam Limited	2741.30	--	--	--	2741.30	--	5.00	--	82.37	--	82.37	0.03:1 (0.03:1)
19.	Haryana Backward Classes Kalyan Nigam Limited	790.99	--	--	--	790.99	35.00	--	301.04	--	1586.01	1586.01	2.01:1 (1.45:1)
20.	Haryana Women Development Corporation Limited	354.72	109.98	--	--	464.70	15.00	--	--	--	--	--	0.00:1 (0.00:1)
Sector wise total		3887.01	109.98	--	--	3996.99	50.00	5.00	301.04	82.37	1586.01	1668.38	0.42:1 (0.30:1)
TOURISM													
21.	Haryana Tourism Corporation Limited	1241.74	--	--	--	1241.74	31.37	--	--	--	--	--	0.00:1 (0.00:1)
22.	Haryana Hotels Limited@	--	--	362.91	--	362.91	--	--	--	--	--	--	0.00:1 (0.00:1)
Sector wise total		1241.74	--	362.91	--	1604.65	31.37	--	--	--	--	--	0.00:1 (0.00:1)

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 1998-99			Debt equity ratio for 1998-99 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total				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
POWER													
23.	Haryana Power Generation Corporation Limited	13069.07	--	--	--	13069.07	9799.00	-	10283.83	-	94067.14	94067.14	7.2:1 (-)
24.	Haryana Vidyut Prasaran Nigam Limited	25241.07	--	--		25241.07	25241.00	2000.00	4551 00	3900 00	89751.00	93651.00	3.71:1 (-)
Sector wise total		38310.14	-	-	-	38310.14	35040.00	2000.00	14834.83	3900.00	183818.14	187718.14	4.90:1 (-)
Total A (All sector wise Government companies)		56737.49	421.69	777.46	180.15	58116.79	35347.54	2005.00	26642.54	7186.57	226497.96	233684.53	4.02:1 (2.20:1)
B. Statutory Corporations													
FINANCING													
1.	Haryana Financial Corporation	2527 67	432 66	34.25	392 47	3387.05	--	--	400.00	--	58575.00	58575.00	17 29:1 (17.37:1)
Sector wise total		2527 67	432.66	34.25	392.47	3387.05	--	--	400.00	--	58575.00	58575.00	17 29:1 (17.37:1)
AGRICULTURE AND ALLIED													
2.	Haryana Warehousing Corporation	292.04	292.04	--	--	584.08	--	--	--	--	--	--	0.00:1 (0.00:1)
Sector wise total		292.04	292.04	--	--	584.08	--	--	--	--	--	--	0.00:1 (0.00:1)
Total B (All sector wise Statutory Corporations		2819.71	724.70	34.25	392.47	3971.13	--	--	400.00	--	58575.00	58575.00	14.75:1 (14.82:1)
Grand total (A+B)		59557.20	1146.39	811.71	572.62	62087.92	35347.54	2005.00	27042.54	7186.57	285072.96	292259.53	4.71:1 (1.77:1)

Note: Except in respect of companies/corporation which finalised their accounts for 1998-99 (Sl. Nos. A-2,3,4,5,6,7,8,13 and B-2) figures are provisional and as given by the companies/corporation.

* Includes bonds, debentures, inter corporate deposits etc.

** Loans outstanding at the close of 1998-99 represents long-term loans only.

@ Subsidiary companies.

ANNEXURE-3

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

(Referred to in paragraphs 1.2.1, 1.2.2, 1.5.1, 1.6, 1.7)

(Figures in columns 7 to 12 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^	Total return on capital employed ^	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the Company/ Corporation
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
A. Government companies														
AGRICULTURE & ALLIED														
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	Agriculture	9 January 1970	1993-94	1999	(-) 748.42	Comments yet to be finalised	1089.10	(-)5819.39	(-) 2570.05	(-) 542.44	_	5	Working
2.	Haryana Dairy Development Corporation Limited.		3 November 1969	1998-99	1999	(-) 25.74	Under audit	557.48	(-) 781.81	(+) 205.71	(-) 2.60	_	_	-do-
3.	Haryana Agro Industries Corporation Limited		30 March 1967	1998-99	1999	(-) 622.76	Nil	414.04	(+) 926.01	(+) 12480.24	(+) 1172.76	9.40	_	-do-
4.	Haryana Land Reclamation and Development Corporation Limited		27 March 1974	1998-99	1999	(+) 65.09	Nil	156.30	(+) 526.33	(+)684.10	(+) 72.70	10.63	_	-do-
5.	Haryana Seeds Development Corporation Limited		12 September 1974	1998-99	1999	(-) 9.91	Comments yet to be finalised	473.87	(+) 92.99	(+)1434.36	(+) 70.06	4.88	_	-do-
Sector wise total			-	-		(-)1341.74	-	2690.79	(-)5055.87	(+)12234.36	(+)770.48	6.30	-	-
INDUSTRY														
6.	Haryana State Industrial Development Corporation Limited	Industry	8 March 1967	1998-99	1999	(+)321.28	Nil	6219.47	(+)239.94	(+)40258.25	(+)3421.55	8.50	-	Working
7.	Haryana State Small Industries and Export Corporation Limited		19 July 1967	1998-99	1999	(+)18.14	Nil	188.22	(+)0.03	(+)1076.23	(+)35.99	3.34	-	Working
8.	Haryana Tanneries Limited		12 September 1972	1998-99	1999	(-)2.24	Nil	135.15	(-)722.93	(-)218.93	(-)2.24	-	-	Defunct
9.	Punjab State Irons Limited		1 July 1965	1997-98	1998	(+)0.04	Nil	7.45	(+)1.71	(+)4.77	(+)0.04	0.84	1	Defunct
10.	Haryana Concast Limited@		29 November 1973	1997-98	1998	(-)797.09	Nil	685.50	(-)2718.04	(+)939.68	(-)357.03	-	1	Working
Sector wise total			-	-	-	(-)459.87	-	7235.79	(-)3199.29	(+)42060.00	(+)3098.31	7.37	-	-

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	Status of the Company/ Corporation
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
ENGINEERING														
11.	Haryana Roadways Engineering Corporation Limited	Transport	27 November 1987	1995-96	1999	(+)4.25	Nil	200.00	(+)65.51	(+)6594.82	(+)973.64	14.76	3	Working
Sector wise total			-	-	-	(+)4.25	-	200.00	(+)65.51	(+)6594.82	(+)973.64	14.76	-	-
ELECTRONICS														
12.	Haryana State Electronics Development Corporation Limited	Electronics	15 May 1982	1997-98	1998	(+)42.98	Nil	733.76	(+)227.42	(+)824.46	(+)42.98	5.21	1	Working
13.	Hartron Informatics Limited@		8 March 1995	1998-99	1999	(+)0.12	Nil	50.00	(+)24.46	(+)74.24	(+)0.12	0.16	-	Working
Sector wise total			-	-	-	(+)43.10	-	783.76	(+)251.88	(+)898.70	(+)43.10	4.80	-	-
HANDLOOM AND HANDICRAFTS														
14.	Haryana State Handloom and Handicrafts Corporation Limited	Industries	20 February 1976	1996-97	1999	(-)39.80	Under statement of loss by Rs 5.58 lakh	282.17	(-)374.92	(+)55.30	(-)29.00	-	2	Working
Sector wise total			-	-	-	(-)39.80	-	282.17	(-)374.92	(+)55.30	(-)29.00	-	-	-
FOREST														
15.	Haryana Forest Development Corporation Limited	Forest	7 December 1989	1994-95	1998	(+)0.84	Nil	40.16	(+)5.16	(+)56.60	(+)0.84	1.48	4	Working
Sector wise total						(+)0.84	-	40.16	(+)5.16	(+)56.60	(+)0.84	1.48	-	-
MINING														
16.	Haryana Minerals Limited@	Mining and Geology	2 December 1972	1997-98	1999	(-)65.76	Under Audit	24.04	(+)242.45	(+)260.35	(-)65.46	-	1	Working
Sector wise total						(-)65.76	-	24.04	(+)242.45	(+)260.35	(-)65.46	-	-	-
CONSTRUCTION														
17.	Haryana Police Housing Corporation Limited	Home	29 December 1989	1997-98	1999	-B	Nil	2875.00	-	-	-	-	1	Working
Sector wise total						-	-	2875.00	-	-	-	-	-	

