REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

For the year ended 31 March 1998

No. 2
(COMMERCIAL)

Government of Haryana

Preface

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

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

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

3. There are, however, certain companies which inspite of Government investment are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/ controlled companies/ corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government investment was more than Rs 10 lakh as on 31 March 1998 is given in Annexure - I.

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

5. The cases mentioned in this Report are those which came to notice in the course of test audit of accounts during the year 1997-98 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1997-98 have also been included, wherever considered necessary.

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OVERVIEW

OVERVIEW

The State had 22 Government companies (including four subsidiaries) and three Statutory corporations as on 31 March 1998.

(Paragraph 1.2.1 and 1.3.1)

- *The aggregate paid-up capital of Government companies was Rs 194.92 crore, of which Rs 181.20 crore were invested by State Government, Rs 4.17 crore by Central Government and Rs 9.55 crore by others (including holding companies). Of the 22 companies, 2 companies with paid-up capital of Rs 1.43 crore were not functional. The State Government loans to the extent of Rs 428.28 crore were outstanding as on 31 March 1998 against 14 Government companies.*

(Paragraph 1.2.1 and Annexure-2)

- *The State Government guaranteed the repayment of loans (and interest thereon) raised by ten companies. The amounts guaranteed and outstanding there against as on 31 March 1998 were Rs 518.50 crore and Rs 213.54 crore, respectively.*

(Paragraph 1.2.3 and Annexure-4)

- *Nine companies had finalised their accounts for the year 1997-98, the accounts of remaining 13 companies were in arrears ranging from one year to six years. The oldest arrear in accounts pertaining to any company relates to 1992-93. Thus, the results of investment of Rs 229.46 crore in these companies are not conclusively known.*

(Paragraph 1.2.4 and Annexure-5)

- *Out of nine companies which had finalised accounts for the year 1997-98, six companies had earned an aggregate profit of Rs 20.53 crore on total share capital of Rs 71.70 crore and two of these companies paid dividend amounting to Rs 1.41 crore to the Government.*

(Paragraph 1.2.5.2)

- *According to the latest available accounts, five companies suffered a total accumulated loss of Rs 81.47 crore which exceeded their paid-up capital by nearly 3 times. Maximum accumulated loss of Rs 44.23 crore was suffered by Haryana State Minor Irrigation and Tubewells Corporation Limited; accounts of which were finalised up to 1991-92.*

(Paragraph 1.2.5.3 and Annexure-3)

- *The aggregate paid-up capital of three Statutory corporations as on 31 March 1998 was Rs 1539.71 crore; of which Rs 1528.20 crore were invested by the State Government and Rs 11.51 crore by others. The State Government loans to the extent of Rs 565.37 crore were outstanding as on 31 March 1998 against these corporations. The State Government had also guaranteed repayment of loans (and interest thereon) raised by three corporations. The amounts guaranteed and outstanding there against as on 31 March 1998 were Rs 2932.04 crore and Rs 1461.91 crore, respectively.*

(Paragraph 1.3.2 and 1.3.3)

- *The accounts of Haryana State Electricity Board and Haryana Financial Corporation showed a profit of Rs 47.76 crore and Rs 2.62 crore, respectively, for the year 1996-97 and Haryana Warehousing Corporation earned a profit of Rs 21.86 crore during 1997-98.*

(Paragraph 1.3.4)

2 The activities of Haryana Agro Industries Corporation Limited, Performance of workshop of Haryana State Minor Irrigation and Tubewells Corporation Limited and Fuel management in Thermal Power stations of Haryana State Electricity Board were reviewed in audit.

2A The Haryana Agro Industries Corporation Limited was incorporated in March 1967 with the object to promote agro based industries, provide farmers with agricultural inputs and assist them in farm mechanisation in the State.

(Paragraph 2A.1)

- *The Company incurred heavy losses (except for 1993-94), on its main activities (other than wheat operation) viz. trading in fertilizer, pesticides, operation of two manufacturing plants and an engineering workshop.*

(Paragraph 2A.7)

- *The capacity utilisation of the Cattle Feed Plant, Jind, Food and Fruit Processing Plant, Murthal and Agro Engineering workshop, Nilokheri was grossly low due to inadequacy of marketing infrastructure leading to incurring of heavy losses which aggregated to Rs 2.76 crore during the last five years ending 1997-98.*

(Paragraph 2A.9)

- *Investment of Rs 0.65 crore on modernisation of Food and Fruit Processing Plant, Murthal did not yield desired results owing to failure of the Company in obtaining further funds needed for procurement of additional machinery.*

(Paragraph 2A.9.1.2 (b))

- *The inability of the Company to procure fertilizers at competitive rates and inadequate marketing infrastructure led to decrease in the market share of the Company in the State from 27.4 per cent in 1993-94 to 3.2 per cent in 1997-98.*

(Paragraph 2A.10.1)

- *Due to delay in standardisation and non-disposal of urea on 'first in first out' basis, the Company incurred a loss of Rs 0.67 crore during 1995-96 to 1997-98.*

(Paragraph 2A.10.4)

- *Consumption of gunny bags in excess of norm during the last five years ending 1996-97 resulted in a loss of Rs 0.42 crore.*

(Paragraph 2A.11.2)

- *Delay in delivery of wheat stock to FCI and failure to maintain required sound health of wheat stock as well as failure to check the functioning of its officials at FSC, Kaithal resulted in estimated loss of Rs 0.96 crore to the Company.*

(Paragraph 2A.11.7)

- *Due to injudicious decision to contribute additional Rs 4 crore during March 1995 to Haryana Agro Research and Development Centre, the Company lost Rs 2.39 crore and paid an avoidable interest of Rs 1.03 crore on account of interest on cash credit/loan.*

(Paragraph 2A.13.1)

2B The Haryana State Minor Irrigation and Tubewells Corporation Limited set up (1975) a workshop at Karnal for the manufacture of lift irrigation pumps, repair of motors, vehicles and machines. The activities of workshop were further diversified during 1979-80 by undertaking fabrication of gates, gearing, penstocks, hoists, stoplogs and setting up of foundry and transformers repair shop.

(Paragraph 2B.1)

- *The workshop suffered continuous losses aggregating Rs 6.98 crore in respect of deposit works during the last 5 years up to 1997-98 due to under utilisation of installed capacity owing to non-availability of sufficient work, old machinery and power cuts, underbilling of work done, loss of interest on deposit work, accepting of unviable jobs and surplus manpower.*

(Paragraph 2B.5)

- *The Company funds aggregating Rs 3.60 crore were locked up for varying periods ranging from 10 months to two years due to incurring of expenditure on Massani Barrage against the instruction of Irrigation Department which resulted in loss of interest of Rs 2.18 crore.*

(Paragraph 2B.6.2(a))

- *The Company suffered a loss of Rs 0.30 crore in the repair of 667 transformers of HSEB between 1990-91 and 1993-94 due to high cost of repairs/defects in repairs.*

(Paragraph 2B.6.4 (ii))

- *The Company incurred idle wages of Rs 2.17 crore on surplus manpower during August 1994 to March 1998.*

(Paragraph 2B.9)

- *The chances of recovery of Rs 14.66 crore from Irrigation Department and HSEB were remote as these amounts were disputed due to overcharging of departmental charges by the Company since 1991-92.*

(Paragraph 2B.10)

3 The <u>Haryana State Electricity Board (Board)</u> has two coal based thermal power stations at Panipat (650 MW) and Faridabad (165 MW). The Panipat Thermal Power Station (PTPS) and Faridabad Thermal Power

Station (FTPS) receive coal from Central Coalfields Limited (CCL) and Bharat Coking Coal Limited (BCCL) which are subsidiaries of Coal India Limited (CIL).

(Paragraph 3.1)

- *Due to shortfall in receipt of coal, the Board suffered a loss of generation of 2078.26 MUs valued at Rs 243.88 crore during five years up to 1997-98.*

(Paragraph 3.3.1)

- *Receipt of lower grade coal at Faridabad TPS, resulted in a loss of generation of 798 MUs valued at Rs 107.99 crore during the five years up to 1997-98.*

(Paragraph 3.3.2)

- *The Board could not enforce claims of Rs 110.05 crore on account of receipt of lower grade coal for the period from April 1995 to March 1998 as it did not appoint representatives at colliery end for joint sampling.*

(Paragraph 3.4.1)

- *The Board's claims for short supply of coal valued at Rs 13.14 crore were rejected by CIL in the absence of adequate weighment at TPSs for the period 1987 to 1995.*

(Paragraph 3.4.2)

- *The Board had withdrawn claims of Rs 10.98 crore up to September 1991 on account of idle freight on underloading of wagons in contravention to the agreement with CIL for supply of coal and did not prefer claims on this account from October 1991 onwards.*

(Paragraph 3.4.3)

- *In the absence of representative of the Board at colliery end for joint sampling, CCL rejected claims of Rs 5.94 crore for the period from April 1993 to March 1995 on account of stones and shales as the claims were preferred on unilateral assessment at the power house end.*

  (Paragraph 3.4.4)

- *In respect of FTPS, out of claims of Rs 16.17 crore on account of freight of 4442 missing /diverted wagons, Rs 7.92 crore were settled by match delivery of 1863 wagons and claims of Rs 8.25 crore were pending settlement.*

  (Paragraph 3.5.1)

- *The Board did not recover claims of Rs 3.97 crore in respect of diverted wagons for the period 1990-1996 on account of differential of cost of coal actually received and paid for.*

  (Paragraph 3.5.2)

- *The amount of royalty paid on higher grade of coal fixed for each colliery on the basis of its declared grade of coal remained unadjusted to the extent of Rs 11.84 crore.*

  (Paragraph 3.6)

- *The Board had to pay avoidable surcharge of Rs 0.26 crore to Railways due to its failure to recoup shortfall of pre-paid freight.*

  (Paragraph 3.7.1(a))

- *Both the thermal plants consumed coal in excess of the standards. During the five years up to 1997-98, the excess consumption of coal by PTPS was 23 lakh tonnes valued at Rs 291.39 crore and by FTPS 7.08 lakh tonnes valued at Rs 90.63 crore.*

  (Paragraph 3.8.1)

- *Both the thermal plants consumed secondary fuel oil in excess of the national average. During the five years up to 1997-98, the excess consumption of oil by PTPS was 1.40 lakh kilo litres valued at Rs 80.39 crore and by FTPS 0.15 lakh kilo litres valued at Rs 9.24 crore.*

(Paragraph 3.8.2)

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

Haryana Seeds Development Corporation Limited

- *Acceptance of undersize cotton seed resulted in loss of Rs 0.09 crore to the company.*

(Paragraph 4.1.1)

Haryana Forest Development Corporation Limited

- *Lack of verification of stock of timber coupled with inadequate maintenance of records led to misappropriation of timber worth Rs 0.09 crore.*

(Paragraph 4.2.1)

Haryana State Electricity Board

- *Acceptance of sub-standard transformers due to faulty inspection resulted in capital loss of Rs 3.18 crore besides transformation losses of Rs 9.96 crore.*

(Paragraph 4.5.1)

- ***Board's decision to purchase soot blowers was not need based thereby these could not be put to use, and resulted in unfruitful expenditure of Rs 0.51 crore.***

(Paragraph 4.5.2)

- ***Failure to invoke risk and purchase clause and levy liquidated damages against the supplier caused loss of Rs 0.19 crore.***

(Paragraph 4.5.3)

- ***The Board failed to install transformer worth Rs 0.10 crore resulting in loss of interest of Rs 0.14 crore on locking up of funds.***

(Paragraph 4.5.9)

<u>Haryana Financial Corporation</u>

- ***Injudicious action of the corporation in taking over loanee unit resulted in loss of Rs 0.58 crore.***

(Paragraph 4.6.1)

- ***Inadequate pre and post disbursement monitoring and failure to obtain collateral security as also verification of assets resulted in non-recovery of loans of Rs 1.96 crore in three cases.***

(Paragraph 4.6.2)

Chapter-I

Introduction

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

1.1 Introduction

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

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

1.2 Government companies-General view

1.2.1 As on 31 March 1998, there were 22* Government companies (including four subsidiaries) with total investment of Rs 623.20 crore (Equity: Rs 194.92 crore; long-term loans: Rs 428.28 crore) as against 23 companies (including five subsidiaries) with a total investment of Rs 480.31 crore (Equity: Rs 178.02 crore; long-term loans: Rs 302.29 crore) as on 31 March 1997. There

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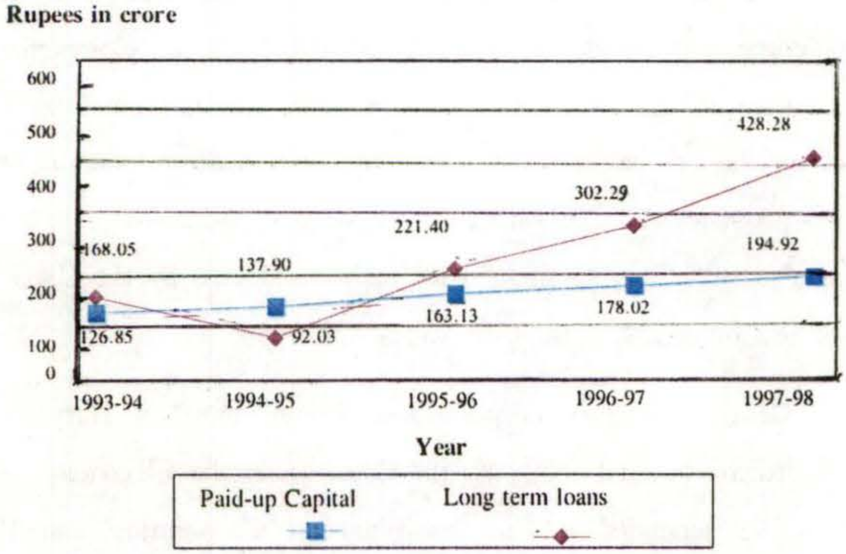
* One Company named Haryana Matches Limited was dissolved in May 1997.

was no deemed Government company as on 31 March 1998.

Growth in investment

(1993-94 to 1997-98)



The classification of the companies is as under :

Sl. No.	Particulars	Number of companies	Paid-up capital
		(Rupees in crore)	
(a)	Working companies	20	193.49
(b)	Non-working companies:	-	-
	(i) Defunct companies	2	1.43
	(ii) Companies under liquidation	Nil	Nil

1.2.2 The break up of investment by way of equity in respect of all the Government companies is given in Annexure-2.

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

EQUITY AND LOANS

Sl. No.	Sector	As at the end of						Debt equity ratio in 1997-98	Total invest-ment as on 31 March 1998
		1997-98			1996-97				
		Number	Equity	Loan	Number	Equity	Loan		
		(Rupees in lakh)							
1	**Agriculture**								
A	Government companies	5	2688.89	3402.26	5	2664.66	3441.21	1.27:1	6091.15 (9.78)
B	Subsidiary companies	-	-	-	-	-	-	-	
2	**Industries**								
A	Government companies	4	6369.12	29966.09	4	6148.12	15010.56	4.70:1	37463.45 (60.11)
B	Subsidiary companies	1	685.50	442.74	2	698.00	442.74	0.64:1	
3	**Engineering**								
A	Government companies	1	200.00	5699.37	1	200.00	8523.00	28.50:1	5899.37 (9.47)
B	Subsidiary companies	-	-	-	-	-	-	-	
4	**Electronics**								
A	Government companies	1	733.76	15.00	1	660.76	17.50	0.02:1	798.76 (1.28)
B	Subsidiary companies	1	50.00	-	1	50.00	-	-	
5	**Handloom and Handicraft**								
A	Government companies	1	285.17	122.50	1	263.82	122.50	0.43:1	407.67 (0.65)
B	Subsidiary companies	-	-	-	-	-	-	-	
6	**Forest**								
A	Government companies	1	60.46	-	1	40.46	-	-	60.46 (0.10)
B	Subsidiary companies	-	-	-	-	-	-	-	
7	**Mining**								
A	Government companies	-	-	-	-	-	-	-	
B	Subsidiary companies	1	24.04	-	1	24.04	-	-	24.04 (0.04)

Sl. No.	Sector	As at the end of						Debt equity ratio in 1997-98	Total investment as on 31 March 1998
		1997-98			1996-97				
		Number	Equity	Loan	Number	Equity	Loan		
		(Rupees in lakh)							
8	Construction								
A	Government companies	1	2875.00	2000.00	1	1875.00	1774.21	0.70:1	4875.00 (7.82)
B	Subsidiary companies	-	-	-	-	-	-	-	
9	Economically Weaker Sections								
A	Government companies	3	3946.99	1179.56	3	3673.69	897.07	0.30:1	5126.55 (8.23)
B	Subsidiary companies	-	-	-	-	-	-	-	
10	Tourism								
A	Government companies	1	1210.37	-	1	1140.45	-	-	1573.28 (2.52)
B	Subsidiary companies	1	362.91	-	1	362.91	-	-	
	Total	22	19492.21	42827.52	23	17801.91	30228.79	-	62319.73

(Figures in bracket intlicate percentage)

Analysis of investments

(a) Increase in investment in construction sector was mainly due to release of additional share capital for the construction of residential houses for police personnel.

(b) In pursuance of the Industrial policy of the Central Government to disinvest the share holding in PSUs, the State Government also decided in 1995 to partially disinvest its holding in selected Government companies. No disinvestment was made by the State Government during the year 1997-98.

1.2.3 Guarantees, Budgetary Out go and Waiver of dues

The position of guarantees and budgetary out go at the end of the year 1997-98 is given in Annexure- 2 and 4.

(a) The guarantees given by the State Government against loans and credits given by banks etc. to the Public Sector Enterprises for the preceding three years up to 1997-98 and outstanding as on 31 March 1998 are shown in the table below (See Annexure-4 also).

GUARANTEES GIVEN BY STATE GOVERNMENT

Sl. No.	Guarantees	Amount guaranteed during			Total amount guaranteed as on 31March 1998	Guaranteed amount outstanding as on 31March 1998
		1995-96	1996-97	1997-98		
		(Rupees in crore)				
1	Cash credit from State Bank of India and other Nationalised Banks	24.00	Nil	9.00	20.50	10.90
2	Loans from other sources	57.58	77.84	20.04	498.00	202.64
3	Letters of credits opened by S.B.I in respect of imports	Nil	Nil	Nil	Nil	Nil
4	Payment obligation under agreements with foreign consultants or contracts	Nil	Nil	Nil	Nil	Nil
	Total	**81.58**	**77.84**	**29.04**	**518.50**	**213.54**

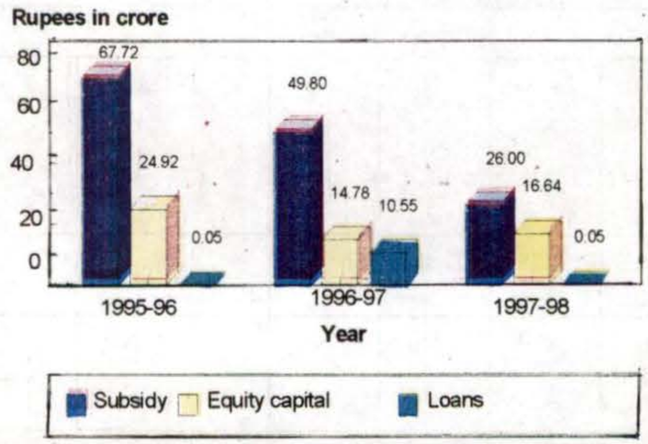
The guarantee was for repayment of both loan and interest. No guarantee commission has been paid during the year.

(b) Budgetary outgo

The outgo from the State Government during the years 1995-96 to 1997-98 in the form of equity capital, loans and subsidy was as detailed below:

Sl. No.	Particulars	1995-96	1996-97	1997-98
			(Rupees in crore)	
1	Equity capital outgo from Budget	24.92 (9)	14.78 (9)	16.64 (10)
2	Loans given out from Budget	0.05 (1)	10.55 (3)	0.05 (1)
3	Subsidy	67.72 (7)	49.80 (9)	26.00 (7)
	Total outgo	**92.69**	**75.13**	**42.69**

(Figures in brackets indicate number of companies)



(c) Waiver of dues

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

Sl. No.	Particulars	1995-96	1996-97	1997-98
		(Rupees in crore)		
1	Loans repayments written off	Nil	Nil	Nil
2	Interest waived	2.27	Nil	Nil
3	Penal interest waived	0.29	Nil	Nil
4	Repayments of loans on which moratorium allowed	**Nil**	Nil	Nil
5	Others	Nil	Nil	Nil
	Total	**2.56**	**Nil**	**Nil**

1.2.4 Finalisation of accounts

Under Section 166, 210, 230 and 619 of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 the accounts of the companies for every financial year are to be submitted for audit within six months from the end of the relevant financial year. They are also to be laid before the Legislature within nine months from the end of the financial year. Of the 22 Government companies, the accounts of 13 companies in which the State Government/ Government companies had invested Rs 229.46 crore up to 31 March 1998 were in arrears for periods ranging from one year to six years as indicated in Annexure 5 (as on 30 September 1998).

The administrative departments have to oversee and ensure that the accounts are finalised by the companies and adopted at their annual general meeting within the time schedule. Though the concerned administrative departments of the Government were apprised by Audit of the position of the arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time schedule, the investments made by these companies remained outside the purview of audit and their accountability could not be ensured.

Summarised financial results of all the government companies are given in Annexure-3.

In respect of Haryana Police Housing Corporation Limited which finalised its accounts up to 1996-97, excess of expenditure over income was capitalised and no profit and loss account prepared.

According to latest finalised accounts of the remaining 21 of the 22 companies, 9 companies had incurred losses of Rs 14.45 crore and 12 companies earned profit of Rs 23.51 crore as indicated in the table below:

Sl. No.	Number of com-panies	Year up to which accounts were finalised	Profit		Loss	
			Number of companies	Amount	Number of companies	Amount
			(Rupees in crore)			
1	9	1997-98	6	20.53	3	0.33
2	5	1996-97	3	1.79	2	8.55
3	2	1995-96	1	0.49	1	0.39
4	2	1994-95	1	0.11	1	0.68
5	2	1993-94	1	0.59	1	0.21
6	1	1991-92	-	-	1	4.29
Total	**21**		**12**	**23.51**	**9**	**14.45**

1.2.5 Working results

1.2.5.1 Profit making companies

During the year, 11 companies which finalised accounts for 1997-98 or for previous years, earned profit of Rs 22.99 crore. These companies earned profit for two successive years or more and 2 companies declared dividend. Free reserves and surpluses amounting to Rs 11.29 crore were built up in 5 companies.

1.2.5.2 Profit and dividend

Out of 9 companies which finalised their accounts for 1997-98 by September 1998, 6 companies earned profit of Rs 20.53 crore on total share capital of Rs 71.70 crore and 3 companies showed a loss of Rs 0.33 crore on its share capital of Rs 8.49 crore. Of these profit making companies, 2 companies declared dividend amounting to Rs 1.41 crore as detailed below:

Name of Company	Profit earned	Dividend declared	
	(Rupees in crore)	*Per cent*	Amount (Rupees in crore)
Haryana State Industrial Development Corporation Limited	6.49 (60.41)	1.66	1.00
Haryana Agro Industries Corporation Limited	13.90 (4.14)	9.90	0.41

(Figures in bracket indicate share capital)

The dividend as percentage of share capital (Rs 64.55 crore) in the profit making companies worked out to 2.18. The other four profit making companies did not declare any dividend on the profit of Rs 0.14 crore earned during 1997-98. On the total equity capital the return worked out to 0.72 *per cent* in 1997-98 compared to 0.75 *per cent* in 1996-97.

1.2.5.3 Loss making companies

According to the latest available accounts, 5 companies (Sl. No. 1 to 5) had eroded their paid-up capital as the accumulated losses amounting to Rs 81.47 crore of these companies had far exceeded the paid-up capital of

Rs 27.31 crore as shown below:

Sl. No.	Name of company	Accumulated loss	Suffering loss mainly due to	Paid- up capital	Percentage of capital eroded
			(Rupees in lakh)		
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	4423.17	High incidence of administrative expenses	1089.10	406.13
2.	Haryana Concast Limited	1920.95	-do-	685.50	280.23
3.	Haryana State Handloom and Handicrafts Corporation Limited	326.25	-do-	263.82	123.66
4.	Haryana Dairy Development Corporation Limited	756.06	Operation suspended	557.48	135.62
5.	Haryana Tanneries Limited	720.68	-do-	135.15	533.24
	Total (1 to 5)	**8147.11**		**2731.05**	
6	Haryana Harijan Kalyan Nigam Limited	751.02	High incidence of administrative expenses	1966.39	38.19
7	Haryana Backward Classes Kalyan Nigam Limited	190.25	-do-	529.99	35.90

Of the 9 loss making companies as shown in Paragraph 1.2.4 supra, 7 companies (Sl. No. 1 to 7 above) suffered loss for 3 to 12 consecutive years. Inspite of the poor performance leading to complete erosion of paid-up capital in 5 companies as shown above, the State government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, waiver of interest, conversion of loan into equity, subsidy, etc. The total financial support provided during 1997-98 to four loss making companies (Sl. No. 1, 3, 6 and 7) amounted to Rs 25.43 crore.

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

1.2.5.4 Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the Statutory Auditors. Accordingly, the audited annual accounts of Government companies are reviewed on a selective basis. During the period from October 1997 to September 1998, accounts of 17 companies were selected for review. The net effect of the important comments as a result of such review was as follows:

Details	Number of Accounts	Monetary effect (Rupees in crore)
Increase in loss	2	1.40

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

1.2.5.5 Return on capital employed

Capital employed has been taken as net fixed assets (including capital works-in-progress) *plus* working capital. Interest on borrowed funds is added/subtracted to the net profit/loss as disclosed in the profit and loss account. Thus, during 1997-98 the total capital employed worked out to Rs 345.87 crore in six companies and the return thereon amounted to Rs 58.01 crore which is 16.77 *per cent* as compared to return of Rs 30.90 crore (13.82 *per cent*) in 1996-97.

