

*C.S. Rawat*  
**HARYANA VIDHAN SABHA**

**COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(1978-79)**

**(Fifth Vidhan Sabha)**

**FIRST REPORT**

**ON THE**

**GENERAL WORKING OF**

**HARYANA MATCHES LIMITED, BURIA**



**HARYANA VIDHAN SABHA SECRETARIAT,**  
**CHANDIGARH.**

**NOVEMBER, 1978.**

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**COMPOSITION  
OF  
THE COMMITTEE ON PUBLIC UNDERTAKINGS  
(1978-79)**

**CHAIRMAN**

1. Shri Mool Chand Jain

**MEMBERS**

2. Lala Balwant Rai Tayal

3. Shri Deep Chand Bhatia

4. Shri Mange Ram Gupta

\*5. Shri Mool Chand Mangla

6. Shri Ran Singh Mann

7. Ch Shiv Ram Verma

\*8. Shri Sumer Chand Bhatt

\*9. Smt. Sushma Swaraj

**SECRETARIAT**

1. Shri Raj Krishan, Secretary

2. Shri Sant Ram Sharma, Accounts Officer

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\*Elected on 30-8-1978 in place of:—

1. S. Lachhman Singh, Chairman

2. Shri Baldev Tayal, Member and

3. Shri Sher Singh, Member

who ceased to be members of the Committee on their appointment as Ministers with effect from 12-5-78, 20-5-78 and 19-7-78 respectively.

## INTRODUCTION

I, the Chairman of the Committee on Public Undertakings, having been authorised by the Committee in this behalf present this FIRST REPORT in respect of the general working of Haryana Matches Ltd., Buria (Ambala).

2. A brief record of the proceedings of each meeting has been kept separately in the Vidhan Sabha Secretariat.

3. The Committee place on record their appreciation for the valuable and unstinted assistance given to them by the Secretary, Haryana Vidhan Sabha and his staff, and are thankful to the representatives of the Government Department concerned and of the company who appeared before the Committee.

Chandigarh-160001,  
the 15th November, 1978.

MOOL CHAND JAIN  
Chairman.

## GENERAL

In pursuance of a motion adopted by the Haryana Vidhan Sabha, in its sitting held on the 28th February, 1978, the Committee on Public Undertakings was elected on 15-3-1978, for the first time, vide Notification No. CPU-1/78/96, dated the 5th May, 1978, to examine the general working of twenty public undertakings, specified in Schedule attached to the motion, and the following nine members were elected to serve on the Committee:—

### CHAIRMAN

1. Shri Lachhman Singh

### MEMBERS

2. Shri Baldev Tayal,
3. Shri Balwant Rai Tayal
4. Shri Deep Chand Bhatia
5. Shri Mange Ram Gupta
6. Shri Mool Chand Jain
7. Shri Ran Singh Mann
8. Shri Sher Singh
9. Shri Shiv Ram Verma

However, before the Committee could hold any meetings S. Lachhman Singh and Shri Baldev Tayal ceased to be members of the Committee *w.e.f.* 12-5-1978 and 20-5-1978, respectively, on their appointment as Ministers. Shri Mool Chand Jain was appointed as Chairman of the Committee on 21-6-1978. Another member of the Committee, Shri Sher Singh, also ceased to be its member, with effect from 19-7-1978, on his appointment as a Minister. In the resultant vacancies three members were declared elected on 30-8-1978 and the present Committee consists of the following:—

### CHAIRMAN

1. Shri Mool Chand Jain, M.L.A.,

### MEMBERS

2. Lala Balwant Rai Tayal, M.L.A.
3. Shri Deep Chand Bhatia, M.L.A.
4. Shri Mange Ram Gupta, M.L.A.

5. Shri Mool Chand Mangla, M.L.A.
6. Shri Ran Singh Mann, M.L.A.
7. Ch Shiv Ram Verma, M.L.A.
8. Shri Sumer Chand Bhatt, M.L.A.
9. Smt. Sushma Swaraj, M.L.A.