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	Status of the Company/ Corporation
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION											-	-		
18.	Haryana Harijan Kalyan Nigam Limited	Scheduled Castes and Backward Classes Welfare Department.	2 January 1971	1994-95	1997	(-)67.55	Nil	1966.39	(-)751.02	(+)1627.70	(-)55.68	-	4	Working
19.	Haryana Backward Classes Kalyan Nigam Limited	Scheduled Castes and Backward Classes Welfare Department	10 December 1980	1994-95	1999	(-)19.29	Under statement of loss by Rs 8.35 lakh	569.99	(-)209.54	(+)664.96	(-)15.03	-	4	Working
20.	Haryana Women Development Corporation Limited	Women and Child Development Department	31 March 1982	1997-98	1999	(+)10.39	Non Review Certificate	464.70	(+)20.14	(+)484.84	(+)10.39	2.14	1	Working
Sector wise total						(-)76.45		3001.08	(-)940.42	(+)2777.50	(-)60.32	-	-	-
TOURISM														
21.	Haryana Tourism Corporation Limited	Tourism and Public Relations	1 May 1974	1996-97	1998	(-)314.04	Nil	1150.37	(+)115.41	(+)1070.10	(-)314.04	-	2	Working
22.	Haryana Hotels Limited@		11 April 1983	1996-97	1997	(+)44.49	Nil	362.91	(+)391.74	(+)754.65	(+)44.49	5.90	2	Working
Sector wise total						(-)269.55	-	1513.28	(+)507.15	(+)1824.75	(-)269.55	-	-	-
POWER														
23.	Haryana Power Generation Corporation Limited	Irrigation and Power	17 March 1997	1997-98	1999	D	Non Review Certificate	0.07	D	(-)1.65	-	-	1	Working
24.	Haryana Vidyut Prasaran Nigam Limited		19 August 1997	1997-98	1999	(-)0.03	Non Review Certificate	0.07	(-)0.03	(-)1.68	(-) 0.03	-	1	Working
Sector wise total						(-)0.03	-	0.14	(-)0.03	(-)3.33	(-) 0.03	-	-	-
Total (A Govt. companies)						(-)2205.01		18646.21	(-)8498.38	(+)66759.05	(+) 4462.01	6.68		

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	Status of the Company/ Corporation
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
B. Statutory Corporations														
FINANCING														
1.	Haryana Financial Corporation	Industries	1 April 1967	1997-98	1998	(+) 224.20	Under statement of loss by Rs 719.28 lakh	3387.05	(-)2174.35	(+)66817.46	(+)9356.39	14	1	Working
Sector wise total		-	-	-	-	(+)224.20	-	3387.05	(-)2174.35	(+)66817.46	(+) 9356.39	14	-	-
AGRICULTURE AND ALLIED														
2.	Haryana Warehousing Corporation	Agriculture	1 November 1967	1998-99	1999	(+)2229.93	Under audit	584.07	(+)0.25	(+)23293.06	(+) 2244.04	9.63	-	Working
Sector wise total		-	-	-	-	(+)2229.93	-	584.07	(+)0.25	(+)23293.06	(+) 2244.04	9.63	-	
Total B (Statutory corporations)		-	-	-	-	(+)2454.13	-	3971.12	(-)2174.10	(+)90110.52	(+)11600.43	12.87	-	-
Grand total (A+B)		-	-	-	-	(+)249.12	-	22617.33	(-)10672.48	(+) 156869.57	(+)16062.44	10.24	-	-

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 Company had not started commercial activity. Entire expenditure up to March 1998 treated as deferred revenue expenditure

ANNEXURE-4

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 1999

(Referred in paragraph .1.4)

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

Sl. No.	Name of the Public Sector Undertaking	*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. Government companies																
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited		3793.00	-	3793.00	-	-	-	-	-	-	-	-	-	-	-
2.	Haryana Dairy Development Corporation Limited.	-		-	-	-	- (311.76)			(311.76)	-	-	-	-	-	-
3.	Haryana Agro Industries Corporation Limited	-	116.05	-	116.05	- (1090.00)	-	-	-	- (1090.00)	-	-	-	-	-	-
4.	Haryana Land Reclamation and Development Corporation Limited	194.01	83.19	-	277.20	-	-	-	-	-	-	-	-	-	-	-
5.	Haryana Seeds Development Corporation Limited		120.41 (68.02)	-	120.41 (68.02)	-	- (2.98)	-	-	- (2.98)	-	-	-	-	-	-
6.	Haryana State Industrial Development Corporation Limited		51.00	-	51.00	- (5000.00)	2000.00 (12500.00)	-	-	2000.00 (17500.00)	-	-	-	-	-	-
7.	Haryana State Small Industries and Export Corporation Limited	-	-	-	-	- (18.75)	-	-	-	- (18.75)	-	-	-	-	-	-
8.	Haryana Tanneries Limited	-	-	-	-	-	- (233.43)	-	-	- (233.43)	-	-	-	-	-	-
9.	Punjab State Irons Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Haryana Concast Limited*	-	-	-	-	- (2586.19)	- (568.04)	-	-	- (3154.23)	-	-	-	-	-	-
11.	Haryana Roadways Engineering Corporation Limited	-	-	-	-	1998.00 (6078.00)	-	-	-	1998.00 (6078.00)	-	-	-	-	-	-
12.	Haryana State Electronics Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sl. No.	Name of the Public Sector Undertaking	#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)
13.	Hartron Informatics Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.	Haryana State Handloom and Handicrafts Corporation Limited	-	25.80	-	25.80	-	-	-	-	-	-	-	-	-	-	-
15.	Haryana Forest Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16.	Haryana Minerals Limited*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17.	Haryana Police Housing Corporation Limited	-	-	-	-	-	652.00 (2652.00)	-	-	652.00 (2652.00)	-	-	-	-	-	-
18.	Haryana Harijan Kalyan Nigam Limited	176.64	-	-	176.64	-	- (756.48)	-	-	- (756.48)	-	-	-	-	-	-
19.	Haryana Backward Classes Kalyan Nigam Limited	-	18.00	-	18.00	-	- (1259.00)	-	-	- (1259.00)	-	-	-	-	-	-
20.	Haryana Women Development Corporation Limited	-	20.00	-	20.00	-	-	-	-	-	-	-	-	-	-	-
21.	Haryana Tourism Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22.	Haryana Hotels Limited*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23.	Haryana Power Generation Corporation Limited	-		-	-	1610.00 (1610.00)	112861.63 (112861.63)	-	-	114471.63 (114471.63)	-	-	-	-	2335.19	-
24.	Haryana Vidyut Prasaran Nigam Limited	-	26747.00	-	26747.00	3500.00 (3500.00)	13202.88 (13202.88)	-	-	16702.88 (16702.88)	-	-	-	-	-	-
Total A		370.65	30974.45 (68.02)	-	31345.10 (68.02)	7108.00 (19882.94)	128716.51 (144348.20)	-	-	135824.51 (164231.14)	-	-	-	-	-	-
B. Statutory Corporations																
1.	Haryana Financial Corporation	-	125.85	16.59	142.44	-	- (21790.00)	-	-	- (21790.00)	-	-	-	-	-	-
2.	Haryana Warehousing Corporation	-	-	-	-	12000.00	-	-	-	12000.00	-	-	-	-	-	-
Total B			125.85	16.59	142.44	12000.00	(21790.00)	-	-	12000 00 (21790.00)	-	-	-	-	-	-
Grand total (A+B)		370.65	31100.30 (68.02)	16.59	31487.54 (68.02)	19108.00 (19882.94)	128716.51 (166138.20)	-	-	147824.51 (186021.14)	-	-	-	-	2335.19	-