Sector-wise details of the return on capital employed as per latest available accounts in the 21 Companies during 1997-98 were as under:

Sl. No.	Sector	Number of companies	Capital employed	Return on capital employed	Percentage of return on capital employed
			(Rupees in crore)		
1	Agriculture	5	151.82 (242.90)	27.89 (22.11)	18.37 (9.10)
2	Industries	5	301.95 (228.29)	32.70 (29.41)	10.83 (12.88)
3	Engineering	1	48.88 (30.64)	8.47 (3.55)	17.32 (11.59)
4	Electronics	2	7.66 (6.92)	0.56 (0.52)	7.31 (7.51)
5	Handloom and Handicrafts	1	0.86 (1.40)	(-)0.28 (-)0.15	- (-)
6	Forest	1	0.57 (0.26)	0.11 (0.09)	19.30 (34.62)
7	Mining	1	3.35 (2.81)	0.33 (0.79)	9.85 (28.11)
8	Economically weaker section	3	26.98 (19.68)	(-)0.27 (-)0.17	- (-)
9	Tourism	2	18.25 (19.81)	(-)2.20 (3.12)	- (15.75)
	Total (1 to 9)	**21**	**560.32 (552.71)**	**67.31 (59.25)**	**12.01 (10.72)**
					(Figures for previous year in brackets)

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

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

Sl. No.	Name of company	Name of unit in which investment was made	Number of shares bought back
1	Haryana State Electronics Development Corporation Limited	Hartron Communication Limited	208000 shares of Rs 10 each
2	Haryana State Industrial Development Corporation Limited	Haryana Leather Chemicals Limited	121940 shares of Rs 10 each
3	Haryana State Industrial Development Corporation Limited	Haryana Auto Castings Limited	36200 shares of Rs 10 each
4	Haryana State Industrial Development Corporation Limited	Pashupati Haryana Woolens Limited	747600 shares of Rs 10 each
5	Haryana State Industrial Development Corporation Limited	Coventry Coil-O-Matics Limited	260000 shares of Rs 10 each

1.2.7 Important points made by Statutory Auditors and CAG

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

1.2.7.1 The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directions to the Statutory Auditors of Government companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the Statutory Auditors on the accounts of 3 companies for the years 1995-96 to 1997-98 were received during the year. The important points noticed in the reports are summarised below:

Sl. No.	Nature of defect	Number of companies in which defect was noticed	Reference to sl. no of companies as per Annexure- 3
1.	Non-existence of adequate internal audit system .	3	6,16,22
2.	Non-fixation of norms for consumption of raw material	2	16,22
3.	Non-fixation of maximum and minimum limit of stores, spares etc.	2	16,22
4.	Non-existence of system regarding timely recovery of outstanding dues	1	16
5.	Non-verification of cash and imprest balances on regular basis	1	16
6.	Irregular deposits with Banks/Financial Institutions	1	16

1.2.7.2 Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the Audit Reports of the Statutory Auditors. Under this provision, the review of annual accounts of Government companies is being conducted in selected cases. Accounts relating to 17 companies were selected for such review during the period from October 1997 to September 1998.

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

(a) Haryana State Minor Irrigation and Tubewells Corporation Limited (Accounts for the year 1991-92)

i) Capital Works-in-Progress includes plant and machinery valuing Rs 6.23 lakh for transformer repair workshop which was in operation since 1990-91 and as such should have been included in the fixed assets. Non-inclusion has resulted in under-charging of depreciation and understatement of loss by Rs 1.56 lakh.

ii) Current Assets include Rs 152.60 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 152.60 lakh and loss has been understated by Rs 134.88 lakh, fixed asset by Rs 15.37 lakh and current liabilities by Rs 2.35 lakh.

iii) The loss for the year 1991-92 has been overstated by Rs 5.51 lakh due to crediting of sale proceeds of land valuing Rs 0.09 lakh for Rs 5.60 lakh to Current Liabilities (Rs 1.40 lakh) and Land Account (Rs 4.20 lakh). This has resulted in overstatement of Current Liabilities by

Rs 1.40 lakh and understatement of Fixed Assets by Rs 4.11 lakh.

(b) Haryana Roadways Engineering Corporation Limited (Accounts for the year 1991-92)

Current Liabilities and Provisions have been understated by Rs 10.15 lakh due to non-provision for leave salary and pension contribution (Rs 9.25 lakh) and leave encashment (Rs 0.90 lakh). Accordingly, the accumulated loss of the Company would be Rs 8.54 lakh instead of profit of Rs 1.61 lakh.

(c) Haryana Women Development Corporation Limited (Accounts for the year 1995-96)

Current Liabilities and Provisions have been understated by Rs 7.55 lakh due to non-provision of leave salary of the staff up to 31 March 1996. Accordingly, the profit has been overstated to that extent.

(d) Haryana Seeds Development Corporation Limited (Accounts for the year 1996-97)

Current Liabilities and Provisions have been understated by Rs 16.19 lakh due to non-provision of leave encashment as on 31 March 1997. Accordingly, profit has been overstated to that extent.

1.2.8 Capacity utilisation

The percentage of utilisation of the installed or rated capacity of all the four manufacturing companies (to the extent the information is available) are given in Annexure-6. The installed capacity is often uprated or downrated depending upon the condition of plant and machinery, manpower constraints, number of shifts worked, etc. leading to revision of rated capacity. The figures computed by the companies have not been presented in terms of a standard man-hour unit of capacity or production. The actual utilisation as per existing rated capacity has been poor. Thus, there is a need for monitoring capacity utilisation in terms of standard man-hours of production feasible, targeted and achieved.

1.2.9 Other investments

The State Government has invested Rs 22.51 crore in 41 companies. Though the Government has invested Rs 10 lakh and above in each of these companies, they are not subject to audit by the Comptroller and Auditor General. A list of these companies is given in Annexure-1.

1.3 Statutory corporations

1.3.1 General aspects

There were three Statutory corporations in the State as on 31 March 1998. Audit arrangements of these corporations are shown below:

Name of the Corporation	Statute under which constituted	Date of Formation	Audit arrange-ment	Year up to which accounts finalised	Separate Audit Report placed in legislature up to the year	Authority for audit by CAG
Haryana State Electricity Board	Electricity (Supply) Act, 1948	3 May 1967	CAG is the sole Auditor	1996-97	1995-96	Section 69 of Electricity (Supply) Act, 1948
Haryana Financial Corporation	State Financial Corporations Act, 1951	1 April 1967	Accounts audited by Chartered Accountants appointed by State Govern-ment in consultation with CAG	1996-97	1995-96	Section 37 (6) of the State Financial Corporations Act, 1951
Haryana Ware-housing Corporation	Warehousing Corporations Act, 1962	1 November 1967	-do-	1997-98	1995-96	Section 31(1) of Warehousing Corporations Act, 1962

1.3.2 Investment

The total investment in these corporations as on 31 March 1998 was

Rs 3675.94 crore (Equity: Rs 1539.71 crore, long-term loans: Rs 2136.23 crore) as against these Statutory corporations with total investment of Rs 4048.21 crore as on 31 March 1997 (Equity: Rs 1527.12 crore, long-term loans: Rs 2521.09 crore).The sector-wise investment in these Corporations is as below:

EQUITY AND LOANS

Sl. No.	Department/ type of PSUs	As at the end of				Debt equity ratio in 1997-98
		1997-98		1996-97		
		Equity	Loan	Equity	Loan	
(Rupees in crore)						
1	**Power**					
	Haryana State Electricity Board	1500.00 (1500.00)	2056.88 (565.37)	1500.00 (1500.00)	1865.36 (732.39)	1.37:1
2	**Industries**					
	Haryana Financial Corporation	33.87 (25.28)	79.35 (Nil)	21.28 (12.74)	654.67 (7.13)	2.34:1
3	**Agriculture**					
	Haryana Warehousing Corporation	5.84 (2.92)	Nil. (Nil)	5.84 (2.92)	1.06 (Nil)	
	Total	**1539.71 (1528.20)**	**2136.23 (565.37**	**1527.12 (1515.66)**	**2521.09 (739.52)**	

(Figures in brackets denote State Government investment)

1.3.3 Guarantee on loans

The guarantees given by the State Government against loans and credits given by banks etc. to the corporations for the preceding three years up to

1997-98 and outstanding as on 31 March 1998 are shown in the table below:

GUARANTEES GIVEN BY STATE GOVERNMENT

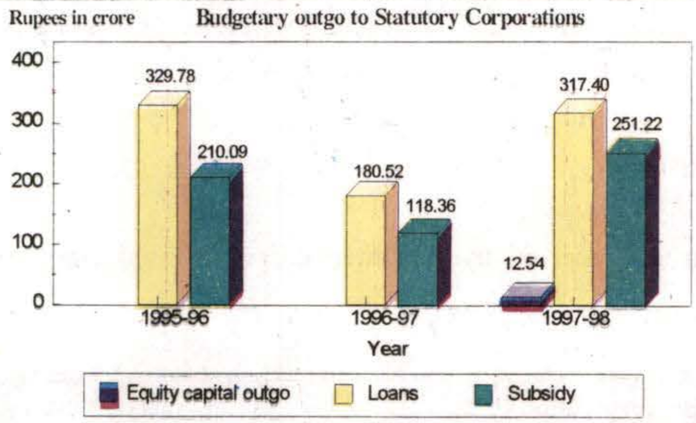
Sl. No.	Guarantees	Amount guaranteed during			Total amount guaranteed as on 31 March 1998	Guaranteed amount outstanding as on 31 March 1998
		1995-96	1996-97	1997-98		
(Rupees in crore)						
1	Cash credit from State Bank of India and other nationalised banks	45.00	105.00	95.00	165.00	38.68
2	Loans from other sources	183.00	406.17	550.90	2767.04	1423.23
3	Letters of credits opened by S.B.I. in respect of imports	Nil	Nil	Nil	Nil	Nil
4	Payment obligation under agreement with foreign consultants or contracts	Nil	Nil	Nil	Nil	Nil
	Total	**228.00**	**511.17**	**645.90**	**2932.04**	**1461.91**

The guarantee was for both the principal and the interest. Guarantee commission of Rs 1.38 crore had been paid during the year by Haryana Warehousing Corporation.

Budgetary outgo and waiver of dues

The outgo from the State Government to three corporations during the years 1995-96 to 1997-98 in the form of equity capital, loans and subsidy is as detailed below:

Sl. No.	Particulars	1995-96	1996-97	1997-98
			(Rupees in crore)	
1	Equity capital outgo from Budget	Nil	Nil	12.54
2	Loans given out from Budget	329.78	180.52	317.40
3	Subsidy	210.09	118.36	251.22
	Total outgo	**539.87**	**298.88**	**581.16**



1.3.4 Finalisation of accounts

According to the latest finalised accounts of these three corporations, all the three corporations earned a profit of Rs 72.24 crore as indicated in the table below:

Sl.No.	Name of the corporation	Year up to which accounts were finalised	Profit/ surplus	Loss/ deficit
			(Rupees in crore)	
1	Haryana State Electricity Board	1996-97	47.76	-
2	Haryana Financial Corporation	1996-97	2.62	-
3	Haryana Warehousing Corporation	1997-98	21.86	-
	Total		**72.24**	-

Out of three corporations, Haryana State Electricity Board submitted its accounts for the year 1997-98 in July 1998 for audit and the same were under finalisation (September 1998); one corporation had not submitted its accounts for the year 1997-98 (September 1998).

1.3.5 Subsidy

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

Sl. No.	Name of the corporation	Subsidy received during		
		1995-96	**1996-97**	**1997-98**
			(Rupees in crore)	
1	Haryana State Electricity Board	614.79	641.73	250.05
2	Haryana Financial Corporation	Nil	9.21	1.22
3	Haryana Warehousing Corporation	0.04	Nil	Nil
	Total	**614.83**	**650.94**	**251.27**

1.3.6 Working results of Statutory corporations

The working results of the Statutory corporations for the latest year for which accounts have been finalised are summarised in Annexure-7. Salient points about the accounts and physical performance of these corporations are given below in paragraphs 1.4 to 1.6.

1.4 Haryana State Electricity Board

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

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

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding at the close of each of the two years up to 31 March 1998 were as follows:

Source	Amount outstanding as on 31 March		Percentage increase(+) decrease(-)
	1997	1998 (Provisional)	
(Rupees in crore)			
State Government	732.39	565.37	(-)22.80
Other sources			
Loans from Life Insurance Corporation of India	153.59	238.39	(+)55.21
Loans from Rural Electrification Corporation Limited	140.40	124.69	(-)11.19
Bonds and other loans	838.98	1128.43	(+)34.50
Total	**1865.36**	**2056.88**	**(+)10.27**

1.4.2 The table below summarises the financial position of the Board at the end of each of the three years up to 1997-98:

Sl. No.	Source	1995-96	1996-97	1997-98 (Provisional)
			(Rupees in crore)	
A	**Liabilities**			
1	Capital	1190.00	1500.00	1500.00
2	Long-term loans:			
	From Government	1163.14	732.39	565.37
	Others	968.44	994.53	1344.48
	Deposits from public institutions	80.52	138.44	147.03
3	Other loans including consumers' contribution	259.92	347.11	313.50
4	Reserves and reserve funds	227.46	265.31	301.50
5	Current liabilities	1218.40	1283.29	1639.75
	Total	**5107.88**	**5261.07**	**5811.63**
B	**Assets**			
1	Gross fixed assets	2409.06	2522.91	2628.30
	Less: Depreciation	779.66	922.86	1069.44
2	Net fixed assets	1629.40	1600.05	1558.86
3	Capital works-in-progress	368.33	429.06	556.99
4	Current assets	1434.75	1604.31	1632.11
5	Accumulated deficit	1675.40	1627.65	2063.67
	Total	**5107.88**	**5261.07**	**5811.63**
C	**Capital employed***	**2214.08**	**2350.13**	**2108.21**

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

1.4.3 Working results

(i) The working results of the Board for the three years up to 1997-98 are summarised below:

Sl. No.	Particulars	1995-96	1996-97	1997-98 (Provisional)
		(Rupees in crore)		
1	(a) Revenue receipts	1294.56	1538.19	1835.27
	(b) Subsidy from the State Government	614.79	641.73	250.05
	Total	**1909.35**	**2179.92**	**2085.32**
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	1500.41	1728.60	2092.22
3	Gross surplus /(-) deficit for the year (1-2)	(+)408.94	(+)451.32	(-)6.90
4	Adjustments relating to previous years	(+)14.76	(-)26.71	(-)50.43
5	Final gross surplus/(-)deficit for the year (3+4)	(+)423.70	(+)424.61	(-)57.33
6	**Appropriations:**			
	(a) Depreciation (less capitalised)	147.77	146.42	147.63
	(b) Interest on Government loans	71.67	84.31	65.23
	(c) Interest on other loans, bonds, advances etc.	158.31	187.19	223.62
	(d) Interest on loans charged to P&L account(b+c)	229.98	271.50	288.85
	(e) Less interest capitalised	32.26	41.07	57.79
	(f) Net interest charged to revenue (d-e)	197.72	230.43	231.06
7	Surplus/deficit before accounting for subsidy from State Government (5-6(a)-6(f)-1(b))	(-)536.58	(-)593.97	(-)686.07
8	Net surplus/(-)deficit (5-6(a)-6(f)	(+)78.21	(+)47.76	(-)436.02
9	Total return on capital employed**	275.93	278.19	(-)204.96
10	Percentage of return on capital employed	12.5	11.8	Nil

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

The accounts of the Board for the year 1997-98 received in July 1998 were under audit (September 1998). As per audited accounts for the year

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

1996-97, the Board earned a net surplus of Rs 47.76 crore as compared to surplus of Rs 78.21 crore during the previous year 1995-96. The deficit of the Board before accounting for the subsidy from the State Government increased by 10.7 *per cent* during the year 1996-97 as compared to the year 1995-96.

The main reasons for the deficit were as under:

- increase in interest cost by 14 *per cent* during 1996-97 over 1995-96;
- increase in cost of generation by 12 *per cent* during 1996-97 over 1995-96;
- increase in employees cost by 11 *per cent* in 1996-97 over 1995-96;
- increase in purchase cost of power by 9 *per cent* during 1996-97 over 1995-96.

The accumulated deficit at the end of 1996-97 amounted to Rs 1627.65 crore which had been arrived at after taking credit of Rs 429.94 crore on account of subsidy/subventions receivable from the State Government. Of the above subsidy/subventions, Rs 429.91 crore had been adjusted during the year 1997-98 leaving a balance of Rs 0.03 crore yet to be recovered/adjusted.

According to Section 59 of the Electricity (Supply) Act, 1948, the Board after taking credit of subvention of State Govt under Section 63, is required to leave a surplus which is not less than three *per cent* of the value of fixed assets of the Board in service at the beginning of the year. Based on this, the Board was required to achieve a minimum surplus of Rs 48.88 crore (three *per cent* of the value of fixed assets in its service at the beginning of the year) for the year 1996-97. As against this there was a net surplus of Rs 47.76 crore which worked out to 2.93 *per cent*.

The following major irregularities and omissions were pointed out in the Separate Audit Report on the annual accounts of the Board for the year 1996-97.

Sl. No.	Irregularities/Omissions	Amount
		(Rupees in crore)
1.	Accountal of disputed claims of short receipt/sub-standard receipt of coal from Coal India Limited	15.46
2.	Over capitalisation of interest	3.89
3.	Non-provision of penal interest on overdue loan of Central Electricity Authority and Haryana Urban Development Authority	3.22
4.	Non-provision for repairs and maintenance expenses	0.24
	Total	**22.81**

As a result of the above irregularities/omissions the surplus of the Board will further decrease by Rs 22.81 crore.

Based on the Audit assessment of the working results of the Board for three years up to 1996-97 and after taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports on the annual accounts of the Board and by not taking into account of the subsidy/ subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the Board will be as under:

Sl. No.	Particulars	1994-95	1995-96	1996-97
		(Rupees in crore)		
1.	Net surplus/(-)deficit as per books of accounts	16.16	78.21	47.76
2.	Subsidy from the State Government	115.08	614.79	641.73
3.	Net surplus/(-)deficit before subsidy from the State Government (1-2)	(-)98.92	(-)536.58	(-)593.97
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the Board	(-)12.96	(-)15.19	(-)22.81
5.	Net surplus/(-)deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)111.88	(-)551.77	(-)616.78
6.	Total return on capital employed*	(+)38.97	(-)354.05	(-)386.35
7.	Percentage of return on capital employed	1.8	Nil	Nil

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

1.4.4 The table below indicates the physical performance of the Board during each of the three years up to 1997-98:

Sl. No.	Particulars	1995-96	1996-97	1997-98 (Provisional)
			(MW)	
1	Installed capacity -Thermal -Hydel -Nuclear	 1255.5 1063.6 28.1	 1255.5 1063.6 28.1	 1257.6 1106.3 28.1
	Total	**2347.2**	**2347.2**	**2392.0**
			(MKWH)	
2	Power generated -Thermal -Hydel	 3342 3675	 3641 3828	 3822 3392
	Total	**7017**	**7469**	**7214**
3	Auxiliary consumption (Net)	391	456	464
4	Net power generated (2-3)	6626	7013	6750
5	Power purchased/procured from other sources	6112	6250	6599
6	Total power available for sale (4+5)	12738	13263	13349
			(MW)	
7	Normal maximum demand	1973	2090	2272
			(MKWH)	
8	Power sold including power supplied free to own works	8745	9058	8948
9	Transmission and distribution losses to total power available for sale (6-8)	3993	4205	4401
			(Per cent)	
10	Load factor (a) for Panipat Thermal Plant (b) for Faridabad Thermal Plant	 39.70 55.15	 48.36 44.92	 50.38 44.41
11	Percentage of transmission and distribution losses to total power available for sale	31.4	31.7	33.0
			(KWH)	
12	Number of units generated per KW of installed capacity	2989	3182	3016
			(Number)	
13	Villages/towns electrified	7154	7154	7154
14	Pump sets/wells -Energised -Awaiting energisation	 380175 72202	 366540 74736	 365043 75485
15	Sub-stations (33 KV & above)	394	402	399

Sl. No.	Particulars	1995-96	1996-97	1997-98 (Provisional)
			(Kilometres)	
16	Transmission/distribution lines (a) High/medium voltage (b) Low voltage	 62000 164639	 62652 165867	 63311 167189
			(MW)	
17	(a) Connected load	6193	6625	6939
			(KW)	
	(b) Load awaiting energisation	729421	792110	782751
			(Number)	
18	Consumers	3171050	3285237	3390245
19	Employees	54104	54228	Awaited
20	Consumer employee ratio	59:1	61:1	--
			(Rupees in lakh)	
21	Total expenditure on staff	28928.78	33503.79	42809.57
			(Per cent)	
22	Percentage of expenditure on staff to total revenue expenditure	19.28	19.38	20.46
			(MKWH)	
23	Break-up of sale of energy according to category of consumers (figures in brackets indicate the percentage) (a) Agricultural (b) Industrial (c) Commercial (d) Domestic (e) Others*	 3904.326(45) 2017.013(23) 257.725(3) 1637.231(19) 928.294(10)	 4084.128(45) 1947.235(22) 288.154(3) 1794.144(20) 944.109(10)	 3842.844(43) 1933.984(22) 316.568(4) 1821.296(20) 1032.909(11)
	Total	**8744.589**	**9057.770**	**8947.601**
			(figures in paise)	
24	(a) Revenue per KWH** (b) Expenditure per KWH*** (c) Loss per KWH	148.03 211.08 (-)63.05	169.82 232.44 (-)62.62	205.10 276.14 (-)71.04

1.5 Haryana Financial Corporation

1.5.1 The paid-up capital of the Corporation as on 31 March, 1998 was Rs 33.87 crore (State Government: Rs 25.28 crore, Industrial Development Bank of

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

** The revenue per KWH sold has been arrived at after excluding subsidy from State Government on account of rural electrification losses.

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

India: Rs 4.33 crore, others: Rs 4.26 crore) as against Rs 21.33 crore as on 31 March 1997 (State Government: Rs 12.74 crore, Industrial Development Bank of India: Rs 4.33 crore, others: Rs 4.26 crore).

1.5.2 The State Government had guaranteed the repayment of share capital of Rs 33.24 crore (excluding special share capital of Rs 0.63 crore) and payment of minimum dividend thereon at 3 to 7.5 *per cent* under section 6(1) of the Act, ibid.

Government had also guaranteed the repayment of market loans of Rs 351.52 crore raised by the Corporation. Amount of principal outstanding there against as on 31 March 1998 was Rs 206.22 crore.

1.5.3 The table below summarises the financial position of the Corporation at the end of each of three years up to 1997-98:

Sl. No.	Particulars	1995-96	1996-97	1997-98 (Provisional)
		(Rupees in crore)		
A	**Liabilities**			
1.	Paid-up capital	21.28	21.33	33.87
2.	Reserves & Surplus	14.01	8.59	--
3.	Share Premium	10.64	10.74	10.74
4.	Borrowings			
(i)	Bonds	144.95	220.41	206.64
(ii)	Refinance from IDBI/SIDBI	246.59	275.77	275.62
(iii)	Loans from banks	116.37	105.57	79.26
(iv)	Others*	49.36	55.63	32.39
5.	Current Liabilities	16.27	16.39	19.51
6.	Provision for bad & doubtful debts	3.39	22.32	36.94
7.	Profit and Loss Account	--	--	(-)14.56
	Total	**622.86**	**736.75**	**680.41**

* Includes adhoc bonds from Reserve Bank of India Rs 4.50 crore (1995-96 and 1996-97) and Rs 5.45 crore (1997-98).

Sl. No.	Particulars	1995-96	1996-97	1997-98 (Provisional)
			(Rupees in crore)	
B	**Assets**			
1	Cash and bank balances	29.76	71.23	32.72
2	Loans and advances	545.05	596.52	594.40
3	Net fixed assets	29.75	32.08	28.55
4	Other assets	18.30	22.13	24.74
5	Deficit	-	14.79	-
	Total	**622.86**	**736.75**	**680.41**
C	**Capital employed***	**514.28**	**646.12**	**663.30**

1.5.4 The following table gives details of the working results of the Corporation for each of the three years up to 1997-98:

Sl. No.	Particulars	1995-96	1996-97	1997-98 (Provisional)
			(Rupees in crore)	
1.	**Income**			
	a) Interest on loans and advances	63.92	90.95	102.20
	b) Other income	9.71	8.29	8.44
	Total	**73.63**	**99.24**	**110.64**
2	**Expenditure**			
	a) Interest on long term loans	59.64	85.10	90.98
	b) Other expenses	8.86	11.52	12.09
	Total	**68.50**	**96.62**	**103.07**
3.	Profit before tax	5.13	2.62	7.57
4.	Provision for tax	0.62	0.40	1.39
5.	Other appropriations	3.40	10.88	17.37
6.	Amount available for dividend	1.11	(-)8.66	(-)11.19
7.	Dividend paid/payable	1.14	1.31	1.45
8	Total return on capital employed	64.77	87.72	98.55
9.	Percentage of return on capital employed	12.6	13.6	14.9

* Capital employed represents means of aggregate of opening and closing balances of (i) paid-up capital (ii) bonds (iii) reserves and (iv) borrowings

1.5.5 The operational performance of the Corporation in the disbursement/recovery of loans during each of the three years up to 1997-98 is indicated below:

Sl. No	Particulars	1995-96		1996-97		1997-98 (Provisional)		Commutative	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
		(Amount in crore of rupees)							
1	Applications pending at the beginning of the year	166	51.58	154	48.68	126	32.10	-	-
2	Applications received	1303	341.93	772	153.74	852	241.61	20527	2352.68
3.	Total	1469	393.51	926	202.42	978	273.71	20527	2352.68
4.	Applications sanctioned	1268	325.30	710	147.57	732	179.59	15584	1822.36
5.	Applications withdrawn/ rejected	47	19.53	90	22.75	89	41.86	4786	478.06
6.	Applications pending at the close of the year	154	48.68	126	32.10	157	52.26	157	52.26
7.	Loans disbursed	1889	272.14	1041	137.88	826	106.94	14998	1209.23
8.	Amount outstanding at the close of the year	6003	546.88	5972	602.60	6024	602.21	6024	602.21
9.	Amount overdue at the close of the year	3024	153.06	3499	227.58	3688	318.50	3688	318.50
10.	Percentage of default to total loans outstanding	--	27.99	--	37.77	--	52.89	--	--

1.6 Haryana Warehousing Corporation

1.6.1 The paid-up capital of the Corporation, as on 31 March 1997 and also as on 31 March 1998 was Rs 5.84 crore (State Government: Rs 2.92 crore; Central Warehousing Corporation : Rs 2.92 crore).