The Committee scrutinised the material relating to the general working of Haryana Matches Ltd. Buria (Ambala), and orally examined the representatives of the Government/Company. The Committee also made an on-the-spot study of the Matches Factory at Buria. The recommendations/observations of the Committee, in respect of the general working of this public undertaking, are contained in the Report on the succeeding pages.

## REPORT

### HARYANA MATCHES LIMITED, BURIA (AMBALA)

#### Brief History

The Company was initially incorporated on the 17th June, 1970, as a Private Ltd, Company, under the name and style of Haryana Nimco Private Ltd, in collaboration with Shri J.N. Kaile, a match box dealer of Delhi, as a subsidiary of Haryana State Industrial Development Corporation Ltd. However, the collaboration agreement with Shri J.N. Kaile terminated on the 25th April, 1973, and the Company became a fully owned Company of the Haryana State Industrial Development Corporation Limited and it acquired its present name i.e. Haryana Matches Limited, on the 28th May, 1973. The Company was incorporated under the Companies Act, 1956.

The main objects of the Company are:—

- (i) to carry on business as dealers in whole-sale and/or retail sale of match boxes, wooden material, packing material, advertisement and publicity material;
- (ii) to carry on business of assembling of veneers and to convert the same in finished match boxes; and
- (iii) to deal in whole-sale business of veneers and splints manufactured by the Company.

Earlier the Company had two units, one located at Yamuna Nagar for manufacture of veneers and splints and the other located at Buria for carrying on subsequent operation like dipping frame filling etc. However, in January, 1978, the veneers and splint plant of Yamuna Nagar was shifted to Buria and at present the whole production activities are being carried on at Buria.

The authorised, subscribed and paid up capital of the Company is Rs. 12.50 lacs which is fully paid up by the Haryana State Industrial Development Corporation, Chandigarh.

The management of the Company is vested in the Board of Directors nominated by the holding Company viz; the Haryana State Industrial Development Corporation.

The main function of this Committee is to examine whether affairs of the various Public Undertakings, entrusted to it, are being

managed in accordance with sound business principles and prudent commercial practices. Even though this Public Undertaking is perhaps the smallest of all the Undertakings entrusted to this Committee, yet sufficient time has been given to examine its affairs because, during its brief period of 7 years, most of its capital of Rs 12.50 lacs has been eaten away in losses. This may be due to the fact that the Company had to take care of almost a dead child. But good money should not have been allowed to be wasted as it has been done. The Committee are sorry to remark at the outset that its affairs till recently were not at all managed in accordance with sound business principles and prudent commercial practices. Suggestions for improving its working are given in the detailed examination of subjects under various headings.

### Private Collaboration

2. Shri J. N. Kaile, who was proprietor of Northern India Matches Company, New Delhi, directly wrote a letter to Shri Bansi Lal, the then Chief Minister of Haryana, sometime by the end of 1968, for setting up a joint venture Company at Yamunanagar. The Chief Minister directed him to negotiate with the Director of Industries/Managing Director, Haryana State Industrial Development Corporation. Accordingly, Shri J. N. Kaile submitted a scheme which was accepted after obtaining the opinion of National Industrial Development Corporation, who were appointed consultants to study the techno-economic feasibility of the Project and in March, 1969 an agreement was entered into by Shri J. N. Kaile and Haryana State Industrial Development Corporation. The agreement, however, came to an end on 25-4-73 when it was agreed upon that Shri J. N. Kaile shall transfer his share of the value of Rs 0.25 lac to the Corporation and shall receive a lump sum of Rs. 0.20 lac in consideration thereof.

The Committee observe that before entering into the agreement all the aspects of the matters were not examined. Though this scheme was found by the consultants (National Industrial Development Corporation) satisfactory, both for technical and economic production, yet feasibility study was not conducted to establish the soundness of the scheme, especially, with regard to the source of supply and availability of raw material, technical know-how, cost of production and availability of trained personnel etc., with the result that the Company, ever since its inception, has failed to pick up production.