\# Subsidy receivable at the end of the year has been shown in brackets.
@ Figures in brackets indicate guarantees outstanding at the end of the year.
* Subsidiary companies

ANNEXURE - 5

Statement showing financial position of Statutory Corporations

(Referred to in paragraph No. 1.2.2)

1. Haryana Financial Corporation

	Particulars	1996-97	1997-98	1998-99 (Provisional)
			(Rupees in crore)	
A.	**Liabilities**			
Paid-up capital		21.33	33.87	33.87
Share application money		--	--	--
Reserve fund and other reserves and surplus		19.33	20.46	21.11
Borrowings:				
(i)	Bonds and debentures	220.41	206.63	223.46
(ii)	Fixed deposits	23.96	24.10	29.03
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	295.81	278.46	292.68
(iv)	Reserve Bank of India	4.50	5.45	6.00
(v)	Loan in lieu of share capital:			
(a)	State Government	7.13	--	--
(b)	Industrial Development Bank of India	--	--	--
(vi)	Others (including State Government)	105.57	79.27	40.58
	Other liabilities and provisions	38.71	49.97	68.25
Total A		**736.75**	**698.21**	**714.98**
B.	**Assets**			
Cash and Bank balances		71.23	32.73	50.28
Investments		10.32	10.25	10.25
Loans and Advances		596.52	589.41	577.02
Net Fixed assets		32.08	28.55	24.35
Other assets		9.27	12.03	13.77
Miscellaneous expenditure and deficit		17.33	25.24	39.31
Total B		**736.75**	**698.21**	**714.98**
C.	**Capital employed***	**646.12**	**668.17**	**641.76**

* 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	1996-97	1997-98	1998-99
		(Rupees in crore)		
A.	**Liabilities**			
Paid-up-capital		5.84	5.84	5.84
Reserves and surplus		99.89	121.17	142.68
Borrowings:- Government		--	--	--
Others		1.06	0.21	84.41
Trade dues and current liabilities (including provision)		17.85	21.61	25.91
Total-A		**124.64**	**148.83**	**258.84**
B.	**Assets**			
Gross block		43.02	45.66	48.92
Less: Depreciation		9.16	10.17	11.20
Net Fixed assets		33.86	35.49	37.72
Capital works-in-progress		1.03	0.49	4.21
Current assets, loans and advances		89.75	112.85	216.91
Total B		**124.64**	**148.83**	**258.84**
C.	**Capital employed****	**106.79**	**127.22**	**232.93**

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

ANNEXURE-6

Statement showing working results of Statutory corporations

(Referred to in paragraphs 1.2.2, 1.6)

1. Haryana Financial Corporation

	Particulars	1996-97	1997-98	1998-99 (Provisional)
			(Rupees in crore)	
1.	Income			
(a)	Interest on loans	90.95	102.20	85.66
(b)	Other income	8.29	8.44	6.38
	Total-1	**99.24**	**110.64**	**92.04**
2.	Expenses			
(a)	Interest on long-term and short-term loans	85.10	90.98	80.15
(b)	Other expenses	11.52	17.08	10.20
	Total-2	**96.62**	**108.06**	**90.35**
3.	Profit before tax (1-2)	2.62	2.58	1.69
4.	Prior period adjustments	--	--	--
5.	Provision for tax	0.40	0.34	0.49
6.	Proft (+)/Loss(-) after tax	(+) 2.22	(+)2.24	(+)1.20
6(a)	Provision for non performing assets	18.93	8.30	12.83
7.	Other appropriations	-	0.63	0.64
8.	Amount available for dividend	(-) 16.71	(-) 6.69	(-) 12.27
9.	Dividend paid/payable	1.31	1.45	1.94
10.	Total return on Capital employed	87.72	93.56	81.84
11.	Percentage of return on capital employed	13.6	14	12.8

2. Haryana Warehousing Corporation

	Particulars	1996-97	1997-98	1998-99
			(Rupees in crore)	
1.	Income			
(a)	Warehousing charges	10.44	11.14	15.76
(b)	Other income	9.65	24.32	19.40
	Total-1	**20.09**	**35.46**	**35.16**
2.	Expenses			
(a)	Establishment charges	5.19	5.61	6.20
(b)	Other expenses	5.92	7.99	6.66
	Total-2	**11.11**	**13.60**	**12.86**
3.	Profit (+)/Loss(-) before tax	8.98	21.86	22.30
4.	Provision for tax	--	--	--
5.	Prior period adjustments	--	--	0.20
6.	Other appropriations	8.40	21.28	21.52
7.	Amount available for dividend	0.58	0.58	0.58
8.	Dividend for the year	0.58	0.58	0.58
9.	Total return on capital employed	9.42	22.10	22.44
10.	Percentage of return on capital employed	8.9	17.5	9.6

ANNEXURE-7

Statement showing financial position, working results and operational performance of power sector Companies

(Referred to in paragraph No. 1.6)

1. Haryana Power Generation Corporation Limited

Financial position

Particulars	1998-99 (Provisional)
	(Rupees in crore)
A. Liabilities	
Equity capital	130.69
Loans from Government	-
Other long term loans (including bonds)	1051.60
Reserves and surplus	120.06
Current liabilities and provisions	390.46
Total -A	**1692.81**
B. Assets	
Gross fixed assets	844.80
Less: Depericiation	372.51
Net fixed assets	472.29
Capital works-in-progress	565.13
Deferred cost	--
Current assets	557.17
Investments	47.50
Miscellaneous expenditure	0.02
Accumulated losses	50.70
Total - B	**1692.81**
C. Capital employed*	**1204.13**

Working results

Sl. No.	Particulars	1998-99 (Provisional)
		(Rupees in crore)
1.	(a) Revenue receipts	532.13
	(b) Subsidy/subvention from Government	--
	Total	532.13
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	454.31
3.	Gross surplus(+)/deficit(-) for the year (1-2)	(+) 77.82
4.	Adjustments relating to previous years	--

* Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital, the element of deferred cost and investments are excluded from current assets.