1.6.2 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1997-98 :

Sl. No.	Particulars	1995-96	1996-97	1997-98
			(Rupees in crore)	
A.	**Liabilities**			
1	Paid-up capital	5.84	5.84	5.84
2	Reserves and surplus	91.50	99.89	121.17
3	Borrowings	1.65	1.06	0.21
4	Trade dues and other current liabilities	16.29	17.85	21.61
	Total	**115.28**	**124.64**	**148.83**
B	**Assets**			
1	Gross block	41.51	43.02	45.66
2	Less: depreciation	8.18	9.16	10.17
3	Net fixed assets	33.33	33.86	35.49
4	Capital works-in-progress	0.61	1.03	0.49
5	Investment	1.00	1.00	0.75
6	Current assets, loans and advances	80.34	88.75	112.10
	Total	**115.28**	**124.64**	**148.83**
C	**Capital employed***	**97.99**	**105.79**	**126.47**

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

1.6.3 The following table gives details of the working results of the Corporation for each of the three years up to 1997-98:

Sl. No.	Particulars	1995-96	1996-97	1997-98
		(Rupees in crore)		
1	**Income**			
	(i) Warehousing charges	16.97	10.44	11.14
	(ii) Other receipts	16.13	9.65	24.32
	Total	**33.10**	**20.09**	**35.46**
2	**Expenditure**			
	(i) Establishment charges	4.54	5.19	5.61
	(ii) Interest	0.51	0.44	0.24
	(iii) Other expenses	7.83	5.48	7.75
	Total	**12.88**	**11.11**	**13.60**
3	Profit before tax	20.22	8.98	21.86
4	Previous year adjustment (Net)	-	-	--
5	Other appropriations (excluding profit transferred to Balance Sheet)	20.22	8.40	21.28
6	Dividend paid	0.58	0.58	0.58
7	Return on capital employed (2(ii)+3)	20.73	9.42	22.10
8	Percentage of return on capital employed	21.2	8.9	17.5

1.6.4 The following table gives details about the operational performance of the corporation during each of the three years up to 1997-98:

Sl. No.	Particulars	1995-96	1996-97	1997-98
	(Number)			
1	Number of stations covered	105	103	103
2	Storage capacity created up to the end of the year:	**(Lakh tonnes)**		
	(a) Owned	7.72	7.74	7.73
	(b) Hired	3.34	2.14	2.07
	Total	**11.06**	**9.88**	**9.80**
3	Average storage capacity utilised* during the year	9.59	5.63	6.11
	(Per cent)			
4	Percentage of utilisation of average capacity	86.71	56.98	62.35
	(Rupees)			
5	Average expenses per tonne	134.30	197.34	227.50
6	Average income per tonne	345.15	356.84	593.17

* Includes that of godowns closed during the respective years.

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

During the year 1997-98, the COPU completed discussion of all the paragraphs of Audit Report 1994-95 (3 reviews and 17 paragraphs). Position of discussion of Audit Reports and reviews/paras pending in the COPU as on 31 March 1998 is shown below:

Period of Audit Report	No. of reviews/paras pending for discussion		No. of reviews/paras to which replies received from Companies/ Corporations/ Board	
	Reviews	Paras	Reviews	Paras
1995-96	3	21	2	21
1996-97	3	18	-	-

Report of the Comptroller and Auditor General of India for the year 1996-97 was placed before the State Legislature on 21 July 1998. Paragraphs contained in Audit Reports for the years 1995-96 and 1996-97 will be discussed during the year 1998-99.

In respect of Audit Reports (Commercial) up to 1994-95 discussed in the COPU, 281 recommendations (for Audit Reports from 1971-72 to 1994-95) were pending for final settlement as on 31 March 1998.

Chapter-2

Reviews relating to Government companies

Section-2

Reviews relating to Government companies

This chapter contains reviews on the working of following companies:

Haryana Agro Industries Corporation Limited

Haryana State Minor Irrigation and Tubewells Corporation Limited-Performance of workshop

2A. Haryana Agro Industries Corporation Limited

Highlights

- ***The Haryana Agro Industries Corporation Limited was incorporated in March 1967 with the object to promote agro based industries, provide farmers with agricultural inputs and assist them in farm mechanisation in the State.***

  (Paragraph 2A.1)

- ***The Company incurred heavy losses (except for 1993-94) on its main activities (other than wheat operation) viz. trading in fertilizer, pesticides, operation of two manufacturing plants and an engineering workshop.***

  (Paragraph 2A.7)

- ***The capacity utilisation of the Cattle Feed Plant, Jind, Food and Fruit Processing Plant, Murthal and Agro Engineering workshop, Nilokheri was grossly low due to inadequacy of marketing infrastructure leading to incurring of heavy losses which aggregated to Rs 276.26 lakh during the last five years ending 1997-98.***

  (Paragraph 2A.9)

- *Investment of Rs 65.38 lakh on modernisation of Food and Fruit Processing Plant, Murthal did not yield desired results owing to failure of the Company in obtaining further funds needed for procurement of additional machinery.*

  (Paragraph 2A.9.1.2 (b))

- *The inability of the Company to procure fertilizers at competitive rates and inadequate marketing infrastructure led to decrease in the market share of the Company in the State from 27.4 per cent in 1993-94 to 3.2 per cent in 1997-98.*

  (Paragraph 2A.10.1)

- *Acceptance of delivery of urea at the fag end of the season at a non-indented station and non-disposal thereof on 'first in first out' basis, resulted in loss of interest of Rs 16.35 lakh to the Company besides deterioration in quality of 912.59 MT of urea valued at Rs 28.10 lakh.*

  (Paragraph 2A.10.2)

- *Due to delay in standardisation and non-disposal of urea on 'first in first out' basis, the Company incurred a loss of Rs 67.48 lakh during 1995-96 to 1997-98.*

  (Paragraph 2A.10.4)

- *Due to non-claiming of dues from Food Corporation of India as per instructions issued from time to time, the Company had lost an amount of Rs 13.84 lakh on account of interest.*

  (Paragraph 2A.11.1)

- *Consumption of gunny bags in excess of norm during the last five years ending 1996-97 resulted in a loss of Rs 41.74 lakh.*

  (Paragraph 2A.11.2)

- ***Delay in delivery of wheat stock to FCI and failure to maintain required sound health of wheat stock as well as failure to check the functioning of its officials at FSC, Kaithal resulted in estimated loss of Rs 95.64 lakh to the Company.***

  (Paragraph 2A.11.7)

- ***Due to injudicious decision to contribute additional Rs 400 lakh during March 1995 to Haryana Agro Research and Development Centre, the Company lost Rs 239 lakh and paid an avoidable interest of Rs 102.77 lakh on account of interest on cash credit/loan.***

  (Paragraph 2A.13.1)

2A.1 Introduction

The Company was incorporated in March 1967 as a joint venture of the State Government and Government of India with the object to promote agro based industries, provide farmers with agricultural inputs and assist them in farm mechanisation.

2A.2 Objects

The main objects of the Company are:

- to undertake, assist, finance and promote agro industries;
- to manufacture agricultural implements and sell the products of agro based industries i.e. poultry, dairy and seed etc;
- to organise, conduct or manage engineering or repair shop or workshops; and
- to promote or conduct any agricultural, commercial or industrial enterprise, establishment, company or concern.

The Company had not drawn any long-term corporate plan for achievement of the above objects.

In addition to the Company's normal activities, the State Government allocated wheat procurement in 1984 which was discontinued in the same year due to default in payment of cash credit and diversion of funds in other trading activities by the Company. The activity was restored to the Company under the rehabilitation plan from the procurement year 1988.

2A.3 Organisational set-up

The Management of the Company is vested in a Board of Directors who are appointed by the State Government from time to time. The number of directors shall not be less than two and not more than twelve. As on 31 March 1998, the Board had nine directors including a Chairman and a Managing Director. The Managing Director functions as the chief executive of the Company who is assisted in managing day to day affairs of the Company by two General Managers (Finance and Marketing) and three Deputy General Managers (Wheat and Plants).

2A.4 Scope of Audit

The performance of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990 (Commercial) - Government of Haryana. The recommendations of COPU are contained in its 38th Report presented to the State Legislature on 24 March 1995.

The present review conducted during October 1997 to March 1998 covers the performance of the Company during the last 5 years ended 31 March 1998. The action taken on various recommendations of COPU on the last appraisal have been brought out in the present review wherever found necessary.

2A.5 Capital structure

The authorised capital of the Company as on 31 March 1998 was Rs 10 crore. The paid-up capital of the Company as on that date was Rs 414.04 lakh subscribed by State Government (Rs 253.83 lakh) and Government of India (Rs 160.21 lakh).

2A.6 Borrowings

For meeting its working capital requirements, the Company had been obtaining loans/deposit from State Government and Haryana Agro Research and Development Centre (a society) registered under the Societies Registration Act, 1860. As on 31 March 1998, an amount of Rs 426.84 lakh (Rs 261.84 lakh : State Government loans inclusive of interest of Rs 57.37 lakh thereon and deposit of Rs 165 lakh from the society) was outstanding.

Besides, the Company had also made cash credit arrangements from banks for procurement of wheat and fertilizers. As on 31 March 1998, Rs 2430.43 lakh (against wheat limit: Rs 1024.03 lakh, against paddy limit : Rs 354.08 lakh and against fertilizer limit: Rs 1052.32 lakh) were outstanding.

2A.7 Financial position and working results

The financial position and working results of the Company for the last 5 years upto 1997-98 are shown below:

Financial position

	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
				(Rupees in lakh)		
A	**Liabilities**					
i)	Paid-up capital	414.04	414.04	414.04	414.04	414.04
ii)	Reserves & surplus*	391.44	721.43	64.63	753.80	1573.90
iii)	Borrowings (excluding interest accrued and due)	4219.86	5981.81	6439.18	1915.06	2799.90
iv)	Current liabilities & provisions	2320.98	1124.72	2888.44	1035.29	1565.41
	Total	**7346.32**	**8242.00**	**9806.29**	**4118.19**	**6353.25**
B	**Assets**					
i)	Gross block	507.32	493.14	622.03	629.53	642.22
	Less: depreciation	202.91	207.32	226.83	232.80	252.20
	Net block	304.41	285.82	395.20	396.73	390.02
ii)	Capital work-in-progress	24.11	37.77	-	-	-
iii)	Investments	126.00	418.76	576.28	635.58	643.78
iv)	Current assets, loans & advances	6891.80	7499.65	8834.81	3085.88	5319.45
	Total	**7346.32**	**8242.00**	**9806.29**	**4118.19**	**6353.25**
	Capital Employed**	4899.34	6698.52	6341.57	2447.32	4144.06
	Net worth***	780.49	1110.34	453.54	1142.71	1962.81

* Includes free reserves of Rs 366.45 lakh, Rs 696.30 lakh, Rs 39.50 lakh, Rs 728.67 lakh and Rs 1548.77 lakh respectively.

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

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

Working results

A	Profit/Loss in operational activities (excluding wheat activity)				
Particulars	**1993-94**	**1994-95**	**1995-96**	**1996-97**	**1997-98**
	(Rupees in lakh)				
Income					
Sales	9538.35	9804.40	8139.79	5991.91	6125.84
Other Receipts	26.23	37.15	40.73	61.58	39.42
Total	9564.58	9841.55	8180.52	6053.49	6165.26
Expenditure					
Purchases	8928.26	7724.35	9759.01	3906.52	5995.97
Other Expenses	540.66	867.04	779.77	692.88	836.12
Accretion (-)/ Decretion (+) in stock	-181.47	1347.09	-1874.12	1787.25	- 211.34
Total	9287.45	9938.48	8664.66	6386.65	6620.75
Profit (+)/Loss (-)	**277.13**	**-96.93**	**-484.14**	**-333.16**	**- 455.49**
B	**Profit/loss in wheat activity**				
Income					
Sale of wheat (including incidentals)	8536.73	11489.19	15658.93	15079.39	13026.94
Expenditure					
Purchase	9475.10	10336.39	12951.40	9952.73	11995.04
Interest	970.36	1115.71	1997.28	970.40	730.12
Accretion (-)/ Decretion (+) in stock	-2734.26	-1078.00	824.16	2957.00	- 1544.08
Loss on damaged wheat	175.80	--	46.40	--	-
Total	7887.00	10374.10	15819.24	13880.13	11181.08
Profit(+)/Loss (-)	**649.73**	**1115.09**	**-160.31**	**1199.26**	**1845.86**
Total Profit (+)/Loss (-) (A+B)	**926.86**	**1018.16**	**-644.45**	**866.10**	**1390.37**
Contribution to R&D	325.00	400.00	--	--	--
Total Profit (+)/ Loss (-) before provisions	**601.86**	**618.16**	**-644.45**	**866.10**	**1390.37**
Prior period adjustments	2.00	4.06	-12.35	-82.35	- 0.15
Less provision for tax/bad debts	305.86	292.37	--	94.57	528.72
Net Profit (+)/ Loss (-)	**298.00**	**329.85**	**-656.80**	**689.18**	**861.50**

It would be seen from the above that the Company has been incurring heavy losses on its main activities (other than wheat) except for the year

1993-94. During 1995-96, the Company suffered a loss of Rs 656.80 lakh (including wheat activity). The directors' report to its shareholders attributed (October 1996) this loss to disposal of Di-Ammonium Phosphate (DAP) at reduced price and heavy inventory carrying cost of wheat stocks because of irregular delivery of stock to FCI and damage of wheat stocks due to flood/rain.

Besides above, the loss on main activities as analysed in audit was attributable to uneconomical working of:

- Farmers Service Centres (FSC's) engaged in sale of fertilizer, tractors, pesticides etc. ; and
- Food and Fruit Processing Plant, Agro Engineering Workshop and Cattle Feed Plant.

2A.8 Promotion of industrial units

The State Government declared (July 1989) the Company as a nodal agency for the development and promotion of agro based food processing industries in Haryana. With a view to utilize vast available agro residue resources in the State and to provide marketing facilities to the manufacturers of agro based industries, the Company has undertaken promotion of agro based projects in the State.

Against the investment of Rs 178.83 lakh in six assisted units, the quoted market value thereof was Rs 68.57 lakh only

As on 31 March 1998, the Company had invested Rs 643.78 lakh in equity capital of 18 units (all in assisted sector) of which 5 units (investment of Rs 137.50 lakh) were under construction. One unit Vishwa Flora Limited, where the Company invested Rs 70.35 lakh had completely eroded its capital base. The case of this unit alongwith another unit, Rahul Dairy and Allied Products Limited, where the Company invested Rs 21.12 lakh had been referred to Board for Industrial and Financial Reconstruction (BIFR) being sick units. Two units where the Company had invested Rs 61.71 lakh had abandoned their projects. The four units which had earned profit involving Company's investment of Rs 173.27 lakh had also not declared dividend and utilised their surplus to meet their working capital/expansion requirements. Remaining five units involving investment of Rs 179.83 lakh were also in losses. Out of above 18 units, against the investment of Rs 178.83 lakh in 6 units (2 profit making and 4 loss making units), where shares were quoted in the market, their quoted market value as on 31 March 1997 was only Rs 68.57 lakh.

2A.9 Activities in operations

The Company is presently operating three manufacturing plants, one Agro Engineering Workshop (AEW) and 17 Farmers Service Centres (FSC's). The table below indicates unit-wise budgeted *vis-à-vis* actual profit/loss of various activities in operation, for the last five years up to 1997-98:

S. No.		1993-94		1994-95		1995-96		1996-97		1997-98		Total	
	Name of the plant	Budge-ted	Actual	Budge-ted	Actual	Budge-ted	Actual	Budge-ted	Actual	Budge-ted	Actual	Budge-ted	Actual
		(Rupees in lakh)											
1.	**Manufacturing Plants**												
(a)	Cattle Feed Plant Jind	2.52	-5.03	2.84	-14.03	3.19	-21.59	13.08	-18.41	-3.75	2.81	17.88	-56.25
(b)	Food and Fruit Processing Plant, Murthal	19.96	-36.82	2.02	-35.14	6.77	-12.11	-16.96	-35.26	4.39	-37.17	16.18	-156.50
(c)	Haryana Agro Fertilizer and Chemical Plant, Shahabad.	58.80	83.51	63.77	6.50	10.00	-5.62	5.37	7.25	6.65	62.26	144.59	153.90
2.	**Agro Enginee-ring Workshop, Nilokheri**	1.32	-15.30	0.65	-8.71	9.75	-4.65	-5.37	-16.69	0.47	-18.16	6.82	-63.51
3.	**Farmers Service Centres (FSCs)**	211.71	319.45	144.74	252.30	137.60	-370.04	-20.91	-214.13	145.09	-213.01	618.23	-225.43

It would be observed from the above table that against anticipated profit of Rs 17.88 lakh, Rs 16.18 lakh, Rs 6.82 lakh and Rs 618.23 lakh for Sl. No. 1(a),(b),2 and 3 during the five years up to 1997-98, the actual loss against these units was Rs 56.25 lakh, Rs 156.50 lakh, Rs 63.51 lakh and Rs 225.43 lakh, respectively. The working of these units is discussed in the succeeding paragraphs.

Against the budgeted profit of Rs 40.88 lakh, the Company's plants/workshop at Jind, Murthal and Nilokheri incurred losses of Rs 276.26 lakh during five years up to 1997-98

2A.9.1 Manufacturing plants

2A.9.1.1 Cattle feed plant, Jind

Production performance

The plant was set up in 1974-75 with an installed capacity of producing 36000 tonnes of feed per annum on three shift basis. The Company had not fixed any annual targets for production.

Capacity utilisation of Cattle Feed Plant, Jind ranged between 14.60 to 22.28 per cent during 1993-94 to 1997-98

During the last five years up to 1997-98, the actual capacity utilisation ranged between 14.60 and 22.28 *per cent* against break-even point of 60 *per cent* with the result that the plant was incurring losses consistently. Besides low capacity utilisation, the Management attributed following other factors responsible for losses:

- purchase of raw material at higher rates;
- sale of finished products at lower rates to keep at par with rates of two State agencies viz. Hafed and Markfed in order to remain in the market; and
- heavy incidence of transportation cost and fixed overheads.

The Haryana Bureau of Public Enterprises (HBPE) while considering (October 1997) the feasibility of disinvestment/privatisation/ transfer proposal in PSUs, recommended the Company to improve its sale and further advised that it might utilise the already popular brand name 'Vita' owned by Haryana Dairy Development Corporation for marketing of its products in agreement with the later company.

The Company had not initiated any action to improve the marketing of the product (August 1998).

2A.9.1.2 Food and fruit processing plant, Murthal

(a) Production performance

The Company has a food and fruit processing plant at Murthal with an annual installed capacity to manufacture 3000 to 4000 tonnes of canned items like juice, pulp, mushroom, jams and ketchups.

Capacity utilisation of food and fruit processing plant Murthal ranged between 0.4 and 7.0 per cent during 1993-94 to 1997-98

The capacity utilisation of the plant was abnormally low during all the five years up to 1997-98 as it ranged between 0.4 *per cent* and 7.0 *per cent* during this period.

Low capacity utilisation resulted in huge losses to the plant. The plant remained closed from April 1994 to January 1996 for modernisation. The Management attributed (October 1997) losses to non-availability of distributors and proper advertisement of the product as compared to the private companies. During discussion with the HBPE, the Managing Director of the Company indicated his helplessness to turn around the plant unless certain technological changes and marketing efforts at huge cost were made. The HBPE recommended (October 1997) immediate disposal of the plant. The Company has, however, not taken any action on the above recommendations of HBPE so far (August 1998).

Rigid policy of the Management to retain minimum profit of 10 *per cent* after covering all fixed and variable expenditure including inventory carrying cost resulted in non-materialisation of three bulk supplies during March and June 1997 (two to Army and one to Indian Airlines) valued at Rs 66.79 lakh leading to under utilisation of installed capacity and increased losses.

(b) Modernisation of Murthal plant

The Company decided (March 1990) to expand the annual capacity of Murthal Plant from 3000 MT to 21300 MT under the modernisation scheme which was approved by the State Government and Government of India (GOI). The funds for modernisation were to be provided by GOI (equity capital : Rs 65.38 lakh, and loan : Rs 200 lakh) and State Government (equity capital : Rs 66.17 lakh).

Investment of Rs 65.38 lakh on modernisation of Murthal plant did not yield desired results

GOI released (March 1991) equity capital of Rs 65.38 lakh. The Company did not pursue the matter with the State Government and GOI for the release of rest of equity capital and loan. Of Rs 65.38 lakh, the Company incurred Rs 37.30 lakh on purchase of machinery and Rs 27.34 lakh on civil work which was completed in January 1996.

In the absence of further release of equity and loans, the Company could not procure the balance requisite machinery for expansion of capacity as envisaged in the project report. Thus, due to half hearted approach of the Company for modernisation of the plant and its non-pursuance with State Government/GOI for release of their share of equity and loan, the investment of Rs 65.38 lakh could not achieve the desired results.

(c) Loss due to delay in disposal of finished products

In the absence of any committed market/demand, the plant processed 52.082 MT and 10.11 MT of mushroom of which it could sell 12.98 MT and 16.01 MT of mushroom during 1995-96 and 1996-97, respectively. With the arrival of fresh crop and to avoid total loss, the plant disposed of (December 1997) 15.89 MT of mushroom at reduced rates at a loss of Rs 1.94 lakh leaving a balance of 17.31 MT of mushroom valued at Rs 5.91 lakh yet to be disposed of (December 1997) though the shelf life in tin packing was stated to be one year.

Similarly, the plant processed 31983 cannes of red cherry during 1993-94 but it could sell only 12323 cannes. Due to long storage, 3063 cannes valued at Rs 0.73 lakh got puffed (unfit for human consumption) and the balance quantity was disposed of at reduced rates during 1994-95 at a loss of Rs 1.10 lakh.

Thus, the decision to process mushroom and red cherry without market appreciation and lack of publicity had put the Company to a loss of Rs 3.77 lakh besides unsold quantity of mushroom valued at Rs 5.91 lakh.

2A.9.1.3 Fertilizers and chemicals unit, Shahabad

The Company's fertilizers and chemical unit has two plants namely NPK fertilizer plant and pesticides and insecticides plant with an installed capacity to produce 50,000 tonnes of granulating Nitrogen, Phosphate and Potassium (NPK) fertilizer and 5000 tonnes pesticides/insecticides, respectively. The working of both the plants is discussed below.

(a) NPK fertilizer plant

NPK fertilizer plant's capacity ranged between 0.09 and 2.65 per cent during five years up to 1997-98

The percentage of capacity utilisation during the five years ranged between 0.09 and 2.65 during the five years up to 1997-98 due to non-availability of sub-standard DAP as attributed by the Company. However, the Company had not made any sincere efforts to procure sub-standard DAP from outside State particularly when the finished product had no marketing problems.

(b) Pesticide and insecticide plant

The capacity utilisation of the plant ranged between 16.64 and 19.58 *per cent* except during 1997-98 when it was 33.06 *per cent* during the five years up to 1997-98.

The percentage of capacity utilisation of pesticide and insecticide plant ranged between 16.64 and 33.06 during 1993-94 to 1997-98

It was observed in audit that even this low capacity utilisation of the plant could be achieved due to subsidised sale of pesticides/insecticides till 1993-94 and thereafter due to supply of Malathion to the Health Department as the Company had been declared as an approved source of supply for all Government departments.

2A.9.2 Agro Engineering workshop, Nilokheri (AEW)

The AEW is engaged in the manufacture of agricultural implements, truck and bus bodies and water tankers. It has been declared as an approved source by the State Government for manufacture and supply of above items for its departments.

(a) Production performance

Against the estimated capacity to undertake jobs worth Rs 150 lakh per annum, the value of jobs actually done during each of the five years up to 1997-98 ranged between Rs 16.58 lakh and Rs 54.65 lakh only.

The study conducted (1996) to improve its working attributed under utilisation of capacity and losses to non-receipt of job orders and non-manufacture of agricultural implements regularly due to marketing constraints.

The study recommended manufacture of package of implements identified by Indian Council of Agriculture Research, setting up of Research and Development wing and close monitoring of the performance of workshop.

Besides, HBPE also recommended manufacture of MS drums being used at Company's Shahabad plant with an additional investment of Rs 10 lakh to break even during 1997-98. No action, however, had been taken to implement the above recommendations (August 1998).

(b) Loss due to non-manufacturing of agricultural implements

The Cane Commissioner, Haryana asked the Company to supply 3377 agricultural implements of nine types valued at Rs 119.34 lakh for supply to the farmers on subsidised rates and paid advance subsidy of Rs 33.47 lakh (March 1996).

The Company executed this order by purchasing all the nine types of agricultural implements from open market. It was observed in audit that according to the cost sheet, cost of three types of implements (BD Cultivator, BD leveller and cultivator) if manufactured in the workshop would have been lower than the market rate. Despite available capacity and need to provide work to its idle staff, the Company had foregone a profit of Rs 1.24 lakh besides loss of contribution of Rs 2.18 lakh towards labour and overheads by purchasing them from the market.