The Committee observe that before entering into agreement with the collaborator (Shri J. N. Kaile), no efforts were made to know



whether or not he actually possessed the requisite expertise in the trade. Subsequent conduct of the collaborator, however, shows that although he did subscribe Rs. 0.25 lac towards equity share capital yet he failed to supply either any technical know-how or a factory lay-out or a scheme within a budget of Rs. 8.00 lacs in accordance with the terms of contract. On the contrary, while the work relating to setting up of a factory was in process, the collaborator put forward a proposal for the marketing of Safety Matches which was approved by the Board of Directors of the Company. This clearly shows that the origin of whole venture was motivated by considerations of making money on the part of an individual businessman who had his base out-side the State of Haryana. The collaborator was more interested in buying and selling activities rather than in commissioning of the factory. The ease and speed with which the collaborator was able to involve the Haryana State Industrial Development Corporation in a venture like this is intriguing. What made him (Shri Kaile) to be so bold and overbearing in his attitude, despite his dismal performance and various acts of omission and Commission, during his stewardship of the Company, and what made the top Government officials dealing with him so lukewarm in their approach to him are some of the questions about which the Committee remained thoroughly unsatisfied and this leads the Committee to an irresistible conclusion that agreement with Shri J. N. Kaile was a cooked up affair. It is strange that the top management of the Haryana State Industrial Development Corporation proceeded with the scheme without studying its feasibility, especially regarding source of supply of raw material and availability of trained personnel. They and the concerned Department of the Government cannot be absolved of their responsibility in the matter.

### Organisational set up

3. The management of the Company was vested in the Board of Directors to be nominated by the holding company. In terms of the collaboration agreement the collaborator had also a right to be on the Board and was appointed as full time Executive Director under the superintendence and control of the Chairman and Board of Directors of the Company till 8th May, 1972, when he resigned and the collaboration agreement came to an end on 25th April, 1973. Thereafter a part time Managing Director with his headquarters at Chandigarh has been managing the affairs of the Company, with the assistance of a Manager working at Buria who is responsible for running of the factory.

It was stated in reply to a question from the Committee that since

the inception of the Company, the following have functioned as Chairmen and Managing Directors for the period mentioned against each of them:—

<b>CHAIRMAN</b>		
	<b>From</b>	<b>To</b>
1. Sh. J. D Sharma, I A S	17-6-70	15-9-72
2. Sh. Tirlochan Singh, I.A.S.	15-9-72	11-12-72
3. Sh. S G Sundaram, I A S	11-12-72	5-3-74
4. Sh S. K Misra, I.A S.	5-3-74	21-4-76
5. Sh. M. C. Gupta, I.A.S	21-4-76	24-10-77
6. Sh. V. K. Sibal, I.A.S.	24-10-77	Till date.
<b>MANAGING DIRECTORS</b>		
1. Sh A. K. Sinha, I.A S.	5-3-73	19-11-75
2 Sh. M. Isa Das, I.A.S.	19-11-75	17-6-77
3. Sh. Sukhbai Singh, H.C.S.	17-6-77	19-7-77
4. Sh Bhupinder Singh, H C.S.	19-7-77	8-3-78
5. Sh. J. C. Juneja	8-3-78	(Till-date Additional charge)

From the above it is obvious that there was no stability of tenure in the top management. The Committee are of the view that lack of stability of tenure in top management is one of the main reasons for inefficient functioning of this and other Public Undertakings. During evidence it was conceded that frequent changes in the management were one of the reasons for heavy losses and the inefficient working of the Company. The tragedy is that due to this very reason, responsibility for the losses cannot easily be assigned to any Officer.

The Committee were surprised to learn that there was no column in the A C R. form to reflect specifically the performance of the I.A.S. & other Officers while posted in the Public Undertakings. The Committee recommend that the performance of the Officers vis-a-vis Public Undertakings, with which they are concerned, should find a specific mention in their A C. R. and for the purpose a column may be included in the A. C R. form so that it comes to the specific notice of the reporting authority for his remarks.