Sl. No.	Particulars	1998-99 (Provisional)
5.	Final gross surplus (+)/deficit(-) for the year (3+4)	(+) 77.82
6.	Appropriations:	
	(a) Depreciation (less capitalised)	30.48
	(b) Interest on Government loans	--
	(c) Interest on other loans, bonds, advance, etc. and finance charges	82.92
	(d) Total interest on loans and finance charges (b+c)	82.92
	(e) Less: Interest capitalised	36.89
	(f) Net interest charged to revenue (d-e)	46.03
	(g) Total appropriation (a+f)	76.51
7.	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6 (g)-1(b)}	(+) 1.31
8.	Net surplus (+) deficit(-) {5-6(g)}	(+) 1.31
9.	Total return on capital employed*	47.34
10.	Percentage of return on capital employed	3.93

Operational performance

Particulars		1998-99 (Provisional)
Installed capacity		(MW)
(a)	Thermal	815
(b)	Hydro	48
(c)	Gas	--
(d)	Other/Nuclear	--
Total		863
Normal maximum demand Power generated		(MKWH)
(a)	Thermal	2376.03
(b)	Hydro	149.15
(c)	Gas	--
(d)	Other	--
Total		**2525.18**
Less: Auxiliary consumption		
(a)	Thermal (Percentage)	280.48 (11.80)
(b)	Hydro (Percentage)	--
(c)	Gas (Percentage)	--
(d)	Other (Percentage)	--

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

Particulars		1998-99 (Provisional)
Total (Percentage)		280.48 (11.80)
Net power generated		2244.70
Power Purchased		
(a)	With in the State	--
	Government:	--
	Private:	--
(b)	Other states	--
(c)	Central Grid	--
	Total power available for sale	2244.70
	Power sold:	
(a)	With in the State	2244.70
(b)	Outside the State	--
	Transmission and distribution losses	Nil
	Load factor (percentage)	
	Panipat Thermal plant	50.43
	Faridabad Thermal plant	63.33
	Percentage of transmission and distribution losses to total power available for sale	--
	Number of villages/towns electrified	--
	Number of pump sets/well energised	--
	Number of sub-stations	--
	Transmission/distribution lines (in kms.)	--
(a)	High/medium voltage	--
(b)	Low voltage	--
	Connected load (in MW)	--
	Number of consumers	--
	Number of employees	5015
	Consumer/employees Ratio	--
	Total expenditure on staff during the year (Rupees in crore)	35.10
	Percentage of expenditure on staff to total revenue expenditure	7.73
	Units sold	(MKWH)
(a)	Agriculture (Percentage share to total units sold)	--
(b)	Industrial (Percentage share to total units sold)	--
(c)	Commercial (Percentage share to total units sold)	--
(d)	Domestic (Percentage share to total units sold)	--
(e)	Others (Percentage share to total units sold)	--
	Total	--
	Particulars	**1998-99** (Paise per KWH)
(a)	Revenue (excluding subsidy from Government)	237.06
(b)	Expenditure	217.11
(c)	Profit(+)/Loss(-)	(+)19.95
(d)	Average subsidy claimed from Government	--
(e)	Average interest charges	19.37

2. Haryana Vidyut Prasaran Nigam Limited

Financial position

Particulars	1998-99 (Provisional)
	(Rupees in crore)
A. Liabilities	
Equity Capital	254.91
Loans from Government	88.90
Other long term loans (including bonds)	873.22
Reserves and surplus	944.18
Current liabilities and provisions	1377.90
Total - A	**3539.11**
B. Assets	
Gross fixed assets	2349.14
Less: Depericiation	92.88
Net fixed assets	2256.26
Capital works-in-progress	177.47
Deferred cost	0.95
Current assets	902.97
Investments	43.71
Miscellaneous expenditure	3.89
Accumulated losses	153.86
Total - B	**3539.11**
C. Capital employed*	**1958.80**

* Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

Working results

Sl. No.	Particulars	1998-99 (Provisional)
		(Rupees in crore)
1.	(a) Revenue receipts	1412.45
	(b) Subsidy/subvention from Government	267.47
	Total	**1679.92**
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding deperciation and interest	1458.20
3.	Gross surplus(+)/deficit(-) for the year (1-2)	(+) 221.72
4.	Adjustments relating to previous years	--
5.	Final gross surplus (+)/deficit(-) for the year (3+4)	(+) 221.72
6.	**Appropriations:**	
	(a) Depreciation (less capitalised)	92.88
	(b) Interest on Government loans	4.35
	(c) Interest on other loans, bonds, advance, etc. and finance charges	109.29
	(d) Total interest on loans and finance charges (b+c)	113.64
	(e) Less: Interest capitalised	11.05
	(f) Net interest charged to revenue (d-e)	102.59
	(g) Total appropriation (a+f)	195.47
7.	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6(g)-1(b)}	(-) 241.22
8.	Net Surplus (+) deficit(-) {5-6(g)}	(+) 26.25
9.	Total return on capital employed*	128.84
10.	Percentage of return on capital employed	6.58

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

Operational performance

Particulars		1998-99 (Provisional)
Installed capacity		(MW)
(a)	Thermal	363.80
(b)	Hydro	1058.30
(c)	Gas	78.80
(d)	Other/Nuclear	28.10
Total		**1529.00**
Normal maximum demand Power generated:		2619.00 (MKWH)
(a)	Thermal	60.73
(b)	Hydro	2304.00
(c)	Gas	--
(d)	Other	--
Total		**2364.73**
Less: Auxiliary consumption		
(a)	Thermal (Percentage)	6.42 (10.57)
(b)	Hydro (Percentage)	--
(c)	Gas (Percentage)	--
(d)	Other (Percentage)	--
Total (Percentage)		6.42 (10.57)
Net power generated		2358.31
Power Purchased		6237.46
(a)	With in the State	
	Government:	2244.66
	Private:	72.56
(b)	Other States	199.17
(c)	Central Grid	3721.07
	Total power available for sale	8595.77
	Power sold:	
(a)	With in the State	5741.97
(b)	Outside the State	72.96
	Transmission and distribution losses	2780.84
	Load factor (percentage)	--
	Percentage of transmission and distribution losses to total power available for sale	32.35
	Number of villages/towns electrified	7154
	Number of pump sets/wells energised	358764
	Number of sub-stations	414
	Transmission/distribution lines (in kms.)	

	Particulars	1998-99 (Provisional)
(a)	High/medium voltage	63720
(b)	Low voltage	105266
	Connected load (in MW)	6987
	Number of consumers	3381667
	Number of employees	37994
	Consumer/employees Ratio	89:1
	Total expenditure on staff during the year (Rupees in crore)	234.81
	Percentage of expenditure on staff to total revenue expenditure	16.10
	Units sold	(MKWH)
(a)	Agriculture (Percentage share to total units sold)	2462.937 (42.36)
(b)	Industrial (Percentage share to total units sold)	1186.852 (20.41)
(c)	Commercial (Percentage share to total units sold)	223.526 (3.84)
(d)	Domestic (Percentage share to total units sold)	1291.167 (22.20)
(e)	Others (Percentage share to total units sold)	650.444 (11.19)
	Total	**5814.926** **(100)**
	Particulars	**1998-99**
		(paise per KWH)
(a)	Revenue (excluding subsidy from Government)	242.90
(b)	Expenditure*	272.53
(c)	Profit(+)/Loss(-)	(-)29.63
(d)	Average subsidy claimed from Government	46.00
(e)	Average interest charges	11.85

* Revenue expenditure includes depreciation but excludes interest on long term loans.