2A.9.3 Farmers service centres

Against the targeted profit of Rs 717.17 lakh for the period from 1993-94 to 1997-98, Company's seventeen FSCs and fifteen sale centres incurred loss of Rs 225.43 lakh

At the close of 1997-98, there were seventeen farmers service centres (FSCs) and fifteen sale centres at various places in the State for sale of fertilizers, tractors, cattle and poultry feed, pesticides, seeds, diesel engines etc. The table below indicates the targeted turnover and profit/loss vis-a-vis actual turnover and profit/loss for the last five years upto 1997-98:

Year	No. of FSCs	Targeted		Actual	
		Turnover	Profit (+)/ loss (-)	Turnover	Profit (+)/ loss (-)
		(Rupees in lakh)			
1993-94	16	14120.37	211.71	8622.98	319.45
1994-95	17	9064.97	144.74	9391.07	252.30
1995-96	17	18040.77	236.54	7754.61	(-)370.04
1996-97	17	6618.71	(-)20.91	5473.49	(-)214.13
1997-98	17	15076.30	145.09	4821.55	(-) 213.01

The Company could never achieve its targeted turnover except in the year 1994-95. Though the Company projected profit of Rs 236.54 lakh and Rs 145.09 lakh during 1995-96 and 1997-98 it actually sustained losses of Rs 370.04 lakh and Rs 213.01 lakh respectively during these years. Similarly, against the anticipated loss of Rs 20.91 lakh, it sustained loss of Rs 214.13 lakh during 1996-97. The reasons for higher profit than that targeted during 1993-94 despite lesser turnover, though called for (February 1998) had not been received so far (January 1999).

It was further observed that 1 FSC in 1993-94, 3 FSCs in 1994-95, 17 in 1995-96, 16 in 1996-97 and 17 in 1997-98 suffered losses.

The Management attributed the following factors to losses:

- heavy carry over cost of stock of fertilizers;
- heavy burden of interest due to delayed sale of tractors; and
- slashing of rates of DAP during 1995-96.

2A.10 Trading in fertilizers

The Company is engaged in the distribution of fertilizers through its own sale centres and private dealers scattered all over the State.

2A.10.1 Physical performance

The table below indicates the performance of the Company in sale of fertilizers for the last five years up to 1997-98 :

Year	Total sale in the State	Sale of the Company	Market share of the Company
	(In tonnes)		(in *per cent*)
1993-94	671684	183934	27.4
1994-95	712253	156382	22.0
1995-96	723787	123038	17.0
1996-97	761458	82117	10.8
1997-98	1615712	50997	3.2

The Management had not analysed the reasons for decrease in its market share vis-a-vis increase in the total sale of fertilizers in the State. In fact, the sale of the company declined every year during 1993-94 to 1997-98.

Audit, however, observed that decrease in sale of fertilizers was mainly due to :

- inability of the Company to procure fertilizer at competitive rates; and
- inadequate marketing infrastructure of the Company.

2A.10.2 Loss due to injudicious purchase of urea

Non-disposal of urea resulted in loss of interest of Rs 16.35 lakh besides deterioration in quality of urea valued at Rs 28.10 lakh

To meet requirements for Rabi 1995-96, the Company decided (22 December 1995) to purchase urea from M/s Pyrites, Phosphates & Chemicals Limited. (PPCL) at the rate of Rs 3079 per metric tonne (MT). The Company supplied the list of 7 destinations to PPCL which did not include Palwal. However, PPCL despatched one rake containing 2040 MT (actually received 2034.64 MT) valued at Rs 62.81 lakh of urea to Palwal which was received by the Company on 27 January 1996 i.e. at the fag end of the season.

The Company could sell only 104.14 MT urea during 1995-96 and 787.46 MT and 230.45 MT urea during 1996-97 and 1997-98, respectively, leaving an unsold stock of 912.59 MT valued at Rs 28.10 lakh. It was noticed in audit that the Company had been selling fresh urea of other brands through its FSCs during this period. Thus, injudicious decision to accept urea at Palwal at the fag end of the season and non-disposal of urea on 'first in first out' basis resulted in a loss of Rs 16.35 lakh on account of interest at 16 *per cent* (cash credit rate) and storage charges besides the deterioration in quality of unsold stock.

2A.10.3 Loss due to non-availment of credit facility

The Company decided (July 1995) to procure 5000 MT of DAP from M/s Paradeep Phosphates Limited at the rate of Rs 9350 per MT. The supplier offered cash discount of Rs 170 per MT in lieu of credit period of 45 days depending upon the option of the company. The Company purchased 4500 MT of DAP valued at Rs 413.10 lakh. During the course of audit, it was noticed that the Company instead of opting for 45 days credit facility availed of cash discount of Rs 170 per MT by utilising cash credit limit. The Company, thus paid extra interest of Rs 1.89 lakh, being the difference between the cash discount (Rs 170 per MT) and interest (Rs 212 per MT) paid on cash credit limit of 45 days for procurement of 4500 MT of DAP.

The Management stated in its reply (January 1998) that it made delayed payments ranging from 6 and 9 days for which no interest was charged by suppliers. The plea of the Company is not tenable since similar benefit could have been availed of even by utilising 45 days credit facility.

2A.10.4 Loss due to delay in standardisation* of urea

Non-standardisation and non-disposal of urea resulted in loss of Rs 67.48 lakh

As per policy of the State Government, old stocks of fertilizers are required to be sold on the old rates though there may be revision in the rates. As such, the Company is required to sell the material on 'first in first out' basis to avoid inventory carrying cost and deterioration in the quality of material. If the material becomes lumpy due to storage, it should immediately be standardised to avoid further losses. A test check (October 1997 to March 1998) of 7 FSCs i.e. Ambala, Kaithal, Karnal, Kurukshetra, Jind, Hisar and Sirsa revealed that 6470 MT of urea, purchased in 1995-96, was lying in lumpy condition in jute bags and as such required standardisation. The Company standardised (November 1997) 1241.40 MT of urea by incurring expenditure of Rs 2.56 lakh and disposed it after allowing additional margin of Rs 1.63 lakh to its dealers. The remaining stock of 5228.60 MT valued at Rs 158.43 lakh was still lying unstandardised (March 1998). Thus, the failure of Company to standardise the material in time and sell it on 'first in first out' basis put the Company to a loss of Rs 67.48 lakh on account of inventory carrying cost (Rs 63.29 lakh on 5228.60 MT of urea) and extra expenditure/allowing additional margin (Rs 2.56+1.63=Rs 4.19 lakh) on sale of 1241.40 MT of urea during 1995-96 to 1997-98.

2A.11 Wheat procurement operation

The State Government, under rehabilitation plan restored the activity of wheat procurement from the year 1988 initially with a share of 8 *per cent* of total wheat procurement by different agencies in the State. This share was increased to 10 *per cent* for the period 1989 to 1993 and decreased to 9 *per cent* from the year 1994.

* Process by which the set fertilizer is made in useable condition.

The following irregularities were noticed in audit:

2A.11.1 Short claim/receipt of interest

Company's failure to claim interest from FCI resulted in loss of Rs 13.84 lakh

The Company procures wheat on behalf of the State Government for onward sale and delivery to Food Corporation of India (FCI). The Company is reimbursed the cost of wheat alongwith incidental charges by FCI at the rates fixed by Government of India from time to time. Incidental charges at provisional rates are received at the time of delivery of wheat to FCI and differentials are received subsequently on the fixation of final rates by Government of India. The terms and conditions of final incidentals fixed for the year 1991-92 to 1995-96, *inter alia,* provided that the procuring agencies would be allowed interest on the differential amount between the provisional and final bills for the period from the date of payment of provisional bills to the date of final bills.

A test check of interest bills revealed that three FSCs (Jind, Hisar and Sirsa) had not claimed interest upto the date of receipt of final payment of differential amount (Rs 353.44 lakh) resulting in short realisation of interest amounting to Rs 6.82 lakh during 1992-93 to 1995-96. Similarly, two FSCs (Hisar and Tohana) had claimed interest on differential amount (Rs 347.35 lakh) from the beginning of next quarter instead from the receipt of actual payment of provisional bills. The amount of interest so short claimed worked out to Rs 7.02 lakh during 1992-93 to 1995-96.

2A.11.2 Excess consumption of gunny bags

Consumption of bags in excess of norm led to loss of Rs 41.74 lakh

The State Government had fixed (January 1987) the norm for excess consumption of gunny bags during storage of wheat in the open at the rate of 1.5 *per cent* of total bags utilised for delivery of wheat to FCI. A scrutiny of records for the last five years up to 1996-97 revealed that the Company consumed 2,13,240 bags valued at Rs 41.74 lakh in excess of above norm and suffered loss to that extent.

The Management had neither analysed the reasons nor fixed any responsibility (except at Kaithal) for the excess consumption of bags (August 1998).

2A.11.3 Loss of interest

Company suffered loss of interest of Rs 10.85 lakh due to delay in lodging of claims

The State Government charges guarantee fee at the rate of 1/8 *per cent* (increased to 1 *per cent* for the year 1994-95 and again reduced to 1/8 *per cent* w.e.f. 1995-96) on the cash credit limit sanctioned/ guaranteed by it for the procurement of the wheat. The FCI reimburses the same on actual basis subject to maximum of 1/8 *per cent* of the value of the wheat delivered to central pool during the year. The claim for guarantee fee was required to be lodged immediately after the close of the year as no interest was payable on delayed lodging of such claims.

It was observed in audit that the Company did not lodge its claims aggregating Rs 22.82 lakh for reimbursement of admissible guarantee fee for two years (1993-94 and 1994-95) immediately after the wheat was delivered to FCI. The company lodged these claims in January 1998.

Thus, the delayed lodging of claims had not only resulted in blockage of funds aggregating Rs 22.82 lakh but also loss of interest of Rs 10.85 lakh for the period ranging from 33 to 45 months up to December 1997 at 15 *per cent* rate of interest per annum (at which the company had availed cash credit limit from RBI for procurement of wheat).

2A.11.4 Undue favour to a contractor

The FSC Sirsa appointed (April 1996) a labour contractor (Shri Bhajan Lal) for handling and transportation of wheat during 1996-97. As per terms and conditions of tenders, in case of default made by the contractor, the Company could get the remaining work carried out at his risk and cost.

The contractor after doing work up to May 1996, refused (June 1996) to carry out further work. After giving a show cause notice to the contractor, the work for the remaining period was executed by two other contractors (M/s Sanjeet Kumar & Company and M/s Mahinder & Co.) at an extra expenditure of Rs 5.16 lakh. It was noticed in audit that District Manager of the centre had cleared all the payments of original contractor for the work done up to 31 May 1996 and also did not obtain two sureties of Rs 40,000 each as envisaged in the tender notice. No legal action had been initiated to recover the amount of Rs 4.76 lakh from original contractor after adjusting (March 1998) security of Rs 0.40 lakh received from him.

Thus, failure to take legal action against the contractor resulted in loss of Rs 4.76 lakh to the Company.

2A.11.5 Non-recovery of value of underweight gunny bales

Due to non-segregation of material for joint inspection with DGS&D, the Company could not lodge its claim of Rs 16.05 lakh

The Company procured (November 1995 to March 1996) 10635 gunny bales of 300 bags each (ISI marked) from various suppliers through Director General Supplies and Disposals (DGS&D). As per ISI specifications, the weight of a gunny bale should be 306 kg with tolerance limit of 22.5 kg per bale. The Director, Food and Supplies, Haryana had received complaints of under weight and poor weaving of bags and asked (January 1996) the Company to conduct an investigation and submit a report in this regard to his office for taking up consolidated case (covering other procurement agencies as well) with DGS&D. The Company constituted (February 1996) a committee which after conducting sample test on 3156 bales at 8 stations observed that weight and size of bags supplied by M/s Hoogli Mills Limited, Calcutta and M/s Vijaya Shree Limited, Calcutta were below specifications. The difference in weight per bale beyond tolerance limit of 22.5 kg ranged between 10 kg and 34.5 kg with total short weightage of 77750 kg on 3156 bales received from the above named two firms.

Director, Food and Supplies, Haryana approached (August 1996) DGS&D for joint inspection. The representatives of DGS&D during joint inspection (October 1996) showed their inability to inspect the stock since it was not in sequence i.e. party wise and desired to segregate it accordingly for second inspection.

It was observed in audit that the Company could not segregate the material and as such no further joint inspection could be done. Failure of the Company to segregate the material resulted in non-recovery of Rs 16.05 lakh (being value of short weight of 77550 kg in 3156 bales).

2A.11.6 Shortage of wheat stock

The Company has not laid down any procedure for periodical physical verification of wheat stock except at the close of the financial year.

The Company had to bear shortage of wheat valued at Rs 14.22 lakh due to lack of supervision and control on field office

The Company carried out (September 1996) a special physical verification of wheat stock lying at Delhi Pul plinth at Sirsa and found a shortage of 2104 bags of wheat. The concerned mandi inspector was placed (November 1996) under suspension and an

FIR was lodged (November 1996) against him. On his failure to hand over the charge, the lock of the main gate was opened (January 1997) in the presence of district officials deputed by the Deputy Commissioner. On taking over of stock (January 1997), the actual shortage was found to be 2719 bags of wheat worth Rs 14.22 lakh.

Thus, the failure of the Company to periodically verify stock and lack of supervision of field office resulted in shortage of wheat valued at Rs 14.22 lakh.

2A.11.7 Avoidable loss

Company suffered loss of Rs 95.64 lakh due to misappropriation and mishandling of wheat by its officials

As per instructions issued by the Company from time to time to its field officers, the mandi staff should obtain prior approval of head office to carry out abnormal operations of temporary stacking, dara*, shifting and rebagging in mandi as well as at storage point. The Company had a stock of 174873 wheat bags (March 1996) at Kaithal purchased during 1994-95 (42286 bags) and 1995-96 (132587 bags).

Noticing (June 1996) abnormal expenditure during September 1995 to April 1996, (without the specific required approval of the competent authority) on dara operation, replacement of bags and transfer of damaged wheat to Jind plant in respect of stock of 1994-95 and 1995-96, the Company decided (June 1996) to investigate the matter by a committee of three officers. The committee in its report (June 1996) assessed total loss of Rs 46.68 lakh on account of abnormal reconditioning (Rs 13.24 lakh), damage (Rs 21.84 lakh) and shortages (Rs 11.60 lakh). The Managing Director not being satisfied with the findings of the report of the committee asked (January 1997) the

* Mixing of wheat of different bags.

Deputy Commissioner (DC) Kaithal to inquire and give factual report. The committee in its report (February 1997) assessed the loss at Rs 95.64 lakh on account of damage, abnormal conditioning, shortage, excessive replacement of bags, and less storage gain. Accordingly, the Company lodged FIR (March 1997) against the two officials for misappropriation, cheating and causing loss to the Company.

Thus, delay in delivery of wheat stocks to FCI and failure to maintain required sound health of wheat stock as well as failure to check the functioning of its officials resulted in estimated loss of Rs 95.64 lakh to the Company.

2A.12 Credit policy and sundry debtors

The Company had not prescribed any credit policy for marketing its products as also for its trading items. Out of Rs 351.24 lakh outstanding under sundry debtors as on 31 March 1998, Rs 16.32 lakh was due from private parties. Debts amounting to Rs 36.64 lakh were more than three years old.

A scrutiny of sundry debtors revealed the following facts:

(a) The Company had initiated (March 1989) arbitration cases against ten private parties for the recovery of Rs 3.70 lakh outstanding for more than 15 years but the parties were not traceable.

(b) The FSCs Sirsa and Narnaul accepted cheques amounting to Rs 4.80 lakh (August 1993) from M/s Hans Raj Hamesh Kumar and Rs 2.06 lakh (April 1993) from M/s Dehat Fertilizer Agency respectively, for sale of fertilizer. Both the cheques bounced. The Company neither recovered the amount so far nor took any legal action against the dealers (March 1998).

2A.12.1 Non-recovery of Rs 4.29 lakh from ex-employees

The company advances petty amount to its employees for emergent expenses to ensure smooth working of its activities which need to be adjusted within a reasonable time on the basis of account rendered by the employees. The Management had, however, not framed specific policy/ guidelines to regulate such advances.

A test check revealed that as on 31 March 1998, a sum of Rs 13.93 lakh was outstanding against its employees on account of such advances and of this Rs 4.29 lakh was outstanding against fifty employees who were no longer in the service of the Company.

2A.13 Other topics of interest

2A.13.1 Loss of interest due to injudicious transfer of funds

Injudicious decision to contribute Rs 400 lakh to a society resulted in avoidable payment of interest of Rs 102.77 lakh

To undertake research and development activities for the benefit of the farmers, the Company got registered (March 1993) an independent society in the name of Haryana Agro Research and Development Centre (Society). Any contribution made to the society was, thus, to be treated a deductible expenditure under the provisions of Income Tax Act,1961. The Company without having received any specific proposal from the society contributed (March 1994) Rs 325 lakh to the society and out of which it obtained (June/July 1994) a loan of Rs 320 lakh at the rate of 12 *per cent* from the society to meet its working capital requirements. Despite the fact that the society had no immediate necessity, the Company again contributed (March 1995) Rs 400 lakh and took back (April 1995) Rs 415 lakh at 12 *per cent* interest as loan from the society.

Since the availment of loan was contrary to the provisions of the Companies Act 1956, the Company refunded (March 1996) the entire loan of Rs 735 lakh alongwith interest of Rs 115.50 lakh.

Thus, the decision to contribute Rs 400 lakh as second instalment of contribution particularly when the society even failed to utilise the first instalment of contribution of Rs 325 lakh was injudicious and resulted in loss of Rs 239 lakh after adjusting income tax savings of Rs 161 lakh. Further, had the Company not contributed this amount, it could have avoided availment of cash credit/loans to the extent of Rs 239 lakh and saved interest payment of Rs 102.77 lakh (worked out at the cash credit rate) thereon for the period from April 1995 to March 1998.

2A.13.2 Non-utilisation of grants

Funds aggregating Rs 110.55 lakh received for execution of specific projects were diverted for meeting its working capital requirement

The Government of India released (January 1995) a grant of Rs 2 crore to the State Government for extension work, field demonstration and training of farmers under the scheme of 'High Tech Agricultural R&D Demonstration Farm' for which the Company was nominated as the nodal agency. Of this, the Company received (May 1995) Rs 66 lakh through Director of Agriculture. The Company also received Rs 14.55 lakh and Rs 30 lakh (March 1995) from Director, National Horticulture Board and Director of Horticulture, Haryana, respectively for setting up a Mushroom Spawn Production Unit. However, the Company had not initiated any action to implement the schemes so far (March 1998) but had diverted these funds aggregating Rs 110.55 lakh towards meeting its working capital requirements.

2A.13.3 Avoidable payment of interest on income tax

Section 210(4) and (5) of Income Tax Act provides that a Company is required to deposit advance tax in the Government treasury or any of the authorised officer of the Government and branches of nationalised banks.

Section 234(C) of the Act, *ibid,* further provides that if any of the instalments of advance tax are not paid or less paid than the prescribed limit, simple interest at the rate of the 1.5 *per cent* per month would be charged for the whole quarter.

For the assessment year 1995-96, the Company deposited (15 December 1994) Rs 2.70 crore as the third instalment (payable on 15 December 1994) in the shape of bank draft with Deputy Commissioner Income Tax, Karnal Special Range (who was not an authorised officer to receive payment as per the laid down procedure for depositing the advance tax in the Government treasury). The bank draft was deposited in the bank on 16 December 1994 by Deputy Commissioner, Income Tax, Karnal (Special Range). For the delay of deposit by one day, the income tax authorities charged interest of Rs 7.45 lakh which was paid by the Company in March 1997.

Thus, failure to adopt the laid down procedure in depositing the advance tax had resulted in avoidable payment of interest of Rs 7.45 lakh.

The above matters were reported to the Company and the Government in June 1998; their replies had not been received (January 1999).

2A.14 Conclusion

Even after 31 years of its incorporation, the Company has failed in achievement of its objectives and has been incurring heavy losses on its main activities due to under utilisation of capacity of its major plants owing to inadequacy of marketing infrastructure. The profits earned by the Company were mainly attributable to restoration of wheat procurement activity to it by the State Government under rehabilitation plan. The uneconomical working in the main activities of the Company was the result of poor performance of its main plants, FSCs engaged in the sale of fertilizers, pesticides etc. and injudicious procurement of materials resulting in heavy inventory carrying cost, unnecessary locking of funds, etc.

Thus, in view of the uneconomical working of the Company in the main activities, its continuance in the present form needs to be reappraised.

2B. Haryana State Minor Irrigation and Tubewells Corporation Limited-Review on the Performance of workshop

Highlights

- *During the year 1975, the Company set up a workshop at Karnal for the manufacture of lift irrigation pumps, repair of motors, vehicles and machines. The activities of workshop were further diversified during 1979-80 by undertaking fabrication of gates, gearing, penstocks, hoists, stoplogs and setting up of foundry and transformers' repair shop.*

  (Paragraph 2B.1)

- *The workshop suffered continuous losses aggregating Rs 697.70 lakh in respect of deposit works during the last 5 years up to 1997-98 due to under utilisation of installed capacity owing to non-availability of sufficient work, old machinery and power cuts, underbilling of work done, loss of interest on deposit work, accepting of unviable jobs and surplus manpower.*

  (Paragraph 2B.5)

- *The Company funds aggregating Rs 359.99 lakh were locked up for varying periods ranging from 10 months to two years due to incurring of expenditure on Massani Barrage against the instruction of Irrigation Department which resulted in loss of interest of Rs 218.05 lakh.*

  (Paragraph 2B.6.2(a))

- *Acceptance of unviable job of fabrication of steel structures for Panipat Thermal Power Project Stage IV of Haryana State Electricity Board (HSEB), resulted in loss of Rs 17.20 lakh to the Company.*

  (Paragraph 2B.6.2(c))

- *Company suffered loss of interest of Rs 15.14 lakh due to non-receipt of payments aggregating Rs 25.26 lakh from HSEB since February 1985/May 1990.*

  (Paragraph 2B.6.2(d))

- *The Company suffered a loss of Rs 30.21 lakh in the repair of 667 transformers of HSEB between 1990-91 and 1993-94 due to high cost of repairs/defects in repairs.*

  (Paragraph 2B.6.4 (ii))

- *Higher manufacturing cost compared to projected cost and non-adherence to delivery schedule led to loss of Rs 17.68 lakh to the Company in manufacture and supply of G.O. switches to HSEB.*

  (Paragraph 2B.7)

- *The Company incurred idle wages of Rs 217.36 lakh on surplus manpower during August 1994 to March 1998.*

  (Paragraph 2B.9)

- *The chances of recovery of Rs 1466.24 lakh from Irrigation Department and HSEB were remote as these amounts were disputed due to overcharging of departmental charges by the company since 1991-92 .*

  (Paragraph 2B.10)

2B.1 Introduction

Haryana State Minor Irrigation and Tubewells Corporation Limited was incorporated on 9 January 1970 as a wholly owned State Government company with the main object of developing minor irrigation in the State. During the year 1975, the company set up a workshop at Karnal for the manufacture of lift irrigation pumps, repair of motors, vehicles and machines at a cost of Rs 1.5 crore. The activities of the workshop were further diversified during 1979-80 by undertaking fabrication of gates, gearing, penstocks, hoists, stoplogs and setting up of foundry and transformers' repair shop.

The workshop is executing the jobs on behalf of the Company as well as on behalf of State Government agencies mainly Irrigation Department and Haryana State Electricity Board (HSEB). The jobs executed on behalf of the Company and other agencies are classified as 'Corporation works' and 'works outside Corporation', respectively. The expenditure in respect of Corporation works is adjusted through inter divisional transactions at actual cost. Outside Corporation jobs (termed as 'deposit work') are undertaken at a profit of 4 to 10 *per cent* depending upon activity involved and are normally commenced on receipt of full estimated amount of the work.

2B.2 Scope of Audit

The Company as a whole was last reviewed in the Report of Comptroller and Auditor General of India for the year 1991-92 (Commercial)-Government of Haryana. The recommendations of the Committee on Public Undertakings thereon are contained in their 40th Report presented to State Legislature on 8 March 1996.

The present review covers the performance of the workshop of the Company during five years up to 1997-98.

2B.3 Organisational set-up

The management of the Company is vested in Board of Directors headed by a Chairman. The Managing Director is the Chief Executive of the Company who is assisted by the Chief Engineer in technical matters. The Chief Engineer is assisted by a Superintending Engineer and three Executive Engineers.

2B.4 Activities in operation

The activities being undertaken in the workshop are:

- manufacture and erection of pumps, gates, penstocks etc;
- fabrication and erection of steel structure;
- repair of pumps, motors and transformers;
- casting of metal; and
- slotting of pipes for tubewells.

2B.5 Working results

The accounts of the Company were in arrears since 1992-93. Based on provisional accounts, the table given below indicates the targets fixed in the annual budget for deposit work on behalf of other agencies and actual working results thereagainst during the last five years ending 1997-98:

Year	Budget provision		Actual working results	
	Value of work to be done	Profit	Value of work done	Profit(+) Loss (-)
	(Rupees in lakh)			
1993-94	180.70	15.00	164.21	(-)64.82
1994-95	174.00	20.00	202.41	(-)152.19
1995-96	192.00	20.00	274.59	(-)91.39
1996-97	357.30	35.70	540.47	(-)141.63
1997-98	403.95	40.30	445.62	(-)247.67
Total	**1307.95**	**131.00**	**1627.30**	**(-)697.70**

Against the anticipated profit of Rs 131 lakh on the workshop activity the Company incurred losses amounting to Rs 697.70 lakh

The actual value of work done was less than the provisions in budget during 1993-94. Though there was increase in value of work done during 1994-95 to 1997-98, the Company incurred losses due to high incidence of labour and overhead charges. Against the anticipated profit of Rs 131 lakh for the five years up to 1997-98, the company actually incurred losses amounting to Rs 697.70 lakh. Reasons attributed (March 1998) by the Management for these consistent losses were as under:

- under utilisation of installed capacity due to non-availability of sufficient work, old machinery, power cuts etc; and
- surplus staff and continuous increase in wages.