### Losses

4. The Company, ever since its inception, is in the grip of serious financial crises and has suffered losses as detailed below :—

Year	Book Loss (Rs. in lacs)	Cash Loss (Rs. in lacs)
1973-74	1.91	1.37
1974-75	1.39	0.86
1975-76	1.72	1.24
1976-77	1.54	1.14
1977-78	*1.72	*1.31
Total	8.28	5.92

\*Approximate figures based on tantative balance sheets.

In reply to a specific question of the Committee it was admitted that the Company started suffering losses from the very first year of its inception i.e. from the year 1971-72. But the Committee has failed to understand why a period of about six years was allowed to go unnoticed and why no remedial steps could be taken during the period to put the Company's working on sound footing. Despite the fact that Haryana State Industrial Development Corporation was so largely dependent on the collaborator, Shri J. N. Kaile, for every vital aspect of the Company's working, no effort was made to have a fresh look on whole venture, when Shri Kaile was no longer in the picture and the Corporation (holding Company) had an experience of more than two years working of the Company to fall back upon, to get wiser atleast after the event.

The Committee recommend that a departmental enquiry may be made to ascertain the reasons why the working of the Committee could not be brought to the notice of the Government for such a long time; and, if brought, why the person responsible for its working failed to take appropriate remedial measures.

### Misappropriation of Funds

5. In November 1977, the Company appointed Shri O.S. Kaushik as whole time Manager to work as overall incharge of the factory located at Buria/Yamuna Nagar. The Manager, who was delegated with

wide powers, committed gross irregularities resulting in mis-appropriation and embezzlement of Company's fund. In reply to a question from the Committee it was stated that the total amount embezzled by Shri O.S. Kaushik came to Rs. 0.23 lac and that an F.I.R. had been lodged with the police as per Board's decision. Final outcome of the case is yet to be known. During oral evidence the Committee were however, assured that every aspect of the matter would be looked into and it was stated that, as a matter of policy, if any criminality or fraud was found no one would be let off, but would be dealt with severely.

The Committee, however, observe, that though the Haryana State Industrial Development Corporation and department had been aware of the deplorable condition prevailing in the Company ever since its formation, yet no effective steps, except recently in 1978, were taken to tone up the administration of the Company. To have person like Shri O. S. Kaushik, who allegedly mis-appropriated funds to the extent of Rs. 0.23 lac as a Manager of the factory is a sad reflection on the method of selection and supervision of executives of Public Undertakings. The Committee recommend that the Corporation should examine the matter of making recruitment of personnel on important posts in a detailed manner with a view to avoid future recurrence of such losses.

Audit of this concern, by private-Chartered Accountants has been useless. The defects pointed out by A. G. Haryana ought to have been pointed out by the said Chartered Accountants. The Committee recommend that the working of these Chartered Accountants be watched carefully.

#### **Visit to Zanzibar by General Manager**

6. Haryana Matches Limited received an enquiry for setting up of a Match Box Plant on turn-key basis in Zanzibar and in connection therewith a sum of Rs. 0.12 lac was spent in sponsoring the visit of Shri K.K. Kapoor, who was then the General Manager of Haryana Matches Limited, to Keneya, Zanzibar, Dare Salem, for studying the local conditions and availability of raw material.

However, the proposal was dropped later on and the expenditure of Rs. 0.12 lac only proved to be nugatory.

The Committee orally examined the departmental representatives, including Shri K.K. Kapoor, at length but did not feel satisfied about the competency of the Haryana Matches Limited to undertake the

Project at Zanzibar. The Committee are of the view that undue enthusiasm and laxity was shown in sponsoring the visit of Shri Kapoor to Zanzibar for setting up a turn-key project there.