ANNEXURE – 8

Statement showing operational performance of Statutory corporations

(Referred to in paragraph No.1.6.2.2)

1. Haryana Financial Corporation

Particulars	1996-97		1997-98		1998-99	
	Number	Amount	Number	Amount	Number	Amount
	(Amount Rupees in crore)					
Applications pending at the beginning of the year	154	48.68	126	32.10	157	52.26
Applications received	772	153.74	852	241.61	419	133.00
Total	**926**	**202.42**	**978**	**273.71**	**576**	**185.26**
Applications sanctioned	710	147.57	732	179.59	380	115.34
Applications cancelled/ withdrawn/rejected/ reduced	90	22.75	89	41.86	111	41.50
Applications pending at the close of the year	126	32.10	157	52.26	85	28.42
Loans disbursed	1041	137.88	826	106.94	512	78.89
Loan outstanding at the close of the year	5972	602.60	5901	597.23	5725	583.05
Amount overdue for recovery at the close of the year						
(a) Principal		81.49		104.69		133.00
(b) Interest		146.09		213.81		312.07
Total	**3499**	**227.58**	**3688**	**318.50**	**3904**	**445.07**
Amount involved in recovery certificate cases	435	63.24	475	66.04	NA	NA
Percentage of overdue to the total loans outstanding		37.77		53.33		76.33

2. Haryana Warehousing Corporation

Particulars	1996-97	1997-98	1998-99
Number of stations covered	103	103	103
Storage capacity created up to the end of the year (tonne in lakh)			
(a) Owned	7.74	7.73	8.17
(b) Hired	2.14	2.07	2.27
Total	**9.88**	**9.80**	**10.44**
Average capacity utilised during the year (tonne in lakh)	5.63	6.11	8.65
Percentage of utilisation	56.98	62.35	82.85
Average revenue per tonne per year (Rupees)	356.84	593.17	182.11
Average expenses per tonne per year (Rupees)	197.34	227.50	145.49
Profit (+)/Loss (-) per tonne (Rupees)	(+)159.50	(+)365.67	(+)36.62

ANNEXURE-9

Statement showing financial position of Haryana State Handloom and Handicrafts Corporation Limited for the five years up to 1997-98

(Referred to in paragraph 2A.3)

Sl. No.	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
A.	**Liabilities**	(Rupees in lakh)				
1	Paid-up capital	254.00	258.00	263.82	282.17	290.17
2.	Reserves and surplus (capital reserve)	23.50	27.30	26.00	25.56	23.04
3	Borrowings	122.50	122.50	122.50	122.50	122.50
4	Current liabilities and provisions	314.64	441.17	441.61	535.08	687.38
	Total A	**714.64**	**848.97**	**853.93**	**965.31**	**1123.09**
B	**Assets**					
1	Gross block	129.78	138.13	142.44	145.06	148.65
2	Less: depreciation	49.55	56.56	63.31	70.15	76.09
3	Net block	80.23	81.57	79.13	74.91	72.56
4	Investment	0.01	0.01	0.01	0.01	0.01
5	Current assets, loans and advances	374.25	480.05	448.54	515.47	617.79
6	Accumulated loss	260.15	287.34	326.25	374.92	432.73
	Total B	**714.64**	**848.97**	**853.93**	**965.31**	**1123.09**
C	**Capital employed***	**139.84**	**120.45**	**86.06**	**55.30**	**2.97**
D	**Net Worth****	**(-) 6.15**	**(-) 29.34**	**(-) 62.43**	**(-) 92.75**	**(-) 142.56**

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

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

ANNEXURE-10

Statement showing working results of Haryana State Handloom and Handicrafts Corporation Limited for the five years up to 1997-98

(Referred to in paragraph 2A.3)

Sl. No.	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
1.	**Income**	(Rupees in lakh)				
a	Sales	707.70	846.48	557.35	526.49	631.84
b	Commission received	51.37	61.68	34.44	47.61	32.24
c	Other income	3.55	14.35	5.31	4.32	7.08
d	Subsidy and grants	72.72	77.21	79.84	82.85	78.62
e	Accretion (+)/ decretion(-) in stocks	(-)23.52	(-)0.04	(-)13.82	(+)22.04	(-)13.83
	Total	**811.82**	**999.68**	**663.12**	**683.31**	**735.95**
2.	**Expenditure**					
a	Purchases	616.64	785.64	474.53	494.01	573.75
b	Manufacturing expenses	32.65	31.58	34.12	31.41	32.01
c	Administrative and selling expenses	171.95	176.92	174.64	179.93	168.53
d	Interest	10.34	10.55	10.76	10.80	10.84
e	Depreciation	5.71	8.15	7.65	6.96	5.95
	Total	**837.29**	**1012.84**	**701.70**	**723.11**	**791.08**
3.	Gross Margin*	67.54	60.80	69.00	54.52	44.26
4.	**Loss for the year**	**25.47**	**13.16**	**38.58**	**39.80**	**55.13**
5.	Previous year adjustments (net)	11.84	14.03	0.33	8.87	2.68
6.	Net loss transferred to balance sheet	37.31	27.19	38.91	48.67	57.81

* Gross margin has been arrived at as difference of sales and purchases after considering accretion/decretion in stock in the respective years.

ANNEXURE-11

Statement showing number of emporia of Haryana State Handloom and Handicrafts Corporation Limited which earned profits/incurred losses during five years up to 1998-99.

(Referred to in paragraph 2A.5.2)

Year	No. of outlets	No. of outlets which earned profit	Amount of profit	No. of outlets which incurred loss	Amount of loss	Overall profit (+)/ loss (-)
			(Amount in lakh of rupees)			
1994-95	20	15	21.10	5	5.66	(+)15.44
1995-96	23	12	11.92	11	11.20	(+)0.72
1996-97	21	10	6.18	11	14.77	(-)8.59
1997-98	22	4	10.06	18	16.10	(-)6.04
1998-99	22	3	0.89	19	32.59	(-)31.70

ANNEXURE – 12

Statement showing physical and financial performance of erstwhile Haryana State Electricity Board for the five years ending 1989-90

(Referred to in paragraph 2D.5)