However, other reasons for losses as analysed in audit were under billing of work done, loss of interest due to taking up of deposit work without advance or part advance and accepting of unviable jobs as discussed in succeeding paragraphs.

2B.6 Performance of workshop

The various jobs undertaken in the workshop are done in its different shops. The performance of each of such shop is discussed in succeeding paragraphs.

2B.6.1 Pump shop

(i) Pump shop is entrusted with the job of manufacturing lift irrigation pumps of various capacities for the Irrigation Department of Haryana and manufacture of spare parts for pumps and repair thereof. Repair and manufacture of pumps and manufacture of spare parts depends upon the job order placed by the Irrigation Department. Capacity utilisation of the pump shop during the last five years up to March 1998 is tabulated below:

Year	Manufac-turing capacity	Pending orders	Job orders received	Pumps manufac-tured	Balance pending orders	Percentage of capacity utilisation
	(In numbers)					
1993-94	100	-	-	-	-	-
1994-95	100	-	6	6	-	6
1995-96	100	-	129	55	74	55
1996-97	100	74	55	129	-	129
1997-98	100	-	185	53	132	53

The capacity utilisation was low during the year 1994-95 and no work was done during 1993-94 due to non-receipt of sufficient orders from the Irrigation Department. During 1995-96, the job orders for manufacturing of pumps were received at the middle of the year due to unprecedented floods and the Company completed all the pumps including backlog of previous year during 1996-97. During 1997-98, the Company completed only those jobs for which advance payments were received.

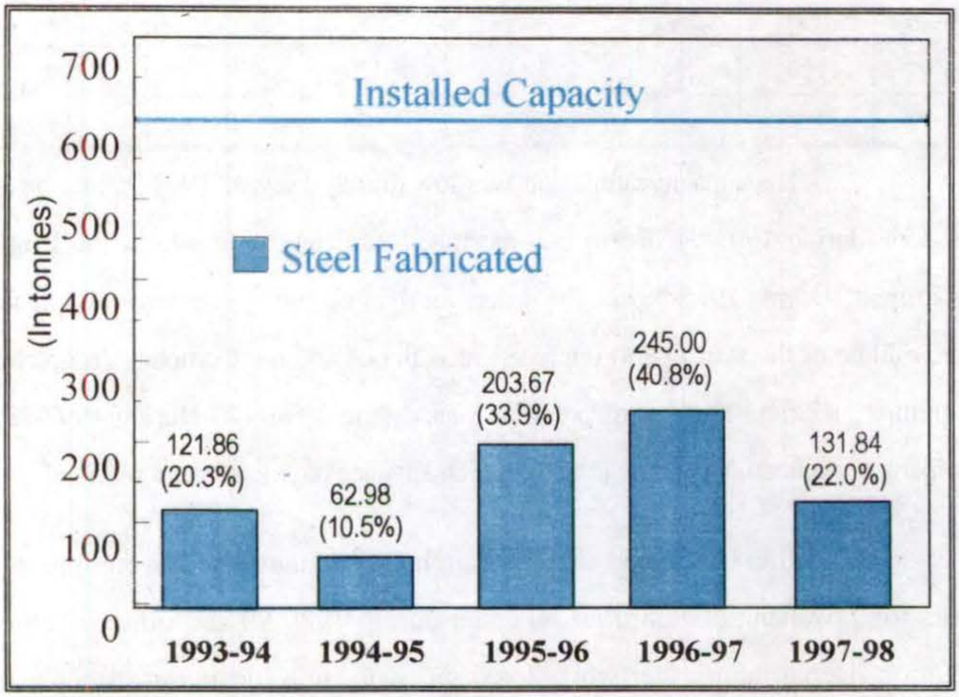
The Company stated (March 1998) that due to completion of works for Jawahar Lal Nehru (JLN) canal during 1989-90 and other schemes of Irrigation Department, the work load on workshop decreased steeply and, therefore, capacity could not be used. The Company, however, did not make any efforts to procure orders for manufacture and repair of pumps from other sources in order to utilise its spare capacity even for recovery of its variable cost.

Company suffered loss of Rs 8.73 lakh due to under billing

(ii) Out of 108 pumps manufactured for Irrigation Department on deposit work during 1995-96 and 1997-98, direct labour and overhead charges in respect of 54 pumps were undercharged by Rs 8.73 lakh due to under billing, as a result of which, Company suffered loss to that extent.

2B.6.2 Steel structure shop

Steel structure shop was set up to fabricate and repair the gates, gearings, penstocks and structural steel work etc. for Irrigation Department of Haryana and HSEB. The performance of steel structure shop for five years up to 1997-98 is indicated below:



(Note: Figures in brackets indicate percentage of yearly capacity utilisation)

The installed capacity always remained under utilised as sufficient orders were not received from the Irrigation Department and HSEB. The Company stated (March 1998) that with the passage of time the work of gates and gearing was reduced by Irrigation Department resulting in less work in the shop. The Company, however, did not make concrete efforts to get the work from other sources.

Test check of records of steel structure shop revealed the irregularities which are discussed in succeeding paragraphs.

2B.6.2 (a) Massani barrage

The Company suffered loss of interest of Rs 218.05 lakh on locked up funds aggregating Rs 359.99 lakh

The work of design, manufacture and erection of gates and stoplogs at Massani Barrage was taken up in the year 1982 for the Irrigation Department. When the work was in progress. Superintending Engineer of Irrigation Department after having discussion with the Advisor to Government, Irrigation Department, Haryana instructed (May 1987) the Company to stop the work and not to incur any further expenditure. By that time the Company had incurred Rs 600.98 lakh (Rs 124.98 lakh on manufacture and erection of gates and Rs 476 lakh on civil works). The Company, however, further incurred expenditure (Rs 174.58 lakh) on the manufacture and erection of gates and total expenditure increased from Rs 600.98 lakh to Rs 775.56 lakh (Rs 299.56 lakh on manufacture and erection of gates and Rs 476 lakh on civil works) up to 1997-98. Against this an amount of Rs 415.57 lakh only was received up to April 1991 leaving a balance of Rs 359.99 lakh which was still recoverable from Irrigation Department (July 1998) inspite of regular reminders. Thus, the Company's funds aggregating Rs 359.99 lakh had been locked up for varying periods ranging from 10 months to two years since June 1987 resulting in loss of interest of Rs 218.05 lakh. (at the rate of 6 *per cent)*. Out of this, locking up of funds of Rs 174.58 lakh was avoidable as the expenditure was incurred after the receipt of instructions to stop the work.

2B.6.2 (b) Fabrication and erection of girders

Executive Engineer, Provincial Division PWD, B&R Karnal placed (November 1991) a job order (estimated cost: Rs 22.57 lakh) for fabrication and erection of girders for construction of middle span of bridge on Western Jamuna Canal (WJC) crossing, Karnal-Kaithal Road. The delivery and erection period was three months. The actual expenditure plus 10 *per cent* profit was to be met by PWD, B&R. The workshop was to fabricate and erect 70 tonnes of steel. The cost per tonne worked out to Rs 32,243. Due to change in drawing, the quantum of work increased to 99.561 tonnes and completed (July 1992) at a total cost of Rs 43.95 lakh. Against an estimated cost of Rs 32,243 per tonne, the actual cost per tonne worked out to Rs 44,144. The Department, however, paid (up to August 1992) only Rs 38.36 lakh and the balance amount of Rs 5.59 lakh claimed in January 1994 was still outstanding (March 1998) on which the Company had suffered loss of interest of Rs 1.87 lakh.

2B.6.2 (c) Panipat Thermal Power Project, Stage IV

Acceptance of unviable job of fabrication of steel structure led to a loss of Rs 17.20 lakh to the Company

The work of steel structure of Panipat Thermal Power Project, stage IV (value Rs 348.78 lakh) allotted by HSEB to the Company in February 1992, was to be completed by April 1994. The Company allotted (July 1992) the work to Shri Raj Kumar of Panipat, a sub-contractor, who started the work in February 1993 when the site/steel was made available by HSEB. The work was suspended (July 1994) by the Company on the plea that the completion period of contract had since expired and existing rates and stipulated extent of escalation in the contract were not viable. The delay in fact occurred due to non-supply of required steel by HSEB as it could provide 695 MTs of steel of matching sections against the requirement of 5500 MTs, out of which 395 MTs of steel was used before suspension of work. The Company (February 1995) demanded rate revision before resumption of work, which was not accepted by HSEB and since then the work was lying suspended.

The Company had already created an infrastructure in 1981 at Panipat by constructing a shed for Rs 1.29 lakh and deploying tools and plants valuing Rs 32.23 lakh. As the work was suspended, the infrastructure was lying at the site without any use. The Company has been incurring recurring loss on account of depreciation and annual maintenance of the infrastructure. Against the direct expenditure of Rs 24.67 lakh up to 1997-98, the value of work done was only Rs 7.47 lakh resulting in loss of Rs 17.20 lakh which was not recoverable from HSEB. The Company again asked (April 1998) the HSEB for increased rates and escalations and the decision regarding increase in rates was arrived at in May 1998 and the work has been restarted.

The Company stated (March 1998) that the work was suspended due to non-supply of required quantity and size of steel by HSEB. The Company, however, could not ensure regular supply of steel by HSEB before taking up the work, besides, in the absence of punitive clause in the contract, it could not force HSEB to compensate its loss.

2B.6.2 (d) Panipat Thermal Power Project, Stage II and III

Non receipt of payments from HSEB led to loss of interest of Rs 15.14 lakh

The work of steel structure of Panipat Thermal Power Project stage-II and III of HSEB was completed by the Company in February 1985 and May 1990, respectively. However, amount of Rs 10.55 lakh and Rs 14.71 lakh relating to these works, respectively, were still outstanding (March 1998) due to non-completion of certain formalities by the Company viz; non-furnishing of drawings and details of bills in respect of material, labour and overhead charges separately. The Company had suffered loss of interest of Rs 15.14 lakh (at the rate of 6 *per cent* at which the Company had obtained loans from the State Government) on the above locked up funds of Rs 25.26 lakh up to March 1998.

2B.6.3 Electrical shop

2B.6.3 (a) The Company has been maintaining electrical shop for repair of submersible (SB) and vertical turbine (VT) motors installed at its tubewells and those of other agencies. The shop has the installed capacity to repair 800 SB and 600 VT motors annually. The table given below indicates the performance of shop during the last five years up to 1997-98.

Year	Targets for repair of motors		Motors received		Motors repaired		Motors pending for repair		Percentage of targets achieved	
	VT	SB	VT	SB	VT	SB	VT	SB	VT	SB
Balance as on 1.4.93	-	-	-	-	-	-	39	182		
1993-94	450	500	124	360	128	385	35	157	28	77
1994-95	450	500	74	264	63	153	46	268	14	31
1995-96	450	500	221	121	203	105	64	284	45	21
1996-97	500	500	158	40	121	141	101	183	24	28
1997-98	500	500	43	92	111	175	33	100	22	35

The utilisation of capacity was on lower side. 133 motors pending for repair were lying since 1994-95 (22), 1995-96 (18), 1996-97 (21) and 1997-98 (72).

The Company stated (March 1998) that due to less utilisation of tubewells, only those motors were repaired which were required on the tubewells likely to operate and, thus, the capacity remained under utilised. The Company had not, however, made any sincere efforts to obtain more motors for repairs from other agencies to fully utilise its capacity.

2B.6.3(b) During 1995-96 and 1996-97 average labour charges on repair of VT motors from other agencies as per sanctioned estimates were Rs 1602 and Rs 1652 per motor, respectively. Overhead charges are levied on labour charges on percentage basis which are worked out each year. Labour charges in respect of 152 and 75 VT motors repaired for other agencies during 1995-96 and 1996-97 worked out to Rs 2.44 lakh and 1.24 lakh, respectively. Against this, the Company charged the labour charges to the extent of Rs 1.26 lakh and Rs 0.87 lakh, respectively, resulting in undercharge of direct labour to the extent of Rs 1.55 lakh and resultantly overhead charges were also undercharged by Rs 1.26 lakh. Thus, the Company suffered a loss of Rs 2.81 lakh on repair of these motors.

The Company stated (March 1998) that labour was charged on the basis of comparative market cost of repair and rewinding of similar type of motors. The reply of the Company is not tenable as the Company has been declared approved source by the State Government for repair of motors of State Government Departments, HSEB etc. and it should have recovered labour rates as per sanctioned estimates.

2B.6.4 Transformer repair shop

2B.6.4 (i) The Company set up (July 1990) a transformer repair shop at a cost of Rs 28.42 lakh with a capacity to repair 100 transformers of HSEB per month.

The percentage capacity utilisation of the shop during the five years ending 1997-98 varied between zero and 7 as detailed below:

Year	Repairing Capacity of transformer	Opening Balance	Damaged transformers received	Transformers repaired	Closing balance	Percentage utilisation of capacity
		(In Numbers)				
1993-94	1200	56	80	87	49	7
1994-95	1200	49	-	-	49	-
1995-96	1200	49	-	-	49	-
1996-97	1200	49	-	22	27	2
1997-98	1200	27	58	57	28	5

The Company stated (March 1998) that non-payment of bills, non-supply of transformers for repairs and flaws in terms and conditions with HSEB resulted in underutilisation of capacity. The Company had not, however, settled the matter with HSEB so far (July 1998) to utilise its capacity gainfully.

The Company suffered loss of Rs 30.21 lakh in repair of 667 transformers of HSEB

2B.6.4 (ii) The Company stopped repair of the transformers from December 1993 as the rates given by the HSEB were not workable due to which the cost of repair was coming more than the rates offered by HSEB. The Company repaired 667 transformers between 1990-91 and 1993-94 at the total expenditure of Rs 104.19 lakh. The HSEB paid Rs 79.05 lakh only at the offered rates which resulted in loss of Rs 25.14 lakh to the Company. Besides, out of 667 repaired transformers, the Company again repaired 75 transformers by incurring Rs 5.07 lakh but it could not recover this expenditure from HSEB as these transformers had failed within warranty period and had to be repaired free of cost. The loss on repair of transformers up to 1993-94, thus, increased to Rs 30.21 lakh. The bills for 22 transformers repaired during 1996-97 at a cost of Rs 10.35 lakh were yet to be paid by HSEB (June 1998) and 57 transformers repaired during 1997-98 had not been inspected by the HSEB (June 1998). The Company, however, in its meetings held on November 1996 and February 1997 with the Government and HSEB, respectively, agreed to repair the transformers at mutually settled rates but the HSEB had not supplied transformers for repair to the Company to enable it to utilise its capacity.

The high cost of repairs was attributed (February 1996) by the Company to higher material cost, irregular purchase of material for want of funds, higher wage bill and high depreciation on machinery because all the machinery was new.

2B.6.5 Foundry shop

The workshop maintains foundry shop for casting of gun metal, cast iron, brass and bronze to manufacture parts for VT motors, SB motors and lift irrigation pumps. The shop has a capacity to cast 15,000 Kg in a year. The material consumed vis-a-vis metal required to be cast as per norms and metal actually cast during the five years up to 1997-98 is tabulated below:

Name of metal	Raw material consumed	Metal to be cast as per norms	Metal actually cast	Metal short cast	Value of metal short cast
	(In Kilograms)				(Rupees in lakh)
Gun metal	31067	28892	28075	817	1.59
Cast iron	36383	33075	30908	2167	0.90
Brass	634	587	574	13	0.02
Bronze	883	859	792	67	0.10
Total					**2.61**

The metal cast and raw material consumed there against revealed that there was short casting of metal valued at Rs 2.61 lakh.

The Management stated (March 1998) that the company was not having any standard furnace to maintain required temperature and melting temperature was being adjusted by judgement only. Further, the short casting was due to burning of material and metal impurities. The reply is, however, not tenable as the loss has been worked out as per norms which had taken care of burning loss and metal impurities.

2B.6.5.1 Consumption of fuel

For casting of one Kg each of gun metal, brass, bronze and cast iron, 2 Kg coke is required. Diesel can also be used as fuel at the rate of 0.8 litre for gun metal, brass and bronze and 0.9 litre for casting of cast iron. It was noticed that cost per Kg of casting ranged from Rs 7.58 to Rs 11.44 for coke and Rs 6.20 to Rs 8.19 for diesel (on average consumption of 0.85 litre per Kg) during five years ending 1997-98. Test check of consumption of fuel (diesel and coke) revealed that there was excess consumption of fuel over the prescribed norms valued at Rs 0.32 lakh and extra expenditure of Rs 1.78 lakh on using coke and not using diesel which was cheaper. Thus, the company suffered a loss of Rs 2.10 lakh due to excess expenditure on fuel/non-use of cheaper fuel.

The Management stated (January 1998) that fuel available at the time of casting is used. Reply was, however, not tenable as both coke and diesel were freely available and the cheaper fuel could have been used.

2B.6.6 Slotting Shop

There were 4 slotting machines to slot the pipes required for installation of tubewells by the Tubewell Divisions of the Company both for itself and for other agencies. No tubewell was installed by the Company itself during 1992-93 to 1996-97. The workshop, however, fixes and charges separate rate for each slotting for complete year on estimated basis at the start of each year by taking into consideration the expenditure likely to be incurred during the year. The installed capacity was about 2000 meters per year, against which annual target of 1500 meters was laid down in the annual estimates. Each meter consists of 1000 slots.

The table given below indicates the performance of the shop during the five years ending 1997-98:

Year	Pipe slotted	Actual expenditure incurred	estimated rate per slot	Actual expenditure per slot	Excess expenditure
	In Mtrs	(Rupees in lakh)	(Paise)	(Paise)	(Rupees in lakh)
1993-94	1394 (1394000)*	2.22	29	16	-
1994-95	1425 (1425000)*	5.67	30	40	1.43
1995-96	1647 (1647000)*	7.18	44	44	-
1996-97	1010 (1010000)*	8.39	51	83	3.23S
1997-98	719 (719000)*	4.74	46	66	1.44
				Total	**6.10**

*(Note: *Figures in bracket indicate number of slots)*

It would be observed from the above table that an expenditure of Rs 6.10 lakh was less charged to the tubewell divisions of the Company which in turn charged lesser amounts from the outside agencies resulting in loss to the Company to the extent of Rs 6.10 lakh.

2B.7 Loss in manufacture and supply of G.O. switches

The Company suffered a loss of Rs 17.68 lakh in manufacture and supply of G.O. switches

Chief Engineer, Workshop HSEB placed a job order in June 1989 on the Company to manufacture and supply 2000 numbers 11 KV G.O switches complete with handle and pipe at the firm price of Rs 36.20 lakh (including Rs 0.10 lakh total profit on job). As per job order, the supply was to commence within one month from the date of receipt of job order and 300 switches were to be supplied per month thereafter. In case of failure, the Company was liable to pay damages at the rate of 1/2 *per cent* of the cost of undelivered portion per week of delay subject to maximum of 5 *per cent* of the cost of undelivered material.

During audit it was noticed as under:

1. The supply of manufactured G.O. switches was to commence from July 1989 and to be completed by January 1990. The Company could, however, commence supply from November 1989 and complete it by October 1991. The HSEB deducted damages to the extent of Rs 1.81 lakh from the bills of the Company.

2. Against projected cost of material and labour to the extent of Rs 33.10 lakh and Rs 3.00 lakh, the actual expenditure was Rs 38.29 lakh and Rs 7.79 lakh, respectively. In addition, depreciation and general overhead charges to the extent of Rs 2.79 lakh and Rs 3.10 lakh, respectively, were not included in the costing structure. Thus, the Company had to spend Rs 51.97 lakh against the realisation of Rs 36.10 lakh resulting in a loss of Rs 15.87 lakh.

Reply of the Management (March 1998) that the work was taken up to keep the idle labour engaged was not tenable as the Company could not adhere to the projected cost of Rs 36.10 lakh.

2B.8 Irregular credit of scrap

The Company suffered a loss of Rs 10.12 lakh due to undue allowance of credit for scrap, small cuttings and trimmings to the jobs

Accounts Manual of the Company provides that credit for the scrap, small cuttings and trimmings, which cannot be used for other jobs and required to be disposed of in the same shape, shall not be given to the job. Scrutiny of job cost register revealed that credit of Rs 10.12 lakh (Rs 3.96 lakh in pump shop and Rs 3.78 lakh in steel structure shop for the five years ending 1997-98 and Rs 2.38 lakh in electrical shop for the three years ending 1997-98) was allowed to respective agencies in contravention of the provisions of Accounts Manual resulting in loss to this extent.

The Management stated (March 1998) that value of scrap obtained during machining was credited to the same job due to the fact that scrap was obtained from the particular job. The reply was not tenable as it was in contravention of the provisions of the Accounts Manual.

2B.9 Surplus manpower

Surplus manpower resulted in payment of idle wages of Rs 217.36 lakh

A study of manpower in workshop conducted (August 1994) by the Company revealed that due to decline of workload in various shops, 157 work charged employees had become surplus. Out of 157 surplus employees, 20 employees were adjusted in other Government departments/Corporations up to March 1998. 137 employees were still surplus and their wage bills amounting to Rs 4.94 lakh per month had resulted in payment of idle wages amounting to Rs 217.36 lakh from August 1994 to March 1998.

2B.10 Outstanding dues

As on 31 March 1997, the following amounts were outstanding as per annual accounts in respect of workshop activities:

Sl. No.	Particulars	Amount (Rupees in lakh)
(i)	Recoverable from Irrigation Department for manufacture and erection of pumps	755.22
(ii)	Recoverable from Irrigation Department and HSEB for gates	784.15
	Total	**1539.37**

Analysis of debts revealed as under:

Debts of Rs 1466.24 lakh recoverable from Irrigation Department and HSEB were doubtful of recovery

Out of Rs 755.22 lakh for pumps, Rs 711.89 lakh was outstanding since 1991-92 which had been disputed by Irrigation Department due to overcharging of departmental charges and there were remote chances of its recovery.

Similarly, out of Rs 784.15 lakh recoverable from Irrigation Department and HSEB, Rs 754.35 lakh was outstanding since 1991-92 also due to overcharging on account of departmental charges.

The above matters were reported to the Company and the Government in May 1998; their replies had not been received (January 1999).

2B.11 Conclusion

The workshop had been continuously suffering losses since 1993-94. The main reasons for the losses were:

- under utilisation of installed capacity due to non-availability of sufficient work;
- inadequate efforts to procure orders from other agencies in order to utilise idle capacity;
- under billing of work done;
- loss of interest due to taking up of deposit work without advance or part advance;
- accepting of unviable jobs; and
- surplus manpower.

The Company may consider to take the following measures to make the workshop viable.

- to make sincere efforts to obtain jobs from other agencies for full utilisation of capacity of various shops;
- proper assessment of cost of deposit work before taking up of such work; and
- to take immediate action to retrench/adjust surplus manpower.

Chapter- 3

Review relating to Statutory Corporation

Section-3

3. Review relating to a Statutory corporation

This chapter contains a review on **fuel management in thermal power stations of Haryana State Electricity Board.**

Highlights

- ***The Haryana State Electricity Board (Board) has two coal based thermal power stations at Panipat (650 MW) and Faridabad (165 MW). The Panipat Thermal Power Station (PTPS) and Faridabad Thermal Power Station (FTPS) receive coal from Central Coalfields Limited (CCL) and Bharat Coking Coal Limited (BCCL) which are subsidiaries of Coal India Limited (CIL).***

  (Paragraph 3.1)

- ***Due to shortfall in receipt of coal, the Board suffered a loss of generation of 2078.26 MUs valued at Rs 243.88 crore during five years up to 1997-98.***

  (Paragraph 3.3.1)

- ***Receipt of lower grade coal at Faridabad TPS, resulted in a loss of generation of 798 MUs valued at Rs 107.99 crore during the five years up to 1997-98.***

  (Paragraph 3.3.2)

- ***The Board could not enforce claims of Rs 110.05 crore on account of receipt of lower grade coal for the period from April 1995 to March 1998 as it did not appoint representatives at colliery end for joint sampling.***

  (Paragraph 3.4.1)

- ***The Board's claims for short supply of coal valued at Rs 13.14 crore were rejected by CIL in the absence of adequate weighment at TPSs for the period 1987 to 1995.***

  (Paragraph 3.4.2)

- ***The Board had withdrawn claims of Rs 10.98 crore up to September 1991 on account of idle freight on underloading of wagons in contravention to the agreement with CIL for supply of coal and did not prefer claims on this account from October 1991 onwards.***

  (Paragraph 3.4.3)

- ***In the absence of representative of the Board at colliery end for joint sampling, CCL rejected claims of Rs 5.94 crore for the period from April 1993 to March 1995 on account of stones and shales as the claims were preferred on unilateral assessment at the power house end.***

  (Paragraph 3.4.4)

- ***In respect of FTPS, out of claims of Rs 16.17 crore on account of freight of 4442 missing /diverted wagons, Rs 7.92 crore were settled by match delivery of 1863 wagons and claims of Rs 8.25 crore were pending settlement.***

  (Paragraph 3.5.1)

- ***The Board did not lodge claims of Rs 3.97 crore in respect of diverted wagons for the period 1990-1996 on account of differential of cost of coal actually received and paid for.***

  (Paragraph 3.5.2)

- ***The amount of royalty paid on higher grade of coal fixed for each colliery on the basis of its declared grade of coal remained unadjusted to the extent of Rs 11.84 crore.***

  (Paragraph 3.6)

- ***The Board had to pay avoidable surcharge of Rs 0.26 crore to Railways due to its failure to recoup shortfall of pre-paid freight.***

  (Paragraph 3.7.1(a))

- ***Both the thermal plants consumed coal in excess of the standards. During the five years up to 1997-98, the excess consumption of coal by PTPS was 23 lakh tonnes valued at Rs 291.39 crore and by FTPS 7.08 lakh tonnes valued at Rs 90.63 crore.***

  (Paragraph 3.8.1)

- ***Both the thermal plants consumed secondary fuel oil in excess of the national average. During the five years up to 1997-98, the excess consumption of oil by PTPS was 1.40 lakh kilo litres valued at Rs 80.39 crore and by FTPS 0.15 lakh kilo litres valued at Rs 9.24 crore.***

  (Paragraph 3.8.2)

3.1 Introduction

The Board generates power through thermal and hydro stations set up by it. There are two coal based Thermal Power Stations (TPSs) under the Board at Faridabad (165 MW) and Panipat (650 MW) and thermal generation accounted for 92 to 94 *per cent* of total power generation during the five years ended March 1998.