(a) Physical performance

Sl. No.	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
1.	Installed capacity (MW)					
	Thermal	587.5	697.5	697.5	907.5	877.5
	Hydel	831.0	847.0	863.0	871.0	879.0
	Others	3.9	3.9	3.9	3.9	--
	Total	1422.4	1548.4	1564.4	1782.4	1756.5
2.	Power generated (MUs)					
	Thermal	1634	1868	2554	2471	2466
	Hydel	3143	3397	3305	3616	3490
	Total	4777	5265	5859	6087	5956
3.	Auxiliary consumption (MUs)	216	258	309	311	328
4.	Net power generated (MUs)	4561	5007	5550	5776	5628
5.	Power purchased/procured from other sources(MUs)	596	681	1199	1750	2300
6.	Total power available for sale(MUs)	5156	5688	6749	7526	7928
7.	Normal maximum demand (in MW)	967	1042	1331	1228	1458
8.	Power sold including power supplied free to own works (MUs)	4256	4639	5157	5690	5983
9.	Transmission and distribution losses (MUs)	900	1049	1592	1836	1945
10.	Load factor *(Per cent)*					
	(a) Panipat Thermal Power Plant	38.93	25.98	38.51	43.00	43.40
	(b) Faridabad Thermal Power Plant	26.24	42.58	44.48	36.77	45.71
11.	Percentage of transmission and distribution losses to total power available for sale	17.5	18.4	23.6	24.4	24.5
12.	Number of units generated per KW of installed capacity (units)	3358	3400	3745	3415	3391
13.	Villages/towns electrified (Numbers)	7073	7073	7073	7073	7154

Sl. No.	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
14.	Sub-stations (33 KV & above)(Numbers)	278	293	310	312	325
15.	(a)Connected Load (MW)	3188	3399	3783	3982	4267
	(b) Load awaiting energisation (MW)	48.94	46.11	53.00	53.64	-
16.	Consumers (Numbers)	1726346	1864644	2024953	2170139	2346886
17.	Break-up of sale of energy according to category of consumers (MUs)					
	(a)Agricultural	1366.49	1624.05	2176.28	2157.85	2543.26
	(b)Industrial	1322.46	1368.40	1317.60	1535.29	1472.76
	(c)Commercial	112.65	123.66	127.33	143.31	160.96
	(d)Domestic	486.06	581.88	657.27	832.83	963.71
	(e)Others	968.73	940.59	878.34	1020.65	841.87
	Total	**4256.39**	**4638.58**	**5156.82**	**5689.93**	**5982.56**

(b) Financial performance

Sl. No	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
		(Rupees in crore)				
1.	(a)Revenue receipts	201.38	235.97	270.85	390.94	414.37
	(b)Subsidy from the State Government	-	-	65.07	32.93	30.08
	Total	**201.38**	**235.97**	**335.92**	**423.87**	**444.45**
2.	Revenue expenditure (including write off of intangible assets)	178.92	206.36	303.56	355.99	479.53
3.	Gross surplus(+)/deficit (-) for the year	(+)22.46	(+)29.61	(+)32.36	(+)67.88	(-)35.08
4.	Interest on Government and other loans	37.87	90.34	168.82	111.87	117.58
5.	Deficit for the year (3-4)	15.41	60.73	136.46	43.99	152.66
6.	Net prior period adjustments	(+)2.40	(-)0.50	(-)6.95	(-)10.40	(-)1.42
7.	Net deficit (5+6)	13.01	61.23	143.41	54.39	154.08
8.	Value of net fixed assets in service at the beginning of the year	605.26	625.43	663.21	932.49	1005.74
9.	Rate of return including subsidy (*per cent*)	(-)2.15	(-)9.79	(-)21.62	(-)5.83	(-)15.32
10.	Additional resource mobilisation	124.81	213.15	420.19	221.82	234.50
11.	Components of cost (Paise/units)					
	(i) Fuel	22.50	20.54	28.34	25.05	32.09
	(ii) Power purchased	5.28	5.34	9.38	13.23	22.86
	(iii) O&M Work/Estt.	28.25	38.08	53.88	43.95	44.86
12.	(a) Revenue per unit (Paise)	46.81	50.87	52.52	68.71	69.26
	(b) Expenditure per unit(Paise)	56.03	63.96	91.60	82.23	99.81
	(c) Loss per unit(Paise)	(-)9.22	(-)13.09	(-)39.08	(-)13.52	(-)30.55

ANNEXURE-13

Statement showing time and cost overrun in respect of various projects commissioned by erstwhile Haryana State Electricity Board during VII five year plan

(Referred to in paragraph 2D.6.2.1)

Sl. No.	Name of the project and capacity (MW)	Commissioning schedule		Time over run (months)	Original estimated cost	Actual cost upto end of VII Plan	Cost overrun	Percentage of cost overrun over original estimate.
		Original	Actual					
					(Rupees in crore)			
1.	Panipat Thermal Power Station Stage II (2X110 MW) Unit III Unit IV	 September 1982 March 1983	 November 1985 January 1987	 37 45	72.93	194.26	121.33	166.37
2.	Panipat Thermal Power Station Stage III (1X210 MW)	December 1984	March 1989	51	111.10	264.48	153.38	138.06
3.	Western Yamuna Canal Hydro Electric Project, Stage-I							
(i)	Power House - A (16 MW) Unit – I Unit – II	 January 1983 April 1983	 May 1986 June 1986	 40 38				
(ii)	Power House –B (16MW) Unit-I Unit-II	 July 1983 October 1983	 May 1987 June 1987	 47 45	45.72	109.06	63.34	138.54
(iii)	Power House-C (16 MW) Unit I Unit-II	 January 1984 March 1984	 March 1989 April 1989	 62 61				
	Total				**229.75**	**567.80**	**338.05**	**147.14**

ANNEXURE –14

Statement showing generating capacity, power transformers capacity, transmission lines and T&D losses in respect of erstwhile Haryana State Electricity Board during the five years ending 1989-90

(Referred to in paragraphs 2D.8.1 and 2D.8.3(a))

Sl. No.	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
1.	Generating capacity including share from joint and central sector project (MW)	1556.50	1741.50	1832.50	2126.00	2162.00
2	Power transformers capacity (MVA)	6317.77	7226.47	7739.41	7874.67	8483.67
3.	Transmission lines (Circuits KMs)	7178.16	7328.92	7514.41	7675.75	7824.65
4.	Transformers capacity per MW of generating capacity (2÷1) (MVA)	4.06	4.15	4.22	3.70	3.92
5	Transmission lines per MW of generating capacity (3÷1) (Circuit KMs)	4.61	4.21	4.10	3.61	3.62
6	Transmission and distribution (T&D) losses (*per cent*)	17.46	18.44	23.58	24.40	24.53
7	Targeted T&D losses (*per cent*)	18.00	17.50	17.00	16.50	16.00
8	Excess T&D losses (*per cent*)	–	0.94	6.58	7.90	8.53
9	Units available for sale (MUs)	5156	5688	6749	7526	7928
10	Loss due to excess T&D losses (MUs)	–	53.47	444.08	594.55	676.26
11	Revenue per unit (Paise)	46.81	50.87	52.52	68.71	69.26
12	T&D losses (Rupees in crore)	-	2.72	23.32	40.85	46.84

ANNEXURE- 15

Statement showing financial position and working results of erstwhile Haryana State Electricity Board during the VII plan period

(Referred to in paragraph 2D.9)