The allocation of coal and collieries to the TPSs is made by a Standing Linkage Committee (SLC) comprising members from Ministry of Coal, Ministry of Railways, Ministry of Power, Planning Commission, Coal India Limited (CIL) etc. The quantum of linkage on quarterly basis is dependent on various factors viz requirement of coal as per generation target, availability of coal at different sources, availability of coal wagons for movement etc.

The Board has been purchasing coal from Central Coalfields Limited (CCL) and Bharat Coking Coal Limited (BCCL) which are subsidiaries of Coal India Limited (CIL). Liasioning agents have been appointed (May 1990) by the Board to assist in supply of coal in conformity with linkage, minimising the shortages in transit and monitoring the movement of coal.

3.2 Scope of Audit

The present review covers results of test check conducted during the period from November 1997 to January 1998 in respect of procurement, transportation, storage and efficiency in consumption of coal and fuel oil in Panipat Thermal Power Station (PTPS) and Faridabad Thermal Power Station (FTPS) during last five years up to 1997-98.

3.3 Procurement of coal

3.3.1 Linkage of coal

Short supply of coal resulted in loss of generation worth sale value of Rs 243.88 crore during five years up to 1997-98

During the five years up to 1997-98, the SLC fixed a total linkage of coal of 184.60 lakh tonnes, for PTPS (141.90 lakh tonnes) and FTPS (42.70 lakh tonnes) against which actual receipt including coal diverted was 133.45 lakh tonnes at PTPS (102.37 lakh tonnes) and FTPS (31.08 lakh tonnes). Thus, there was a shortfall of 51.15 lakh tonnes in the supply of coal to PTPS (39.53 lakh tonnes) and FTPS (11.62 lakh tonnes) for which the Board worked out the loss of generation of 2078.26 MUs involving a sale value of Rs 243.88 crore due to closure of units for want of coal as per details given below:

Year	Thermal Station	Linkage fixed by SLC	Actual Receipts (including diverted)	Percentage of total receipts to allocation	Loss of generation due to shortfall in supply (MUs)
(Quantities in lakh of tonnes)					
1993-94	PTPS	27.60	16.78	61	288.02
	FTPS	7.90	5.78	73	-
1994-95	PTPS	28.80	19.86	69	1037.41
	FTPS	9.45	6.09	64	9.16
1995-96	PTPS	26.40	18.70	71	457.56
	FTPS	9.00	6.72	75	70.99
1996-97	PTPS	28.20	22.94	81	171.91
	FTPS	8.25	6.33	77	19.78
1997-98	PTPS	30.90	24.09	78	-
	FTPS	8.10	6.16	76	23.43
Total	PTPS	141.90	102.37	72	1954.90
	FTPS	42.70	31.08	73	123.36
Grand Total		**184.60**	**133.45**	**72**	**2078.26**

The Ministry of coal attributed (June 1996) short supply of coal to unloading constraints at the power stations. The SLC also observed (March 1997) that short supply of coal was as a result of (i) coal rakes not being loaded and moved due to failure of the TPSs to make pre-payment of freight to Railways and coal bills to coal companies and (ii) abnormal detention of railway rakes by the TPSs resulting in non-availability of wagons to Railways.

3.3.2 Quality of coal

Loss of generation due to lower grade

Coal has been classified into seven grades 'A' to 'G' in descending order of quality on the basis of useful heat value of the coal which is measured in kilo calories per kilogram of coal.

Supply of lower grade coal to FTPS resulted in generation loss worth sale value of Rs 107.99 crore during five years up to 1997-98

The requirement of coal at Faridabad TPS was of 'B' grade. The SLC fixed linkage of 'C' and 'D' grade against requirement of 'B' grade. As a consequence of the lower grade supply, the generating units of the plant were operated on partial load and loss of generation worked out by the Board during the last five years up to 1997-98 was 798 MUs involving a sale value of Rs 107.99 crore.

3.4 Settlement of claims

Panipat and Faridabad TPSs obtain supply of coal from coal companies in accordance with an agreement executed with CIL in February 1985. The coal agreement expired in February 1986 but it continued informally since then with certain changes in terms of payment introduced by CIL from time to time.

According to terms of the agreement of February 1985, the payments were required to be made within 7 days from the date of receipt of documents. The terms were modified from October 1991 when cash and carry system was introduced requiring payment in advance to cover one month supply of coal. These terms were further modified from June 1995 which required that full payments were to be made in advance within 48 hours of presentation of bills backed by letter of credit covering 10 days value of supply.

The terms of the agreement, *inter-alia,* provided for the following types of recoveries from the coal bills of coal companies:

i) Recovery on account of grade difference in coal consignments originally booked and in coal consignments received through diverted wagons.

ii) Recovery on account of short receipt of coal at destination in case of wagons where these were not weighed at loading end.

iii) Recovery of idle freight and penal freight on account of under loading and overloading respectively, for wagons weighed at loading end.

Up to March 1998, the Board had lodged claims of Rs 444.79 crore with CCL which included claims for Rs 17.30 crore for the pre-agreement period up to February 1985 and Rs 275.77 crore from March 1985 to March 1995. Claims amounting to Rs 151.72 crore pertaining to period from April 1995 to March 1998 were pending (April 1998) settlement with CIL. Of the claims of Rs 17.30 crore, Rs 8.38 crore were accepted by CCL and Rs 8.92 crore withdrawn by the Board as a package deal in a meeting held in April 1998. Of the claims of Rs 275.77 crore, Rs 112.81 crore were accepted by CCL and Rs 157.03 crore withdrawn by the Board in four separate meetings held with CCL during July 1995, November 1996, April 1998 and July 1998. Balance claims of Rs 5.93 crore remained unresolved.

3.4.1 Claims on account of grade difference

Failure to participate in joint sampling at collieries resulted in rejection of claims of Rs 164.52 crore on account of grade slippage

According to the agreement of February 1985 with Coal India Limited (CIL), sampling and analysis were to be undertaken both at colliery end (for making provisional payment) and at power station end (for making final payment). The joint sampling and analysis conducted at the power station end would determine the quality of coal supplied. With the introduction of 'cash and carry' system from 1 October 1991, the CIL dispensed with the system of joint sampling at the power station end and decided that coal would be sampled and analysed at the colliery end. The coal companies were to issue credit notes for difference between billed grade and grade as determined by sampling and analysis in the following manner.

- Wherever a system of joint sampling at loading end exists, the credit note would be issued on the basis of results of such sampling ; and

- Wherever a system of joint sampling at loading end does not exist, but the sampling and analysis is done by the Coal Controllers Organisation (CCO) at loading points , credit notes would be issued on the basis of result of such sampling and analysis by CCO.

The Board did not appoint any representative to participate in the joint sampling at the loading end despite being reiterated by CIL in May 1992. The Board stated (September 1994) that representatives could not be appointed at colliery end in view of numbers of collieries involved, difficult social conditions and absence of automatic sampling system. It received credit notes for grade slippage from CCL on the basis of results of analysis done by CCO at the loading end. Though CIL had clarified (July 1996) that it would be unable to accept the claims in the absence of joint sampling, the Board continued to lodge claims with CCL for difference between grade based on the results of CCO and its own results of unilateral sampling and analysis done at the power station ends.

Of the claims of Rs 69.82 crore (March 1985 to September 1991) and Rs 70.65 crore (October 1991 to March 1995) lodged by the Board, the CCL accepted claims of Rs 66.87 crore (July 1995) and Rs 16.18 crore (July 1998) respectively. The CCL refused claims from April 1994 onwards stating that CCOs results would be applicable as the coverage of sample analysis by CCO at colliery end was adequate.

In the absence of appointment of representative at colliery end, claims of Rs 110.05 crore on account of grade slippage lodged for the subsequent period from April 1995 to March 1998 have become doubtful of recovery.

3.4.2 Claims on account of short receipt of coal

Non-weighment of 100 per cent wagons at the TPSs resulted in rejection of claims of Rs 13.14 crore

In a meeting held in December 1986 under the Chairmanship of Union Energy Minister, in which representatives from State Electricity Boards, CIL and Railways participated, it was decided that the weighment of coal would be accepted in the following descending order of preference :

i) electronic print out from electronic weighbridge at the loading point;

ii) weighment of all wagons on mechanical or electronic weigh bridge at the power house;

iii) weighment of all wagons on mechanical weighbridge if available at the loading points; and

iv) in absence of the above, weighment on volumetric basis would continue to remain in force.

From the above, it would be seen that in order to lodge a valid claim, TPSs were required to weigh all wagons on mechanical or electronic weighbridge in respect of wagons which were not weighed on electronic weighbridge at the loading point.

PTPS has 2 mechanical weighbridges and 6 electronic weighbridges and FTPS has 1 mechanical weighbridge to weigh coal at the plants. The Board did not weigh the wagons 100 *per cent* which were not weighed on electronic weighbridge at loading point and calculated the shortage in receipt of coal on volumetric basis. Consequently, claims for shortages of Rs 13.14 crore for the period from January 1987 to September 1991 (Rs 7.17 crore) and from October 1991 to March 1995 (Rs 5.97 crore) lodged by the Board were rejected by CIL in the meetings held in July 1995 and November 1996, respectively. Thus, non-weighment of all wagons at Board`s TPSs resulted in avoidable loss of Rs 13.14 crore for which no reasons were on record.

3.4.3 Claims on account of underloading/overloading of wagons

The Board withdrew injudiciously claims of idle freight for Rs 10.98 crore up to September 1991 in contravention to the agreement of February 1985 for supply of coal

The agreement of February 1985 with CIL provided that in case of weighed wagons, loss to the purchaser due to payment of idle freight resulting from underloading of wagons and penal freight for overloading of wagons to the Railways would be deducted from the bills of the coal companies.

The claims of Rs 10.98 crore on account of idle freight on underloaded wagons pertaining to the period from March 1985 to September 1991 were withdrawn by the Board in meeting held with CIL/CCL in July 1995 on the ground that the rates of coal were *FOR* colliery site basis and the coal companies could not be made liable for railway freight. It was, however, observed in audit (August 1998) that Rajasthan State Electricity Board (RSEB) settled (August 1997) its claim of penalty on overloading in the ratio of 50:50 in view of umpire decision. Accordingly, claims of Rs 1.88 crore were mutually settled with CCL. Thus, withdrawal of claims of idle freight for Rs 10.98 crore for the period up to September 1991 and non-lodging of claims for subsequent period from October 1991 in respect of underloaded wagons was not justified in view of the acceptance of claims in respect of RSEB for penalty on overloading of wagons.

3.4.4 Claims on account of stones and shales

Failure to appoint a representative to participate in joint sampling at colliery end resulted in rejection of claim of stones and shales for Rs 5.94 crore from April 1993 to March 1995

According to the agreement of February 1985, the coal companies were to reimburse the cost of coal equal to stones and shales (above 200 mm size) content in coal received.

As the Board had failed to appoint its representative at colliery end as referred to in para 3.4.1 *supra* CCL rejected (November 1996) claims of Rs 594.13 lakh for the period from April 1993 to March 1995 on the ground that venue of sampling of coal was shifted from power house to colliery end from October 1991, but the claims had been preferred on the basis of unilateral assessment at the power house end. Though, the Board had not withdrawn these claims , there were remote chances of recovery of the claims due to failure of the Board to appoint its representative at colliery end .

3.5 Wagon to wagon adjustment policy of Railways

Railways occasionally divert coal rakes of one consignee power station to another power station. In such cases, the original consignee power station who has not received the coal rake due to its diversion elsewhere has to lodge a claim on the Railways for the cost of the coal in respect of diverted rake. The Railways accommodate such claims on the basis of wagon to wagon adjustment policy by match delivery of diverted wagons of other consignees.

3.5.1 It was noticed (November 1997) in respect of FTPS that during the years from 1990-91 to 1996-97, claims amounting to Rs 16.17 crore on account of freight charges in respect of 4442 missing/diverted wagons were raised against the Railways. Out of these, claims amounting to Rs 7.92 crore were settled in March 1997 by match delivery of 1863 diverted wagons only received during September 1995 to January 1997 and claims amounting to Rs 8.25 crore on account of pre-deposit of freight were pending (March 1997) with the Railways for want of settlement.

Failure by FTPS to prefer claim bills against CCL for grade difference on account of diverted wagons resulted in loss of Rs 3.97 crore from July 1990 to May 1996

3.5.2 An inherent deficiency in the wagon to wagon adjustment policy is that it does not take into account the grade difference between coal carried by wagons diverted in favour of power station and coal carried by the wagons diverted from that power station. The average cost of coal on wagons diverted from FTPS was higher than that of wagons diverted to FTPS from other consignee as FTPS had paid higher cost per wagon of coal which was not actually received. The wagon to wagon adjustment resulted in excess payment of Rs 3.97 crore in respect of 1863 diverted wagons during July 1990 to May 1996 and received at FTPS during September 1995 to January 1997. Though agreement of February 1985 permitted the Board to raise bills with CCL for amounts arising out of grade difference in wagon to wagon adjustment after verification with the original consignee to whom the coal was diverted, FTPS failed to raise this issue with the original consignees/ CCL due to which a sum of Rs 3.97 crore remained unrecovered.

3.6 Extra expenditure due to non-revision of declared grade of coal

Excess royalty of Rs 11.84 crore paid due to non-regradation of collieries

The coal bills received from coal companies also include royalty which is based on the grade of colliery from which the coal is despatched.

Agreement of February 1985 with CIL for supply of coal provided that in case of consistent variation between the declared grade of coal of colliery and the grade determined on the basis of final/initial sampling and analysis done at colliery for a period of six months, Coal Controller (CC) was to be approached for the regradation of coal of that colliery.

On request (December 1990) of PTPS, the CC in the Ministry of Energy, Government of India had regraded (June 1991) two collieries viz. Dhori (lower karo major seam-VI-VII) and Amlo (lower karo major seam-VI-VII) which were supplying downgraded coal. Though, there had been consistent slippage in the grade of coal supplied by CCL to the TPSs from other collieries also, the TPSs did not take up the matter for regradation of the collieries with the CC. It was only in March 1995 that the PTPS approached the CC for regradation of 7 more collieries of CCL viz. Dhori-F, Amlo-F, Tarmi-W-IV, North Ramgarh siding W-IV, Champur siding W-IV, Jarangdih-W-IV, and ROM-E. This has not been accepted by the CC as yet (July 1998). The TPSs were receiving coal bills on the basis of higher declared grade of the collieries. Though the difference in cost of coal initially paid at higher rates was adjusted by CCL after determination of actual grade as a result of sample analysis of coal done by CCO, the amount of royalty paid on higher grade of coal fixed for each colliery on the basis of its declared grade of coal remained unadjusted/unrecovered. It was observed in audit that the Board incurred extra expenditure of Rs 11.84 crore on account of excess royalty paid during October 1991 to March 1995 by PTPS (Rs 5.09 crore) and FTPS (Rs 6.75 crore).

3.7 Transportation of coal

3.7.1 Avoidable payment of surcharge on railway freight

Ministry of Railways directed (October 1992) PTPS and FTPS to make prepayment of freight for coal booked from November 1992 and December 1992 respectively. Failure to make prepayment of freight with Railways attracted levy of surcharge at 5 *per cent* which was increased to 10 *per cent* from April 1993 and to 15 *per cent* from April 1995. In this connection following points were noticed.

Shortfall in pre-deposit freight account resulted in levy of surcharge of Rs 0.26 crore

(a) Faridabad TPS was making prepayment of freight but did not reconcile the account of pre-deposit freight with actual freight for coal wagons booked by Railway on 'paid basis' However, reconciliation made during September 1997 revealed that against pre-deposit of Rs 193.85 crore, actual freight adjusted by Railways was Rs 196.82 crore during the period from November 1992 to April 1997 thereby resulting in shortfall of pre-deposit for Rs 2.97 crore at the end of April 1997. Consequently, Railways levied surcharge of Rs 0.26 crore in respect of coal consignments received against 10 Railway Receipts (RRs) during April, May and June 1997.

PTPS failed to seek refund of surcharge of Rs 0.57 crore levied erroneously on 'Paid' RRs

(b) In respect of 37 RRs issued on 'Paid' basis by the Railways, 6 RRs issued on 28 February 1993 and 31 RRs issued from 21 September 1993 to 31 October 1993, Railways levied surcharge of Rs 56.88 lakh at the prescribed rates.

PTPS took up (June 1993) the matter with the Eastern Railways for refund/adjustment of the surcharge levied on paid RRs. On reconciliation (November 1993) of the account, it was noticed that sufficient amount of freight stood deposited by the PTPS to cover the above paid RRs against which the Railways had levied surcharge. Accordingly, the Dhanbad office of Eastern Railways advised (November 1993) the PTPS to take up the matter with Chief

Commercial Manager, Eastern Railway, Calcutta for permanent solution. Despite the advice of Dhanbad office of Eastern Railway, the matter had not been taken up by the PTPS with the Chief Commercial Manager, Eastern Railways for final settlement of the issue (May 1998).

Failure to recoup the deposit against 'Advance deposit of freight scheme' resulted in levy of surcharge of Rs 20.20 crore

(c) In a meeting held in October 1995 with Northern Railways 'Advance deposit of freight scheme' was introduced for PTPS from November 1995. As per the scheme, PTPS was to deposit Rs 13.25 crore with the Railways by October 1995. The current accruals of freight were to be paid on every 10th, 20th and 30th of each month implying that the deposit of Rs 13.25 crore was to remain intact at the end of each month. Failure to maintain the deposit of Rs 13.25 crore intact with the Railways invited surcharge on freight.

Though the PTPS deposited Rs 13.25 crore with the Northern Railways in October 1995 and Rs 104.54 crore during November 1995 to July 1996 against current accruals of Rs 113.84 crore, it could not maintain the required balance of Rs 13.25 crore at the end of any month during November 1995 to July 1996 except in March 1996 when balance at the end of the month was Rs 18.90 crore.

Due to failure on the part of the Board to recoup the deposit, the scheme was discontinued by the Railways from 1 October 1996. Railways levied surcharge amounting to Rs 20.20 crore on the consignments booked between November 1995 and September 1996.

The Board took up (September 1997) the matter regarding waiving of the surcharge with the Ministry of Railways. Further development in the matter were awaited. (May 1998).

3.8 Excess consumption of fuel

Tata Energy Research Institute, New Delhi, appointed (June 1990) by the Board to study and suggest means to reduce the consumption of coal and fuel oil observed (July 1991) that actual coal and oil consumption in PTPS had gone up to 827 gms /Kwh and 26.2 mls /Kwh during 1989-90 as against national average of 710 gms /Kwh and 12 mls /Kwh, respectively. The reasons attributed for excess consumption of coal were excess oxygen in boiler furnaces, condenser leakage causing low vacuum, high consumption of make-up water and lack of proper maintenance of equipments sub-system.

Reasons for excess consumption of secondary fuel oil were non-stability of furnace flame due to defective burners, feeding of coarse pulverised coal due to poor maintenance of coal mills, frequent start ups and shut downs and operation of units at partial load.

The Board did not take any remedial action to control excess consumption of coal and oil and their consumption remained high as discussed in succeeding paragraphs.

3.8.1 Excess consumption of coal

Consumption of coal in excess of standards resulted in extra expenditure of Rs 382.02 crore during five years up to 1997-98

The consumption of coal at PTPS and FTPS was in excess of the standard coal consumption keeping in view the average calorific value of coal received and heat rate required at boiler efficiency of 87/86 per cent for PTPS and 83.5 per cent for FTPS. The excess consumption of coal worked out to 23 lakh tonnes valued at Rs 291.39 crore at PTPS and 7.08 lakh tonnes valued at Rs 90.63 crore at FTPS for the five years ending 1997-98. The reasons for excess consumption of coal though called for (January 1998) have not been received so far (January 1999).

3.8.2 Excess consumption of secondary fuel oil

Consumption of secondary fuel oil in excess of national maximum average resulted in extra expenditure of Rs 89.63 crore during five years up to 1997-98

Secondary fuel oil is required for stabilisation of flame to attain particular pressure in coal fired boiler when there are interruptions in coal flow. As per Tata Energy Research Institute's Energy Data Directory and Year Book 1996-97, the national average consumption of oil during 1992-93 to 1995-96 ranged between 5.73 ml/Kwh and 6.95 ml/Kwh. The actual consumption of oil was in excess in respect of both the power stations as compared to the maximum national average consumption of 6.95 ml/Kwh during five years up to 1997-98 which were worked out to 1.55 lakh kilo litres valued at Rs 89.63 crore (PTPS: Rs 80.39 crore and FTPS: Rs 9.24 crore). Reasons for higher consumption of oil were called for (December 1997/January 1998); reply has not been received (January 1999).

The above matters were reported to the Board and the Government in June 1998; their replies had not been received (January 1999).

3.9 Conclusion

- Both the TPSs consistently received less quantity of coal than the quantity linked by Standing Linkage Committee which resulted in loss of generation of power. The FTPS also sustained loss in generation of power due to receipt of lower grade coal.

- The Board had withdrawn its claims on coal companies on account of grade difference, short receipt of coal and receipt of stones and shales on account of failure in appointing its representatives at collieries for joint sampling, lack of adequate weighing facilities at TPSs etc.

- There was excess consumption of coal and oil at both the power stations in comparison to standard consumption/national average consumption.

In view of the foregoing, the Board may consider to make extra efforts to appoint representatives at colliery end for joint sampling and provide for adequate weighing facilities at TPSs. The excess consumption of coal and oil is also needed to be controlled.

Chapter - 4

Miscellaneous topics of interest

Section-4

Miscellaneous topics of interest relating to Government companies and Statutory corporations

4A GOVERNMENT COMPANIES

4.1 Haryana Seeds Development Corporation Limited

4.1.1 Loss due to acceptance of undersize cotton seed

The Company procured undersize cotton seed due to inadequate quality control and suffered a loss of Rs 9.40 lakh in its disposal.

Acceptance of undersize cotton seed resulted in loss of Rs 9.40 lakh to the Company

The Company gives production programme of cotton seed to the growers for producing cotton seed (Narma) in their fields. The quality of cotton seed is checked at the time of receipt of cotton from the growers. The seed is then separated from cotton through ginning process. After removing lint from cotton seed, the seed is finally processed in the plant to obtain certified seed. The Company has not fixed any norms for losses, wastages, undersize seed etc. during these processes.

A comparative study of cotton seed processed during 1992-93 to 1994-95 by the Company in its plant at Sirsa revealed that the percentage of undersize cotton seed was 9.6, 8 and 8.3 respectively. Thus, on an average 8.6 *per cent* cotton seed was undersize. However, during the year 1995-96, out of 5155 quintals of cotton seed processed at the plant, 1023 quintals was declared as undersize which worked out to 19.84 *per cent* of the total input. After allowing a margin of 8.6 as average percentage of undersize seed during the last 3 years, there was still 579.44 quintals excess undersize cotton seed valued at Rs 11.88 lakh. This undersize seed was disposed of (May 1996) at a loss of Rs 9.40 lakh.

The Company stated (December 1996) that as a result of preliminary investigation, administrative action had been initiated against the Officers/Officials who accepted the cotton seed at Sirsa. The Government admitted (July 1998) that possibly immature grains* could not be detected.

4.2 Haryana Forest Development Corporation Limited

4.2.1 Misappropriation of timber

Lack of verification of stock of timber coupled with inadequate maintenance of records led to misappropriation of timber worth Rs 8.52 lakh

Improper maintenance of records, non-verification of stocks and lack in reporting discrepancies of forest produce resulted in misappropriation of timber valued at Rs 8.52 lakh.

Haryana Forest Manual Part-II (para 12.3) stipulates that all forest produce removed from forest or cut or collected by Government agency or received in depots otherwise, must appear in Form DL-5. Similarly their disposal appear in Form DL-7. The manual (para 17.17) further provides that timber and other forest produce in each sale depot must be counted once every quarter by the Depot Officer or Range Officer and discrepancy, if any, should be reported to the Divisional Forest Officer.

During audit (June 1997) it was noticed that the District Manager, Rohtak auctioned (May 1996) 287.513 m3 timber at Gangesar sale depot to a firm (Prime Enterprises, Yamunanagar). The field assistant changed (May 1996) the volume of timber while taking the stocks on Form DL-7 for auction and misappropriated the same. At the time of lifting, a shortage of 81.221 m3 timber valued at Rs 1.22 lakh was reported (October 1996) by the firm. The records (Form DL-7 and DL-5) of the sale depot were not available for the period April 1996 to

* Immature grains means undersize grain not fully developed.

November 1997 as the same were not handed over by the field assistant to the Management. Moreover, no physical verification was carried out at the depot during last three years up to 1996-97. As a result, the entire stocks of the sale depot were got verified and a total shortage of 1612.781 m3 timber valued at Rs 8.52 lakh was found (December 1996).

The matter was reported to the Company and the Government in April 1998; their replies had not been received (January 1999).

4.3 Haryana Minerals Limited

4.3.1 Favour to shipping lines in payment of haulage charges

The Company incurred extra expenditure of Rs 4.17 lakh by granting unwarranted increase in haulage charges to two shipping lines.