(a) Financial position

Sl. No.	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
		(Rupees in crore)				
A	Liabilities					
1.	Capital	--	--	--	390.00	390.00
2.	Long-term loans					
	From Government	766.25	898.13	1041.73	797.86	957.30
	Others	--	--	420.89	475.21	532.57
	Deposits from public institutions	28.20	29.36	29.34	29.34	29.26
3.	Other loans including consumers' contribution	345.71	429.13	286.04	325.89	342.75
4.	Reserves and reserve funds	4.16	45.32	55.38	69.40	84.83
5.	Current liabilities	308.26	361.40	353.60	454.24	592.80
	Total A	**1452.58**	**1763.34**	**2186.98**	**2541.94**	**2929.51**
B	Assets					
	Gross block	793.82	854.67	1149.05	1257.30	1331.15
	Less depreciation	51.24	191.07	215.85	249.28	285.79
	Net fixed assets	742.58	663.60	933.20	1008.02	1045.36
	Capital works in progress	429.80	484.76	351.13	418.58	514.03
	Current assets	258.97	532.53	386.50	544.80	645.49
	Accumulated deficit	21.23	82.45	516.15	570.54	724.63
	Total B	**1452.58**	**1763.34**	**2186.98**	**2541.94**	**2929.51**
C	Capital employed*	1123.09	1319.49	1317.23	1517.16	1612.08
D	Capital invested**	794.45	927.49	1491.96	1692.41	1909.13

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

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

(b) Working results

Sl. No.	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
		(Rupees in crore)				
1(a)	Revenue receipts	201.38	235.97	270.85	390.94	414.37
(b)	Subsidy from the State Government	-	--	65.07	32.93	30.08
	Total	**201.38**	**235.97**	**335.92**	**423.87**	**444.45**
2.	Revenue expenditure including write off of intangible assets	178.92	206.36	303.56	355.99	479.53
3.	Gross surplus (+)/ deficit(-) for the year (1-2)	(+)22.46	(+)29.61	(+)32.36	(+)67.88	(-)35.08
4.	Appropriations					
(a)	Interest on Government loans	-	48.80	122.06	54.89	52.27
(b)	Interest on other loans	37.87	41.54	46.76	56.98	65.31
(c)	Contribution to repayment of loans under section 65 of the Act	--	--	--	--	--
5.	Deficit for the year (3-4)	15.41	60.73	136.46	43.99	152.66
6.	Net prior period adjustments	(+)2.40	(-)0.50	(-)6.95	(-)10.40	(-)1.42
7.	Net deficit	13.01	61.23	143.41	54.39	154.08
8.	Total return on:					
	Capital employed	24.86	29.11	25.41	57.48	(-)36.50
	Capital invested	22.77	(-)20.33	23.70	52.58	(-)43.06
9.	Percentage of return on:					
	Capital employed	3.48	2.21	1.93	3.79	--
	Capital invested	1.99	--	1.59	3.11	--

ANNEXURE-16

Statement showing category wise surplus earned /loss sustained by erstwhile Haryana State Electricity Board during VII plan

(Referred to in paragraph 2D.10)

Sl. No	Category/year	Per unit			Units sold	Surplus(+)/ losses(-)
		Average cost	**Sale price**	**Surplus(+)/ losses(-)**	**(In MUs)**	**(Rupees in crore)**
		(In paise)				
1	**Domestic**					
	1985-86	65.81	41.10	(-) 24.71	486.057	(-) 12.01
	1986-87	63.96	39.74	(-) 24.22	581.880	(-) 14.09
	1987-88	91.60	41.52	(-) 50.08	657.275	(-) 32.92
	1988-89	82.23	49.62	(-) 32.61	832.828	(-) 27.16
	1989-90	99.81	55.44	(-) 44.37	963.712	(-) 42.76
	Total					**(-) 128.94**
2	**Commercial**					
	1985-86	65.81	65.89	(+) 0.08	112.655	(+) 0.01
	1986-87	63.96	69.45	(+) 5.49	123.660	(+) 0.68
	1987-88	91.60	82.08	(-) 9.52	127.326	(-) 1.21
	1988-89	82.23	108.66	(+) 26.43	143.314	(+) 3.79
	1989-90	99.81	115.72	(+) 15.91	160.961	(+) 2.56
	Total					**(+) 5.83**
3	**Industrial**					
	1985-86	65.81	63.52	(-) 2.29	1322.462	(-) 3.03
	1986-87	63.96	71.03	(+) 7.07	1368.400	(+) 9.67
	1987-88	91.60	80.97	(-) 10.63	1317.605	(-) 14.01
	1988-89	82.23	104.82	(+) 22.59	1535.288	(+) 34.68
	1989-90	99.81	116.24	(+) 16.43	1472.756	(+) 24.20
	Total					**(+) 51.51**
4	**Agriculture**					
	1985-86	65.81	19.95	(-) 45.86	1366.494	(-) 62.67
	1986-87	63.96	16.91	(-) 47.05	1624.050	(-) 76.41
	1987-88	91.60	16.13	(-) 75.47	2176.276	(-) 164.24
	1988-89	82.23	20.50	(-) 61.73	2157.849	(-) 133.20
	1989-90	99.81	21.46	(-) 78.35	2543.263	(-) 199.26
	Total					**(-) 635.78**
5	**Bulk supply (Common pool)**					
	1985-86	65.81	18.75	(-) 47.06	610.526	(-) 28.73
	1986-87	63.96	26.10	(-) 37.86	635.333	(-) 24.05
	1987-88	91.60	30.67	(-) 60.93	528.044	(-) 32.17
	1988-89	82.23	25.72	(-) 56.51	452.337	(-) 25.56
	1989-90	99.81	28.56	(-) 71.25	462.190	(-) 32.93
	Total					**(-) 143.44**

Sl. No	Category/year	Per unit			Units sold	Surplus(+)/ losses(-)
		Average cost	Sale price	Surplus(+)/ losses(-)	(In MUs)	(Rupees in crore)
		(In paise)				
6	**Bulk supply (Others)**					
	1985-86	65.81	53.47	(-) 12.34	74.947	(-) 0.92
	1986-87	63.96	72.88	(+) 8.92	77.290	(+) 0.69
	1987-88	91.60	81.12	(-) 10.48	82.122	(-) 0.86
	1988-89	82.23	77.91	(-) 4.32	112.776	(-) 0.49
	1989-90	99.81	86.19	(-) 13.62	107.619	(-) 1.47
	Total					**(-) 3.05**
7	**Bulk supply (outside the State)**					
	1985-86	65.81	51.95	(-) 13.86	253.505	(-) 3.51
	1986-87	63.96	77.94	(+) 13.98	154.588	(+) 2.16
	1987-88	91.60	83.01	(-) 8.59	183.197	(-) 1.57
	1988-89	82.23	104.66	(+) 22.43	350.678	(+) 7.87
	1989-90	99.81	47.61	(-) 52.20	148.687	(-) 7.76
	Total					**(-) 2.81**
8.	**Others**					
	1985-86	65.81	63.18	(-) 2.63	15.023	(-) 0.04
	1986-87	63.96	53.95	(-) 10.01	57.290	(-) 0.57
	1987-88	91.60	57.07	(-) 34.53	65.569	(-) 2.26
	1988-89	82.23	80.03	(-) 2.20	78.752	(-) 0.17
	1989-90	99.81	87.59	(-) 12.22	90.858	(-) 1.11
	Total					**(-) 4.15**
	Grand Total					**(-)860.83**

ANNEXURE-17

Statement showing estimated cash inflow/outflow and actual there against in respect of erstwhile Haryana State Electricity Board during five years up to 1997-98.