The Company has been exporting slate stone to different countries abroad on *FOB* basis. The material is transported from mines to Inland Container Depot (ICD) at Tuglakabad and from ICD to Mumbai port. The Company's has made arrangement with different shipping lines for transportation of material from ICD Tuglakabad to Mumbai port for which haulage charges are fixed on the basis of quotations/negotiations with them.

The Bluestar (Killick Nixon) shipping line, operating in Australian sector demanded (September 1993) increase in haulage charges from Rs 10,700 to 12,000 per container on account of increase in railway freight. After negotiations, the Company did not increase the rates. Subsequently, P&O and Bluestar (Killick Nixon) demanded (September 1995 and January 1996) increase in haulage charges from Rs 10,700 per container to Rs 13,200 per container from 7 September 1995 and further to Rs 14,200 per container from 1 October 1995 on account of increase in railway freight. The Company accepted the increase on the recommendations of Corporate Marketing Manager (CMM) without holding any negotiations with the shipping lines to reduce the rates demanded. These shipping lines further increased their rates to Rs 15,000 per container from 1 May 1996 which was also allowed by the CMM without holding any negotiations and without prior approval of Managing Director. The Company, further, allowed after negotiation, an increase of Rs 100 only with effect from 1 August 1996 though the shipping line had demanded increase of Rs 1100 per container due to hike in petroleum products.

Thus, unwarranted increase in haulage charges resulted in extra expenditure of Rs 4.17 lakh on hiring 112 containers during the period from September 1995 to August 1996. The Company framed (October 1996) a chargesheet, against the CMM for not holding negotiations, but the same has not been served so far (May 1998).

The matter was reported to the Company and the Government in March 1998; their replies had not been received (January 1999).

4.4 Haryana State Minor Irrigation & Tubewells Corporation Limited

4.4.1 Non-realisation of interest on term deposits

Failure to monitor the credit of interest on deposits resulted in non-realisation of interest income of Rs 5.55 lakh

Lack of proper monitoring to ensure credit of interest income on Short Deposit Receipt (SDR) resulted in non-realisation of interest income of Rs 5.55 lakh.

The Company had been maintaining a SDR account with Union Bank of India to avail itself of the benefit of term deposits. It deposited Rs 180 lakh, Rs 20 lakh and Rs 41 lakh on 15 June 1995, 11 July 1995 and 27 November 1995 respectively, in its SDR account and made withdrawals therefrom between August 1995 and February 1996.

While making withdrawals, the Company had directed the bank to credit the interest on the amount in its deposits to its current account . However, during the course of audit it was noticed (April 1997) that the bank did not credit the interest accrued on these deposits amounting to Rs 5,54,896 and the Company did not monitor the same. On being pointed out by Audit, the Company claimed interest from the bank. The Company took up (January 1998) the matter with Head Office of the Bank at Mumbai which informed (February 1998) that their complaint had been forwarded to Regional office, Chandigarh for reply in due course. The Company has neither received any reply from the Regional Office of the Bank nor received the interest so far (July 1998).

The matter was reported to the Company and the Government in April 1998; their replies had not been received (January 1999).

4B STATUTORY CORPORATIONS

4.5 Haryana State Electricity Board

4.5.1 Purchase of sub-standard distribution transformers

Acceptance of 3252 sub-standard transformers due to faulty inspection resulted in capital loss of Rs 317.95 lakh besides transformation losses of Rs 996.37 lakh

The Board accepted 3252 sub-standard distribution transformers due to faulty inspection which resulted in capital loss of Rs 317.95 lakh besides transformation losses of Rs 996.37 lakh.

The Board placed four purchase orders for supply of 4150 distribution transformers of 100 KVA and 63 KVA on ECE Industries Limited, New Delhi during 1995-96 and 1996-97. After these were inspected and found as per specifications by the Board's Officers, the firm supplied 3252 transformers up to March 1997. All these transformers were received and issued for use in the field except 32 transformers, received at sub-stores at Pehowa and Kaithal not taken on stock (June 1997) pending replacement.

On the basis of a complaint regarding use of coils of undersize conductor fitted in the transformers supplied by the said firm, the vigilance wing of the Board conducted (April 1997) preliminary investigations by testing one transformer each of 100 KVA and 63 KVA and found variations in physical dimension and core losses in the transformers. Before these transformers were opened and results witnessed by the firm's representative, the President of the firm approached and admitted before the Board's Chairman that in certain transformers, coils of undersize conductor were used. The investigating team including firm's representative also, *inter-alia*, observed (June 1997) that the Aluminium Conductor (in coils) used in 100 KVA and 63 KVA transformers were underweight by 30 *per cent* and 15 *per cent*, respectively. The Board while reporting the loss to the Government concluded (July 1997) that the transformers supplied by the said firm during 1995-96 and 1996-97 numbering 3252 were of derated capacity and computed the capital loss of Rs 643.18 lakh besides transformation losses of Rs 1278 lakh over a life span of 25 years of each transformer. However, it was observed (October 1997) in audit that the Board while calculating the capital loss and transformation losses, had also considered the quantities of the transformers not supplied as total loss. The capital loss and transformation loss worked out to Rs 317.95 lakh and Rs 996.37 lakh, respectively.

The whole-time Members decided (June 1997), *inter alia,* to:

- cancel all pending purchase orders on the firm;
- get replacement of the derated transformers;
- forfeit firm's permanent earnest money;
- withhold all pending payments of the firm along with all financial cover available with the Board; and

lodge an FIR against the firm.

Accordingly, the Board cancelled all pending purchase orders and forfeited (July 1997) permanent earnest money of Rs one lakh. The pending payments (Rs 34.88 lakh) relating to other orders were also withheld. Financial cover available in the shape of bank guarantees valued at Rs 116.06 lakh though available with the Board were, however, not encashed. The Board issued chargesheets (October and November 1997) to all the inspecting officers/officials. The firm had not replaced the derated transformers so far (July 1998). No FIR has been lodged against the firm till date (July 1998).

The matter was reported to the Board and the Government in April 1998; their replies had not been received (January 1999).

4.5.2 Unfruitful expenditure on installation of soot blowers

Board's decision to purchase soot blowers was not need based thereby these could not be put to use, and resulted in unfruitful expenditure of Rs 50.95 lakh

The Board incurred unfruitful expenditure of Rs 50.95 lakh on purchase of soot blowers which could not be put to use.

As a part of renovation of Thermal Power House, Faridabad, the Board decided (February 1985) to replace the existing non-functioning soot blowers in Unit I and II with the 'Copes Valcon' type soot blowers. Accordingly, Board procured two 'Copes Valcon' type soot blowers from Bharat Heavy Electricals Limited (BHEL) at a cost of Rs 40.23 lakh which were commissioned in February 1989 and January 1990 in units II and I, respectively, at an installation cost of Rs 10.72 lakh.

It was observed (February 1998) in audit that operation of soot blower of unit II was discontinued after 3 months of its commissioning in May 1989 when the soot blower got struck and caused failure of boiler tubes. The operation of second soot blower of unit I was also discontinued after

5 months of its commissioning in June 1990 due to reluctance of the operation staff to use it. BHEL with whom the matter was taken up by the Board in September 1991, observed (May 1992) that distortion of lancers, sub-standard material of valve stem and lancers and their improper fittings were the reasons for failure of boiler tubes. Although BHEL had replaced (June 1996) free of cost complete material of lancers and valve stems, yet these were not fitted and the soot blowers were not put to use till date (March 1998).

It was further noticed that BHEL had already suggested (April 1978) Punjab State Electricity Board to discontinue the use of soot blowers as research had revealed that Indian coal (being abrasive) had a self cleansing effect on the boiler surface and did not cause any significant deterioration in the boiler performance. The Board did not consult the neighbouring State regarding functioning of soot blowers before the orders for 'Copes Valcon' type soot blowers (costing Rs 50.95 lakh) were placed (February 1985) on BHEL. Thus, the decision of Board to install soot blowers at the cost of Rs 50.95 lakh was not need based.

The matter was reported to the Board and the Government in May 1998; their replies had not been received (January 1999).

4.5.3 Loss due to non-invoking of risk purchase clause

Failure to invoke risk and purchase clause and levy liquidated damages against the supplier caused loss of Rs 18.92 lakh

Non-recovery of liquidated damages and failure to invoke risk purchase clause against M/s Barqui Switch Gears (P) Limited, Sohna for non-supply of material resulted in loss of Rs 18.92 lakh.

The Board placed (March 1991) purchase order on M/s Barqui Switch Gears (P) Limited , Sohna (District Gurgaon) on 'firm price' for supply of 150 Nos. 100 KVA distribution transformers valued at Rs 25913.46 each. Supply was to commence within 45 days from the date of receipt of technically clear purchase order and was to be completed at the rate of 10 *per cent* of the ordered quantity per month. Thus, the supplier was to complete the entire supplies by April 1992. No transformer was delivered within scheduled time. The delivery schedule was extended (December 1992) to February 1993 without levy of penalty.

In the meantime, the prices of raw material increased due to devaluation of Indian Rupee. Firm's request (February 1993) for either allowing increase in price by at least Rs 10,300 per unit or to cancel the order without any financial burden on them was rejected (June 1993) by the Board. The Board issued (September 1993 and February 1994) risk purchase notices and directed the firm to offer the entire material for inspection within,30 days failing which it would be procured at their risk and responsibility. The firm filed (April 1994) a civil suit in the court of Senior Sub-Judge, Ambala against the Board's action of effecting risk purchase which was, however, dismissed as withdrawn (September 1994) and accordingly another risk purchase notice was issued (March 1995) to the firm.

The law department of the Board advised (May 1995) to take further action as per purchase regulations. However, the Board did not finally invoke risk purchase clause for reasons not on record. The requirement of transformers was met (May 1995) by incurring additional expenditure of Rs 16.66 lakh. Besides, the Board did not recover liquidated damages to the extent of Rs 2.26 lakh worked out at the rate of 5 *per cent* of the contracted value for which reasons were not on record.

The matter was reported to the Board and the Government in April 1998; their replies had not been received (January 1999).

4.5.4 Undue benefit to suppliers

Receipt of underweight conductors resulted in undue benefit to the suppliers to the extent of Rs 8.68 lakh

Acceptance of underweight conductors, not in accordance with specification, resulted in extending undue benefit to suppliers to the extent of Rs 8.68 lakh by the Board.

Aluminium Conductor Steel Reinforced (ACSR) conductor is mainly made of aluminium and steel metals and the standard weight per kilometre varies according to the size of conductor as specified in Board's specifications/ISS mentioned in the purchase orders placed on suppliers.

For the purchase of 11254 Kms conductor of various sizes , the Board placed 24 purchase orders during September 1994 to March 1997 on 10 firms. The payments against these orders were released by Chief Engineer (Material Management) according to the length of the conductor without insisting on standard weight as specified in Board's specification/ISS.

It was observed (September 1997) in audit that payments for 6512 Kms of conductor of various sizes supplied by six firms were made on the basis of length of the conductor though the same were found underweight to the extent of 12025 kg valued at Rs 8.68 lakh according to Board's specifications/ISS. Despite being pointed out (November 1997) by Audit, the Board has not taken any action to recover the amount from the suppliers so far (July 1998). Thus, the suppliers were extended undue benefit to the extent of Rs 8.68 lakh.

The matter was reported to the Board and the Government in June 1998; their replies had not been received (January 1999).

4.5.5 Infructuous expenditure on 220 KV Samaypur-Palla line

The Board could not obtain reimbursement of cost of Rs 6.95 lakh on construction of 220 KV line from NTPC

Execution of the work relating to construction of a transmission line against the decision of Central Electricity Authority (CEA) resulted in incurring of infructuous expenditure of Rs 6.95 lakh by the Board.

The CEA conveyed (March 1992) techno-economic clearance to the Board, for construction of double circuit section of 220 KV Faridabad Gas Based Power Plant (FGBPP) Palla-Samaypur line. CEA, however, delinked (November 1994) the transmission project from the Board and authorised Powergrid Corporation of India Limited (PGCIL) to construct the transmission system including 220 KV double circuit line from Faridabad to Samaypur associated with FGBPP to be installed and commissioned by National Thermal Power Corporation (NTPC) so that power generated at FGBPP was transmitted with reliability, security, economy and to develop an integrated efficient power transmission system.

The Member Technical (Operation) decided (December 1994) on his own to construct 220 KV Samaypur-Palla line and to charge cost of transmission line to the project of NTPC. The construction of transmission towers was taken up (January 1995) by the Board at an estimated cost of Rs 4.95 lakh. The Board completed (March 1995) nine stubs at a total cost of Rs 6.95 lakh and approached PGCIL for reimbursement of the cost. PGCIL intimated (March 1995) that the transmission work associated with FGBPP was tied up with Overseas Economic Corporation Fund (OECF) and they would not agree with the proposal of taking over a line which had already been erected. The Member Technical (Operation) ordered (April 1995) to stop the construction of 220 KV Samaypur-Palla line. The Board further agreed (August 1996) that the transmission system associated with FGBPP would be executed by the NTPC/PGCIL with OECF funding and it would pay to PGCIL the total transmission charges.

Thus, owing to wrong decision of the Member Technical (Operation) to proceed with execution of work for construction of transmission line, not within the scope of the Board, resulted in infructuous expenditure of Rs 6.95 lakh on the construction of nine stubs.

The matter was reported to the Board and the Government in June 1998; their replies had not been received (January 1999).

4.5.6 Failure to allot quarters

The funds of the Board to the extent of Rs 5.79 lakh were locked up in construction of 14 staff quarters on which there was loss of interest of Rs 11.25 lakh

Board's failure to utilise the staff quarters constructed in October 1978/January 1983 resulted in locking up of Rs 5.79 lakh and loss of interest of Rs 11.25 lakh thereon.

Construction of 14 staff quarters (6 category-II and 8 category-III) at 33 KV/66 KV sub-station, Chandhut was completed in October 1978 and January 1983 at a cost of Rs 1.58 lakh (category-II) and Rs 4.04 lakh (category-III), respectively. Eight staff quarters constructed in 1983 were not taken over due to certain short-comings and left out works. Besides, the Board incurred Rs 0.17 lakh on maintenance of these quarters during May 1988 to November 1989. All the fourteen quarters were lying vacant since then and were not allotted to the staff reportedly due to lack of drinking water and sewerage facilities. Thus, Board's funds amounting to Rs 5.79 lakh remained locked up since October 1978/January 1983 and Board lost interest of Rs 11.25 lakh thereon (calculated at 12 *per cent* rate of interest) up to July 1998.

An inspection carried out by department officers (September 1995/ December 1995) indicated that due to non-occupation, these residential quarters were in a state of decay and almost the entire wooden work, electrical and sanitary fittings, water supply and sewerage system had either been damaged or were found missing. The Board's proposal to make the quarters worth living by renovating did not take off as it was apprehended (July 1996) that even after spending another Rs 8 lakh, the quarters were not likely to be occupied as these were not need based. The Chief Engineer, Operation Zone-II, Delhi was directed (September 1996) by the Member

Technical (Operation) to carry out a detailed enquiry in the matter to fix responsibility. The Chief Engineer did not submit his findings (March 1998).

The matter was reported to the Board and the Government in April 1998; their replies had not been received (January 1999).

4.5.7 Loss of revenue due to application of incorrect tariff

Incorrect application of tariff to a consumer led to loss of Rs 6.82 lakh

The Board charged incorrect tariff from M/s Bharat Steel Rolling Mills and suffered loss of Rs 6.82 lakh.

The tariff structure stipulated (December 1994), *inter alia,* levy of surcharge of 15 paise per unit besides minimum monthly charges of Rs 120 per KVA in respect of steel rolling mills. Tariff surcharge of 15 paise per unit was leviable on steel rolling mills over and above the normal tariff applicable to large scale industrial consumers and against normal minimum charges of Rs 60 per KVA.

M/s Bharat Steel Rolling Mills, Faridabad was sanctioned (August 1991) HT connection for steel rolling mill with contract demand of 500 KVA. The consumer was charged on the prevailing tariff relevant to steel rolling mills up to June 1992 when the connection was disconnected temporarily due to non-payment of energy bills. Thereafter the connection was disconnected permanently in November 1993, which was, however, restored (November 1994) after the recovery of defaulted amount. The Board charged higher tariff as per rules up to December 1994.

As there was no change in the category of consumer at the time of reconnection, it was observed in audit that the Board did not charge (January 1995) surcharge and minimum charges applicable to steel rolling mill. However, the differential amount of Rs 3.92 lakh for the period from

January 1995 to June 1996 was charged in July 1996. Since the consumer avoided payment of current energy bills along with differential amount (Rs 8.30 lakh), the connection of the consumer was disconnected (September 1996) permanently. After adjusting security deposit of Rs 1.48 lakh, a sum of Rs 6.82 lakh was yet to be recovered (July 1998). Since all efforts made by Executive Engineer, Faridabad has been exhausted, there are remote chances of recovery of outstanding amount.

The matter was reported to the Board and the Government in March 1998; their replies had not been received (January 1999).

4.5.8 Injudicious cancellation of purchase order

The Board cancelled purchase order injudiciously on wrong notion resulting in undue benefit to Nagpur Transformers Limited, Nagpur to the extent of Rs 4.26 lakh.

The Board placed (December 1992) a purchase order on Nagpur Transformers Limited, Nagpur for supply of one power transformer of 12.5/16 MVA capacity at a variable price (base date 1 October 1991 without ceiling) of Rs 33.97 lakh *FOR* destination exclusive of excise duty and central sales tax. The purchase order, *inter alia,* envisaged that the firm would submit the drawings complete in all respect within one month and supply the transformer by September 1993 failing which the Board would purchase the material at the risk and cost of the firm and recover liquidated damages at 5 *per cent* of the value of undelivered material. The firm failed to execute the supply order. The Board, *suo motto*, decided (December 1994) to cancel the order and forfeit earnest money of Rs 0.30 lakh stating that;

- the lowest *ex-works* variable price (base date 1 November 1993) quoted against fresh tender enquiry (opened in May 1994) was

Rs 35.87 lakh excluding excise duty and sales tax as compared to updated (September 1993) variable price of Rs 35.89 lakh payable to Nagpur firm as per existing purchase order.

It was, however, observed (September 1997) in audit that the rates comparison made by the Board was not logical as the rates of fresh enquiry were not updated up to December 1994 and would have been Rs 36.83 lakh. Actual price including price variation paid by the Board for purchase of the transformer from another firm, Andrew Yule and Company, Madras against subsequent purchase order placed in February 1995 worked out to Rs 38.50 lakh excluding excise duty and sales tax. The Board did not recover additional cost (Rs 2.61 lakh) and liquidated damages (Rs 1.65 lakh) from the firm.

The matter was reported to the Board and the Government in May 1998; their replies had not been received (January 1999).

4.5.9 Non-commissioning of power transformer within warranty period

The Board failed to install transformer worth Rs 9.82 lakh resulting in loss of interest of Rs 14.44 lakh on locking up of funds

Non-commissioning of the transformer within warranty period resulted in locking up of Board's funds of Rs 9.82 lakh besides the loss of interest of Rs 14.44 lakh (July 1998) thereon.

The Board procured (May 1990) 18 transformers of 5 MVA 33/11 KV capacity at a total cost of Rs 178.23 lakh. The Board failed to install and commission one transformer (value Rs 9.82 lakh) within warranty period (May 1991) i.e. 12 months from the date of its receipt. The transformer when installed (December 1991) at 33 KV sub-station Siswal failed in the pre-commissioning test due to very low insulation resistance (IR) values. The transformer was shifted to firm's workshop at Board's cost and after some repair by the firm, it was brought back on 2 July 1993 for installation at 33 KV Sub-station, Pirthala where it again did not work.

The transformer was shifted (March 1994) to Board's repair workshop at Panipat to ascertain the cause of its non-functioning. The workshop authorities opened (24 March 1994) the transformer in the presence of firm's representative and observed that blue and yellow phase of HV windings of the transformer had become defective. The Board took up (May/June 1994) the matter with the firm for repair of the transformer free of cost but the firm disowned (July 1994) its liability for repair on the plea that warranty period had already expired. The estimate (Rs 9.32 lakh) of repair was prepared (November 1997) by the workshop but the same had not been repaired so far (July 1998). The Board released (March 1997) the bank guarantee (Rs 7.16 lakh) on the ground that warranty period had expired. Thus, the Board's funds of Rs 9.82 lakh were locked up since May 1990 and Board had suffered loss of interest of Rs 14.44 lakh thereon (July 1998).

The matter was reported to the Board and the Government in April 1998; their replies had not been received (January 1999).

4.5.10 Extra expenditure

The Board failed to examine utility of tapping switch in distribution transformers (DTs) of 200 KVA and above in October 1993 itself which resulted in extra expenditure of Rs 3.24 lakh.

Voltage is regulated through 'Off' load tap changing (OLTC) at grid sub-stations as improper handling of tapping switch in DTs lead to damage of transformers. There was also no practice of using tapping switch in the field for regulating voltage through DTs. Accordingly, the Board decided (October 1993) to stop provision of tapping switch in carrying out the repair of DTs up to 100 KVA. The provision of tapping switch in DTs of 200 KVA and above was dispensed with only from June 1997. It was observed in audit (January 1998) that the Board got repaired 425 DTs of 200 KVA and above from private firms against 16 work orders during May 1996 to June 1997 by incurring an expenditure of Rs 3.24 lakh for providing tapping switch in these transformers, which could have been avoided by discontinuing the practice from October 1993 itself.

The matter was reported to the Board and the Government in April 1998; their replies had not been received (January 1999).

4.6 Haryana Financial Corporation

4.6.1 Avoidable loss

Injudicious action of the Corporation in taking over loanee unit resulted in loss of Rs 57.90 lakh

The Corporation had to forego interest of Rs 57.90 lakh during the period the loanee unit was in its possession due to hasty action in taking over the loanee unit without affording due opportunity of hearing to the management of unit.

Under Section 29 of the State Financial Corporations Act, 1951, the Corporation is empowered to take over the management or possession or both of the industrial concerns which make any default in repayment of any loan or advance or any instalment thereof. Before taking over the possession of the defaulting unit, the Corporation serves a notice generally of 21 days upon such unit, to afford an opportunity of hearing to the management of unit.

M/S Subhari Papers (P) Limited, Ambala was sanctioned (May 1992) a term loan of Rs 90 lakh. Due to default in repayment of loan, the loan was recalled (June 1994) but on the request (July 1994) of the unit for rescheduling of loan, the overdue amount was rescheduled. The loan was again recalled (December 1994) and notice of possession was issued (January 1995) due to repeated defaults in repayment of loan. The notice of possession was subsequently rescinded (March 1995) as bridge loan of Rs 13.77 lakh to the unit against sanctioned subsidy was adjusted towards default of the term loan. The loan was again rescheduled (October 1995) and recall notice issued (July 1995) by the Corporation was also rescinded (October 1995).

Meanwhile, there was change in the directorship of the unit from 30 December 1995. It was observed (May 1998) in audit that on a request (9 July 1996) of the ex-directors of the unit, Corporation took over possession of the unit immediately without affording opportunity of hearing to the unit/new directors. The unit challenged (September 1996) the action of the Corporation in the Punjab and Haryana High Court. The High Court took (October 1997) serious note of the action of the Corporation of taking over the factory premises without affording opportunity of hearing to the petitioner, taking undue interest to support a particular group of directors and decided to restore the possession of the unit to its management with the directions that the Corporation would not charge interest on the amount due in respect of the period during which possession of unit remained with the Corporation.

The possession of the unit was handed over on 7 January 1998. Interest and miscellaneous expenditure, for the period from 10 July 1996 to 6 January 1998 during which possession of unit remained with the Corporation, amounting to Rs 57.90 lakh had to be foregone by the Corporation.

The Corporation in its reply (August 1998) stated that it had to act swiftly so as to save assets of the unit from new directors who were strangers to the Corporation as the change of management was not brought before the Corporation for approval. The reply was, however, not tenable as a reasonable opportunity could have been provided to new directors before taking over of the unit.

The matter was reported to the Government in June 1998; the reply had not been received (January 1999).

4.6.2 Doubtful recovery of loans

Inadequate pre and post disbursement monitoring and failure to obtain collateral security as also the verification of assets resulted in non-recovery of loans worth Rs 195.80 lakh in three cases

Corporation could not recover Rs 195.80 lakh in three cases due to inadequate monitoring of pre and post disbursement of loan and failure to obtain collateral security as also verification of assets.

The Corporation disburses loans to the entrepreneurs for promotion of industry in the State. The regulations framed by the Corporation require appraisal of loan cases by the Inspecting Officers before their sanction which further, *inter alia,* provide for obtaining of the following particulars and documents:

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

(a) The Corporation sanctioned (August 1992 and November 1992) term loans of Rs 70.25 lakh and Rs 70.45 lakh to Shiva Tapes (P) Limited, Delhi (Firm 'A') and Uma Fabrics (P) Limited, Gurgaon (Firm 'B') respectively, for setting up the units to manufacture grey fabrics on power looms at Roj-ka-Meo in Sohna (Gurgaon). The loans were disbursed to the firms during March 1993 and December 1993. The Corporation obtained a collateral security of Rs 7.50 lakh from Firm 'A' and did not obtain any collateral security from Firm 'B' against the required security of Rs 14 lakh from each of them.

As per the original proposal, the units were to install 72 Nos. power looms each but it was found (October 1995) that in case of Firm 'A', only 40 Nos. of power looms were installed and balance 32 Nos. were lying unassembled as it was not possible to install all of them in the existing building. Only 32 Nos. power looms were available (October 1996) at site of Firm 'B' as per valuer's report.

Both the units were in default abinitio and did not pay any dues. The Corporation converted their debts of Rs 85 lakh (Firm 'A' Rs 50 lakh and Firm 'B' Rs 35 lakh) into equity in March 1995 and October 1995. In addition to above, Rs 25 lakh and Rs 24.74 lakh were disbursed to these units respectively, as bridge loan against working capital during May 1995 to September 1995. Both these loans were repayable within six months.

The Corporation took over (August 1997) possession of Firm 'A' and primary and collateral securities were disposed of for Rs 27.80 lakh (November 1997). Even after adjustment of the sale proceeds, Rs 61.83 lakh remained unrecovered (March 1998) from Firm 'A'. The Corporation also took over and sold (November 1997) Firm 'B'. After adjusting the sale proceeds of Rs 31.50 lakh (March 1998), Rs 99.39 lakh remained unrecovered from Firm 'B'.

The Corporation stated (September 1998) that machines were verified in October 1993 in both the cases and these were available at site. However, the facts remains that the Corporation completed disbursement of loan up to December 1993 and no post disbursement monitoring was conducted.

(b) In another case, the Corporation disbursed two loans of Rs 6.35 lakh (September 1985) and Rs 1.43 lakh (February 1988) to Daido (India) Metal Fabricators, Gurgaon (a sole proprietorship concern).

The unit failed to repay the loan and the Corporation took over possession of the unit in August 1990. The unit was disposed of (February 1992) for Rs 4.40 lakh. The Corporation filed (January 1993) recovery certificate with the Collector, Gurgaon for the shortfall amount of Rs 11.10 lakh (up to February 1992). As the properties of the loanee were situated in Meerut and Delhi, the collector returned (May 1994) the recovery certificate for approaching the concerned collectors. Later on, it transpired that the addresses of properties in Delhi were incomplete and agriculture land stated to be in Meerut was not in the name of the proprietor. The case was entrusted (October 1994) to an investigating agency to find out the whereabouts of the promoter but they failed (September 1996). The Corporation could not recover Rs 34.58 lakh (January 1998) from the borrowers.

The Management stated (July 1998) that the details of properties of the promoters were not verified when these loans were sanctioned and the Corporation used to rely on the statements of the borrowers.

The matter was reported to the Government in May 1998; the reply had not been received (January 1999).

Rita Mitra

Chandigarh
Dated: 26 MAR 1999

(Rita Mitra)
Accountant General (Audit) Haryana

Countersigned

V. K. Shunglu

New Delhi
Dated: 31 MAR 1999

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

ANNEXURES

Annexure-I

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

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

Sl. No.	Name of Company	Total investment up to 1997-98 (Rupees in lakh)
1.	Essen Connectors Limited	15.00
2.	Integrated Technologies Limited	44.00
3.	Profin Money Market Limited	16.18
4.	Haryana Suraj Malting Limited	37.00
5.	Sunfin Oil Limited	12.89
6.	Rishab Agro Industries Limited	73.12
7.	Rahul Dairy and Allied Products Limited	42.24
8.	Century Proteins Limited	75.60
9.	Vishwa Flora Limited	70.35
10.	Western Foods Limited	48.00
11.	Indo Britain Agro Farms	74.00
12.	Jiwan Flora Limited	83.17
13.	Global Industries Limited	27.63
14.	Shivaka Industries Limited	74.80
15.	ANS Agro Industries Limited	32.40
16.	Mishan Flora Limited	50.00
17.	Euro India Bio-Tech Limited	43.20
18.	Tushar Agri Business Consortium India Limited	30.00
19.	Anil Pesticides Limited	76.50
20.	Bhiwani Denim and Appreals Limited	182.00
21.	Chetak Spintex Limited	33.25
22.	Conventory Coil-O-Matic Haryana Limited	91.28
23.	D.H. Woodhead Limited	44.34

Sl. No.	Name of Company	Total investment up to 1997-98
		(Rupees in lakh)
24.	Golden Laminates Limited	35.00
25.	Haryana Leather Chemicals Limited	25.01
26.	Indo Vanillion Chemicals Limited	41.00
27.	Laurel Organics Limited	66.00
28.	Innovative Tech Pack Limited	20.00
29.	Intron Limited	60.00
30.	Jersy India Limited	58.00
31.	O.K. Play India Limited	24.00
32.	Piccadily Agro Industries Limited	260.00
33.	Pasupati Haryana Woolen Limited	68.24
34.	Polo Hotels Limited	30.00
35.	Ram Raffia Limited	34.77
36.	Rasandik Engineering India Limited	42.90
37.	Tina Qubec Gears Limited	64.85
38.	Uniroyal Textile Industries Limited	25.00
39.	Western Foods Limited	18.00
40.	Jason Industries Limited	50.00
41.	Haryana Breweries Limited	51.39
	Total	**2251.11**

ANNEXURE-2

Statement showing particulars of up-to date capital, Budgetary outgo, loans given out from Budget and outstanding loans as on 31 March 1998

(Referred to in paragraph 1.2.2 and 1.2.3)

Sl.No.	Name of the Department/company	Paid-up capital as at the end of 1997-98					Loans given out of Budget during the year	Loans outstanding
		State Government	Central Government	Holding Company	Others	Total		
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
		(Rupees in lakh)						
(A)	**Agriculture Department**							
1	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10 (Nil)	-	-	-	1089.10 (Nil)	-	2543.69
2	Haryana Dairy Development Corporation Limited	557.48 (Nil)	-	-	-	557.48 (Nil)	-	283.42
3	Haryana Agro Industries Corporation Limited	253.83 (Nil)	160.21	-	-	414.04 (Nil)	-	204.47
4	Haryana Land Reclamation and Development Corporation Limited	136.64 (Nil)	-	-	19.66	156.30 (Nil)	-	-
5	Haryana Seeds Development Corporation Limited	274.87 (Nil)	111.50	-	85.60	471.97 (Nil)	-	370.68
	Total	**2311.92** (Nil)	**271.71**	-	**105.26**	**2688.89** **(Nil)**	-	**3402.26**

Sl.No.	Name of the Department/company	Paid-up capital as at the end of 1997-98					Loans given out of Budget during the year	Loans outstanding
		State Government	Central Government	Holding Company	Others	Total		
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
		(Rupees in lakh)						
(B)	**Industries Department**							
6	Haryana State Industrial Development Corporation Limited	6041.47 (205.00)	-	-	-	6041.47 (205.00)	-	29359.06
7	Haryana State Small Industries and Export Corporation Limited	175.05 (16.00)	10.00	-	-	185.05 (16.00)	-	37.50
8	Haryana Tanneries Limited	117.15 (Nil)	-	-	18.00	135.15 (Nil)	-	569.53
9	Punjab State Irons Limited	7.45 (Nil)	-	-	-	7.45 (Nil)	-	-
10	Haryana Concast Limited	290.00 (Nil)	-	340.51	54.99	685.50 (Nil)	-	442.74
	Total	**6631.12 (221.00)**	**10.00**	**340.51**	**72.99**	**7054.62 (221.00)**	-	**30408.83**
(C)	**Engineering Department**							
11	Haryana Roadways Engineering Corporation Limited	200.00 (Nil)	-	-	-	200.00 (Nil)	-	5699.37
	Total	**200.00 (Nil)**	-	-	-	**200.00 (Nil)**	-	**5699.37**

Sl.No.	Name of the Department/company	Paid-up capital as at the end of 1997-98					Loans given out of Budget during the year	Loans outstanding
		State Government	Central Government	Holding Company	Others	Total		
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
		(Rupees in lakh)						
(D)	**Electronics**							
12	Haryana State Electronics Development Corporation Limited	733.76 (73.00)	-	-	-	733.76 (73.00)	-	15.00
13	Hartron Informatics Limited	-	-	50.00	-	50.00	-	-
	Total	**733.76 (73.00)**	-	**50.00**	-	**783.76 (73.00)**	-	**15.00**
(E)	**Handloom and Handicrafts**							
14	Haryana State Handloom and Handicrafts Corporation Limited	260.17 (6.35)	25.00	-	-	285.17 (6.35)	-	122.50
	Total	**260.17 (6.35)**	**25.00**	-	-	**285.17 (6.35)**	-	**122.50**
(F)	**Forest Department**							
15	Haryana Forest Development Corporation Limited	60.46 (20.00)	-	-	-	60.46 (20.00)	-	-
	Total	**60.46 (20.00)**	-	-	-	**60.46 (20.00)**	-	-
(G)	**Mining**							
16	Haryana Minerals Limited	-	-	24.04	-	24.04	-	-
	Total	-	-	**24.04**	-	**24.04**	-	-

Sl.No.	Name of the Department/company	Paid-up capital as at the end of 1997-98					Loans given out of Budget during the year	Loans outstanding
		State Government	Central Government	Holding Company	Others	Total		
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
		(Rupees in lakh)						
(H)	**Construction**							
17	Haryana Police Housing Corporation Limited	2875.00 (1000.00)	-	-	-	2875.00 (1000.00)	-	2000.00
	Total	**2875.00 (1000.00)**	-	-	-	**2875.00 (1000.00)**	-	**2000.00**
(I)	**Economically weaker section**							
18	Haryana Harijan Kalyan Nigam Limited	2741.30 (158.30)	-	-	-	2741.30 (158.30)	5.00	85.80
19	Haryana Backward Classes Kalyan Nigam Limited	755.99 (85.00)	-	-	-	755.99 (85.00)	-	1093.76
20	Haryana Women Development Corporation Limited	339.72 (30.00)	109.98	-	-	449.70 (30.00)	-	-
	Total	**3837.01 (273.30)**	**109.98**	-	-	**3946.99 (273.30)**	**5.00**	**1179.56**
(J)	**Tourism Department**							
21	Haryana Tourism Corporation Limited	1210.37 (69.92)	-	-	-	1210.37 (69.92)	-	-
22	Haryana Hotels Limited	-	-	362.91	-	362.91	-	-
	Total	**1210.37 (69.92)**	-	**362.91**	-	**1573.28 (69.92)**	-	-
	Grand Total	**18119.81 (1663.57)**	**416.69**	**777.46**	**178.25**	**19492.21 (1663.57)**	**5.00**	**42827.52**

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

ANNEXURE-3

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

(Referred to in paragraph 1.2.4)

Sl. No.	Name of the Company	Date of Incorpora-tion	Period of accounts	Year in which finalised	Profit (+)/ Loss (-)	Paid up Capital	Accumulated profit (+)/ Loss (-)	Capital employed A	Return on Capital employed	Percentage of total return on Capital employed
1.	2.	3.	4.	5.	6.	7.	8.	9	10	11
(Figures in Columns 6 to 10 are in lakh of Rupees)										
A	**Agriculture Department**									
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	9 January 1970	1991-92	1998	(-)429.38	1089.10	(-)4423.17	8697.69	445.28	5.12
2	Haryana Dairy Development Corporation Limited	3 November 1969	1997-98	1998	(-) 18.98	557.48	(-) 756.06	203.12	6.79	3.34
3	Haryana Agro Industries Corporation Limited	30 March 1967	1997-98	1998	(+)1390.22	414.04	(+)1548.77	4144.06	2258.81	54.51
4	Haryana Land Reclamation and Development Corporation Limited	27 March 1974	1997-98	1998	(-)10.36	156.30	(+)461.24	618.70	(-) 10.36	-
5	Haryana Seeds Development Corporation Limited	12 September 1974	1997-98	1998	(+)5.68	471.97	(+)92.14	1518.09	88.51	5.83
	Total				**937.18**	**2688.89**	**(-)3077.08**	**15181.66**	**2789.03**	**18.37**
(B)	**Industries Department**									
6	Haryana State Industrial Development Corporation Limited	8 March 1967	1997-98	1998	(+)648.50	6041.47	(+)166.21	28083.02 B	3394.25	12.09

Sl. No.	Name of the Company	Date of Incorpora-tion	Period of accounts	Year in which finalised	Profit (+)/ Loss (-)	Paid up Capital	Accumulated profit (+)/ Loss (-)	Capital employed A	Return on Capital employed	Percentage of total return on Capital employed
1.	2.	3.	4.	5.	6.	7.	8.	9	10	11
	(Figures in Columns 6 to 10 are in lakh of Rupees)									
7	Haryana State Small Industries and Export Corporation Limited	19 July 1967	1997-98	1998	(+)4.77	185.05	(+)0.04	762.81	56.36	7.39
8	Haryana Tanneries Limited	12 September 1972	1997-98	1998	(-)3.73	135.15	(-)720.68	(-)216.81	(-)3.73	-
9	Punjab State Irons Limited	1 July 1965	1997-98	1998	(+)0.04	7.45	(+)1.71	4.77	0.04	0.84
10	Haryana Concast Limited	29 November 1973	1996-97	1997	(-) 541.20	685.50	(-) 1920.95	1561.66	(-) 176.97	-
	Total				**(+)108.38**	**7054.62**	**(-)2473.67**	**30195.45**	**3269.95**	**10.83**
(C)	**Engineering Department**									
11	Haryana Roadways Engineering Corporation Limited	27 November 1987	1993-94	1998	(+)59.49	200.00	(+)33.76	4887.52	846.75	17.32
	Total				**(+)59.49**	**200.00**	**(+)33.76**	**4887.52**	**846.75**	**17.32**
(D)	**Electronics**									
12	Haryana State Electronics Development Corporation Limited	15 May 1982	1996-97	1997	(+) 52.44	660.76	(+)186.37	691.88	52.44	7.51
13	Hartron Informatics Limited	8 March 1995	1997-98	1998	(+)3.39	50.00	(+)24.79	74.54	3.39	4.55
	Total				**(+)55.83**	**710.76**	**(+)211.16**	**766.42**	**55.83**	**7.31**

Sl. No.	Name of the Company	Date of Incorpora-tion	Period of accounts	Year in which finalised	Profit (+)/ Loss (-)	Paid up Capital	Accumulated profit (+)/ Loss (-)	Capital employed A	Return on Capital employed	Percentage of total return on Capital employed
1.	2.	3.	4.	5.	6.	7.	8.	9	10	11
					(Figures in Columns 6 to 10 are in lakh of Rupees)					
(E)	**Handloom and Handicrafts**									
14	Haryana State Handloom and Handicrafts Corporation Limited	20 February 1976	1995-96	1998	(-)38.58	263.82	(-)326.25	86.05	(-)27.82	-
	Total				**(-)38.58**	**263.82**	**(-)326.25**	**86.05**	**(-)27.82**	**-**
(F)	**Forest Department**									
15	Haryana Forest Development Corporation Limited	7 December 1989	1994-95	1998	(+) 11.04	40.16	(+)5.16	56.60	11.04	19.30
	Total				**(+)11.04**	**40.16**	**(+)5.16**	**56.60**	**11.04**	**19.30**
(G)	**Mining**									
16	Haryana Minerals Limited	2 December 1972	1996-97	1998	(+)32.24	24.04	(+)293.09	334.52	32.55	9.85
	Total				**(+)32.24**	**24.04**	**(+)293.09**	**334.52**	**32.55**	**9.85**
(H)	**Construction**									
17	Haryana Police Housing Corporation Limited	29 December 1989	1996-97	1998	(C)	1875.00	-	-	-	-
	Total					**1875.00**				

Sl. No.	Name of the Company	Date of Incorpora-tion	Period of accounts	Year in which finalised	Profit (+)/ Loss (-)	Paid up Capital	Accumulated profit (+)/ Loss (-)	Capital employed A	Return on Capital employed	Percentage of total return on Capital employed
1.	2.	3.	4.	5.	6.	7.	8.	9	10	11
					(Figures in Columns 6 to 10 are in lakh of Rupees)					
(I)	**Economically Weaker section**									
18	Haryana Harijan Kalyan Nigam Limited	2 January 1971	1994-95	1997	(-)67.55	1966.39	(-)751.02	1627.70	(-)55.68	-
19	Haryana Backward Classes Kalyan Nigam Limited	10 December 1980	1993-94	1998	(-)20.83	529.99	(-)190.25	575.02	(-)20.16	-
20	Haryana Women Development Corporation Limited	31 March 1982	1995-96	1998	(+)49.02	369.70	(-)4.69	495.68	49.02	9.89
	Total				**(-)39.36**	**2866.08**	**(-)945.96**	**2698.40**	**(-)26.82**	-
(J)	**Tourism Department**									
21	Haryana Tourism Corporation Limited	1 May 1974	1996-97	1998	(-)314.04	1150.37	(+) 115.41	1070.10	(-)314.04	-
22	Haryana Hotels Limited	11 April 1983	1996-97	1997	(+)94.13	362.91	(+) 391.74	754.65	94.13	12.47
	Total				**(+)219.91**	**1513.28**	**(+) 507.15**	**1824.75**	**(-)219.91**	-
	Grand Total				**1346.13**	**17236.65**	**(-) 5772.64**	**56031.37**	**6730.60**	**12.01**

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

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

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

ANNEXURE - 4

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

(Referred to in paragraph 1.2.3)

Sl. No.	Name of the Company	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year			
		Central	State	Others	Total	Cash credit from State Bank of India and other nationalised banks	Loans from other sources	Letters of credits opened by S.B.I. in respect of imports	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repay-ments written off	Interest waived	Penal interest waived	Repayment of loans on which moratorium allowed
1	2.	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)
		(Figures in brackets indicate subsidy unutilised)				(Figures in brackets indicate guarantees outstanding)								
(Rupees in lakh)														
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	-	2192.00 (Nil)	-	2192.00 (Nil)	-	-	-	-	-	-	-	-	-
2	Haryana Dairy Development Corporation Limited	-	-	-	-	-	- (283.42)	-	-	- (283.42)	-	-	-	-
3	Haryana Agro Industries Corporation Limited	-	66.25 (Nil)	-	66.25 (Nil)	- (1052.00)	-	-	-	- (1052.00)	-	--	-	-
4	Haryana Land Reclamation and Development Corporation Limited	93.30 (Nil)	93.30 (Nil)	-	186.60 (Nil)	-	-	-	-	-	-	-	-	-

Sl. No.	Name of the Company	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year			
		Central	State	Others	Total	Cash credit from State Bank of India and other nationalised banks	Loans from other sources	Letters of credits opened by S.B.I. in respect of imports	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repay-ments written off	Interest waived	Penal interest waived	Repayment of loans on which moratorium allowed
1	2.	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)
.		(Figures in brackets indicate subsidy unutilised)				(Figures in brackets indicate guarantees outstanding)								
							(Rupees in lakh)							
5	Haryana Seeds Development Corporation Limited	-	117.37 (19.97)	-	117.37 (19.97)	900.00 (Nil)	- (45.68)	-	-	900.00 (45.68)	-	-	-	-
6	Haryana State Industrial Development Corporation Limited	-	-	-	-	-	- (9850.00)	-	-	- (9850.00)	-	-	-	-
7	Haryana State Small Industries and Export Corporation Limited	-	-	-	-	- (37.50)	-	-	-	- (37.50)	-	-	-	-
8	Haryana Tanneries Limited	-	-	-	-	-	- (233.43)	-	-	- (233.43)	-	-	-	-
9	Punjab State Irons Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Haryana Concast Limited	-	-	-	-	-	-	-	-	-	-	-	-	
11	Haryana Roadways Engineering Corporation Limited	-	-	-	-	-	1718.00 (5699.00)	-	-	1718.00 (5699.00)	-	-	-	-

Sl. No.	Name of the Company	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year			
		Central	State	Others	Total	Cash credit from State Bank of India and other nationalised banks	Loans from other sources	Letters of credits opened by S.B.I. in respect of imports	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repayments written off	Interest waived	Penal interest waived	Repayment of loans on which moratorium allowed
1	2.	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)
		(Figures in brackets indicate subsidy unutilised)				(Figures in brackets indicate guarantees outstanding)								
						(Rupees in lakh)								
12	Haryana State Electronics Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Hartron Informatics Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Haryana State Handloom and Handicrafts Corporation Limited	-	69.05 (Nil)	-	69.05 (Nil)	-	-	-	-	-	-	-	-	-
15	Haryana Forest Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Haryana Minerals Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Haryana Police Housing Corporation Limited	-	-	-	-	-	- (2000.00)	-	-	- (2000.00)	-	-	-	-
18	Haryana Harijan Kalyan Nigam Limited	443.91 (Nil)	-	-	443.91 (Nil)	-	- (652.59)	-	-	- (652.59)	-	-	-	-

Sl. No.	Name of the Company	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year			
		Central	State	Others	Total	Cash credit from State Bank of India and other nationalised banks	Loans from other sources	Letters of credits opened by S.B.I. in respect of imports	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repay-ments written off	Interest waived	Penal interest waived	Repayment of loans on which moratorium allowed
1	2.	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)
		(Figures in brackets indicate subsidy unutilised)				(Figures in brackets indicate guarantees outstanding)								
(Rupees in lakh)														
19	Haryana Backward Classes Kalyan Nigam Limited	-	27.00 (Nil)	-	27.00 (Nil)	-	286.00 (1500.00)	-	-	286.00 (1500.00)	-	-	-	-
20	Haryana Women Development Corporation Limited	-	35.00 (Nil)	-	35.00 (Nil)	-	-	-	-	-	--	-	-	
21	Haryana Tourism Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Haryana Hotels Limited	-	-	-	-	-	-	-	-	-	-			-
	Total	**537.21 (Nil)**	**2599.97 (19.97)**	-	**3137.18 (19.97)**	**900.00 (1089.50)**	**2004.00 (20264.12)**	-	-	**2904.00 (21353.62)**	-	-	-	-

ANNEXURE-5

Statement showing arrears in finalisation of accounts of Government companies

(Referred to in paragraph 1.2.4)

Sl.No.	Name of Company	Year from which accounts are in arrears	Number of years in arrears
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1992-93	6
2.	Haryana Roadways Engineering Corporation Limited	1994-95	4
3.	Haryana Backward Classes Kalyan Nigam Limited	1994-95	4
4.	Haryana Forest Development Corporation Limited	1995-96	3
5.	Haryana Harijan Kalyan Nigam Limited	1995-96	3
6.	Haryana State Handloom and Handicrafts Corporation Limited	1996-97	2
7.	Haryana Women Development Corporation Limited	1996-97	2
8.	Haryana Concast Limited	1997-98	1
9.	Haryana State Electronics Development Corporation Limited	1997-98	1
10.	Haryana Minerals Limited	1997-98	1
11.	Haryana Police Housing Corporation Limited	1997-98	1
12.	Haryana Tourism Corporation Limited	1997-98	1
13.	Haryana Hotels Limited	1997-98	1

ANNEXURE - 6

Statement showing the capacity utilisation of manufacturing companies during the year 1997-98

(Referred to in paragraph 1.2.8)

Name of the Company	Installed/rated capacity	Actual utilisation	Percentage of utilisation
(A) Agriculture Department			
1. Haryana Agro Industries Corporation Limited			
(a) Shahbad plant (i) Fertiliser (in MT)	50000 (50000)	44 (990)	0.09 (1.98)
(ii) Pesticides (in MT)	5000 (5000)	1653 (832)	33.06 (16.64)
(b) Jind Cattle feed plant (in MT)	36000 (36000)	7104 (5255.40)	19.73 (14.60)
(c) Murthal plant (in MT)	3000 (3000)	115 (81)	3.8 (2.7)
2. Haryana Seeds Development Corporation Limited seed processing plants (in MT)	29000 (27000)	14900 (20439)	51.38 (75.70)
(B) Industries			
1. Haryana Concast Limited			
(i) Ingots/billets(in MT)	50000 (50000)	N.A (11100)	- (22.2)
(ii) Rolled products (in MT)	12000 (36000)	N.A 9400	- 26.11
(C) Engineering			
1. Haryana Roadways Engineering Corporation Limited Fabrication of buses (In Numbers)	362 (362)	518 (482)	143 (133)

Note : Previous year figures are given in brackets.

ANNEXURE-7

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

(Referred to in paragraph 1.3.6)

Sl No	Name of the Corporation/ Board	Name of department	Date of incorporation	Period of accounts	Surplus Profit (+)/ Deficit/ Loss (-)	Total interest charged to Profit and Loss Account	Capital employed A	Total return on capital employed (6+7)	Percentage of total return on capital employed
1	2.	3.	4.	5.	6	7	8	9	10
(Figures in columns 6 to 9 are in crore of rupees)									
1	Haryana State Electricity Board	Irrigation and Power	3 May 1967	1996-97	47.76	230.43	2350.13	278.19	11.8
2	Haryana Financial Corporation	Industries	1 April 1967	1996-97	2.62	85.10	B 646.12	87.72	13.6
3	Haryana Warehousing Corporation	Agriculture	1 November 1967	1997-98	21.86	0.24	126.47	22.10	17.5

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

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

ANNEXURE-8
Glossary of Abbreviations

CAG	Comptroller and Auditor General of India
PSUs	Public Sector Undertakings
MW	Mega Watt
MKWH	Million Kilo Watt Hour
KWH	Kilo Watt Hour
KV	Kilo Volt
COPU	Committee on Public Undertakings
FSCs	Farmers Service Centres
BIFR	Board for Industrial and Financial Reconstruction
AEW	Agro Engineering Workshop
HBPE	Haryana Bureau of Public Enterprises
GOI	Government of India
NPK	Nitrogen, Phosphate and Potassium
DAP	Di- Amonium Phosphate
PPCL	M/s Pyrites, Phosphates and Chemicals Limited
DGS&D	Director General Supplies and Disposal
FCI	Food Corporation of India
RBI	Reserve Bank of India
HSEB	Haryana State Electricity Board
SB	Submersible
VT	Vertical Turbine
TPSs	Thermal Power Stations
SLC	Standing Linkage Committee
CIL	Coal India Limited
CCL	Central Coalfields Limited
PTPS	Panipat Thermal Power Station
FTPS	Faridabad Thermal Power Station
CCO	Coal Controllers Organisation
ICD	Inland Container Depot
SDR	Short Deposit Receipt
CMM	Corporate Marketing Manager
BHEL	Bharat Heavy Electricals Limited
CEA	Central Electricity Authority
FGBPP	Faridabad Gas Based Power Plant
NTPC	National Thermal Power Corporation
DTs	Distribution Transformers