(Referred to in paragraph 2E.4)

Sl. No.	Particulars	Estimated						Actual					
		1993-94	1994-95	1995-96	1996-97	1997-98	Total	1993-94	1994-95	1995-96	1996-97	1997-98	Total
		(Rupees in crore)											
A.	**Cash inflow**												
1	**Revenue Receipts**												
i)	Sale of power	760.97	1032.70	1227.63	1220.70	1567.96	5809.96	693.09	905.99	1160.95	1406.55	1660.80	5827.38
ii)	Subsidy	60.00	105.00	125.00	125.00	150.00	565.00	71.78	115.08	125.05	119.31	150.05	581.27
iii)	Other income	90.00	120.00	140.00	100.00	125.00	575.00	163.48	88.64	133.60	131.65	140.85	658.22
2)	Loan from Financial institutions	108.77	115.07	120.87	156.70	172.70	674.11	192.24	205.78	237.85	281.87	594.35	1512.09
3)	Consumers' contribution	7.30	8.00	7.00	11.00	11.00	44.30	5.19	8.44	8.75	15.94	16.46	54.78
	Total	**1027.04**	**1380.77**	**1620.50**	**1613.40**	**2026.66**	**7668.37**	**1125.78**	**1323.93**	**1666.20**	**1955.32**	**2562.51**	**8633.74**
B.	**Cash outflow**												
1	**Revenue Expenditure**												
i)	Fuel cost	373.62	404.94	412.67	372.79	427.34	1991.36	295.76	344.66	404.11	470.72	559.36	2074.61
ii)	Power purchase	395.78	469.31	526.38	517.35	713.00	2621.82	502.47	486.27	699.49	810.16	975.88	3474.27
iii)	O&M expenses	70.82	76.36	81.54	88.06	124.83	441.61	58.02	71.42	103.17	100.57	105.59	438.77
iv)	Establishment & admn. expenses	185.86	220.60	269.61	299.30	382.86	1358.23	216.99	242.90	289.50	343.79	436.78	1529.96
2	**Debt. Service**												
i)	Interest	104.27	126.20	142.76	195.00	220.00	788.23	123.83	137.40	160.14	190.14	226.04	837.55
ii)	Repayment of loan	81.58	105.87	120.25	171.67	173.00	652.37	95.59	98.12	134.14	144.31	176.40	648.56
	Total	**1211.93**	**1403.28**	**1553.21**	**1644.17**	**2041.03**	**7853.62**	**1292.66**	**1380.77**	**1790.55**	**2059.69**	**2480.05**	**9003.72**
C	Net cash surplus(+) deficit(-)	(-) 184.89	(-)22.51	(+)67.29	(-)30.77	(-)14.37	(-)185.25	(-)166.88	(-)56.84	(-)124.35	(-)104.37	(+)82.46	**(-)369.98**

ANNEXURE – 18

Statement showing sources and utilisation of funds in respect of Haryana Financial Corporation for the last five years up to 1997-98

(Referred to in paragraph 3.4)

Sl. No.	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
	(A) Sources	(Rupees in crore)				
1.	Share capital	1.67	3.92	6.91	0.05	5.41
2.	Borrowings					
a)	Refinance (SIDBI/IDBI)	72.33	61.06	60.13	68.74	61.84
b)	Bonds	17.01	27.57	30.94	76.00	32.00
c)	Others	10.53	48.98	80.42	14.58	64.48
3.	Recovery from loanees	72.79	105.54	127.68	162.23	194.85
4.	Other recoveries*	3.29	6.12	16.25	13.08	24.94
5.	Others**	1.62	5.17	18.53	18.06	11.31
	Total (A)	**179.24**	**258.36**	**340.86**	**352.74**	**394.83**
	(B) Utilisation					
1.	Disbursement of loan	115.18	149.59	272.14	137.88	106.94
2.	Repayment of bonds	-	-	3.57	1.10	45.78
3.	Repayment of loans	18.43	25.69	45.19	67.36	178.77
4.	Others	45.63	83.08	19.96	146.40	63.34
	Total (B)	**179.24**	**258.36**	**340.86**	**352.74**	**394.83**

* Include recoveries from merchant banking, premature payments and from lessees on leasehold assets.

** Include processing fee, upfront fee, interest on deposits, lease rentals, etc.

ANNEXURE-19

Statement showing loan applications received, sanctioned and disbursed in respect of Haryana Financial Corporation for the last five years up to 1997-98.

(Referred to in paragraph 3.5(a))

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98	
	No.of applica-tions	Amount	No.of applications	Amount	No.of applica-tions	Amount	No.of applica-tions	Amount	No.of appli-cations	Amount
	(Amount in crore of rupees)									
a) Applications pending at beginning of the year	186	72.13	181	46.99	166	51.58	154	48.68	126	32.10
b) Applications received	1039	162.81	1690	338.25	1303	341.93	772	153.74	852	241.61
c) **Total**	**1225**	**234.94**	**1871**	**385.24**	**1469**	**393.51**	**926**	**202.42**	**978**	**273.71**
d) Applications rejected/ lapsed/ withdrawn	252	53.62	61	4.06	47	19.53	90	22.75	89	41.86
e) Applications sanctioned	792	134.33	1644	329.60	1268	325.30	710	147.57	732	179.59
f) Applications pending at the end of the year	181	46.99	166	51.58	154	48.68	126	32.10	157	52.26
g) Amount for which loan applications considered (d+e)	1044	187.95	1705	333.66	1315	344.83	800	170.32	821	221.45
h) Amount disbursed		115.18		149.59		272.14		137.88		106.94

ANNEXURE-20

Statement showing outstanding loans where properties of promoters were either inadequate or non-existing or their whereabouts not known

(Referred to in paragraph 3.6(c))

Sl. No.	Name of unit	Amount of loan (Period of disbursement)	Amount realised from auction (Period)	Amount outstanding	Date of issue of recovery certificate	Remarks
		(Rupees in lakh)				
1.	D.P. Enterprises, Hisar	13.32 (May 1990)	1.53 (September 1994 and July 1995)	47.67	October 1994	Promoters have no property except a house assessed at Rs 0.88 lakh which is already under possession of the Corporation.
2.	Indo-Japan Photo Films Limited, Gurgaon	43.00 (October 1987 to February 1988)	19.00 (February 1995)	117.71	January 1997	Whereabouts of the promoters/ guarantors were not known. Recovery certificate re-lodged (January 1998) with collector Delhi. No response received.
3.	Rangoli, Faridabad	15.88 (September 1992 to April 1993)	9.25 (February 1995)	28.13	October 1995	Promoters had only property worth Rs 6.49 lakh.
4.	K.S. Board Paper Mills Limited, Gurgaon	11.06 (February 1984 to February 1985)	11.00 (February 1992)	29.08	April 1993	Whereabouts of the promoters were not known. An amount of Rs 11.02 lakh as principal written off as bad debts.
5.	Hightech Electronics, Gurgaon	26.60 (March 1991 to December 1991)	16.75 (November 1993)	27.15	May 1994	Promoters had since disposed of their property. Whereabouts of the promoters were not known.
6.	New Men's International, Gurgaon	27.25 (February 1989 to August 1991)	6.50 (August 1994 and November 1994)	38.23	March 1995	Promoters had since disposed of their property. Whereabouts of the promoters were not known. Principal amount of Rs 19.18 lakh had been written off as bad debts.