It is indeed intriguing that Company, which had hopelessly failed to set up its own factory in proper functioning order, sponsored Shri K.K. Kapoor for conducting the study of a venture which apparently did not fall within the main objects of the company. The Committee are distressed to observe that the Board of Directors decided to sponsor Shri K. K. Kapoor, General Manager, without giving a deep thought to the matter, particularly, when the Company was in the grip of serious financial crises.

The Committee recommend that the Government may examine the desirability of taking suitable steps for ensuring accountability of the Board of Directors of the Public Undertakings in discharge of their responsibilities in such matters.

#### **Extra-expenditure on Excise Duty**

7. Under the provision of the Central Excise Rules, if the yearly production of Matches exceeds the limit of 100 million matches the excise duty is payable at an enhanced rate of Rs. 4.30 per gross of match box on whole of the production instead of at the rate of Rs. 3.75 per gross which is levied when the production is less than the above limit. During the year 1973-74, although the Company had shown the production exceeding the prescribed limit yet it continued to pay excise duty at the reduced rate of Rs 3.75 per gross. An additional demand of Rs 12,424.50, being the difference of duty leviable on the clearance made during the year 1973-74, is thus payable by the Company.

In reply to a question it was admitted by the representative of the Company that if the Company had paid duty at enhanced rate i.e. Rs. 4.30 per gross, at the proper time, then that extra amount could have been charged itself from the sale of matches and that due to that wrong accounting the Company had to bear the loss. In reply to another question as to who was responsible for maintaining the wrong account, it was stated that it appeared to be a lapse on the part of the then management and that the management of the Company was responsible for maintaining proper accounts. During oral evidence the Committee were assured that it would be looked into as to who were in the management at that time and what ever action was necessary would be taken.

The Committee recommend that this matter may be gone into and responsibility may be fixed and suitable action taken against the persons responsible for this gross negligence.

#### **Idle Machinery**

8. The Company, during the period 1971-74, procured machinery worth Rs. 0.72 lac. This machinery, which was to be used for automatic frame filling could hardly be put to use and is lying idle since its purchase. It was stated during evidence that most of the manufacturing work was being done manually and, therefore, the said machinery was of no use to the Company. It was also stated during evidence that the aforesaid machinery was proposed to be declared surplus and sold. The Committee are at a loss to understand why the machinery was initially purchased without proper planning. The result is that funds to the extent of Rs. 0.72 lac stand un-necessarily blocked.

During oral evidence Company's representatives could not satisfy the Committee whether the machinery was defective right at the time of its purchase or it became defective subsequently. The Committee were, however, assured that this aspect of the matter would be looked into whether the machinery was defective right at the time of its purchase and if so, on whom the responsibility can be fixed.

The Committee recommend that all aspects of the deal e.g. on whose suggestion the machinery was purchased, how the order was placed with M/S Verat Machinery, whether other manufactures were also consulted, whether the machinery was found defective right at the time of purchase and if so, how full payment in respect thereof was made, etc. etc., may be gone into and responsibility for any impropriety committed be fixed.

#### **Production Performance**

9. The installed capacity of the factory on a single shift basis is fixed at 500 gross match boxes per day. However, the percentage of the utilisation of the capacity of the factory, during the preceding five years, has been as under :—

1973-74	27%
1974-75	28%
1975-76	18%
1976-77	6%
1977-78	5%

The under utilization of capacity is attributed mainly to non-availability of trained labour; shortage of raw material, power and staff and competition in the trade. The Committee, however, feel that the reasons are only superficial and real cause of near non-utilization of the installed capacity is lack of drive and initiative, on the part of the management. During the course of evidence, however, the Committee were assured that the rate of production was being increased and in consequence thereof the loss in production was proposed to be met. The Committee were also informed that some positive steps e.g. employment of more people providing training to the employees and setting up of a new set to be operated by skilled persons etc. had been taken to boost the rate of production.

The Committee recommend that since this factory is basically a labour oriented project, concerted efforts be made to raise the production and whip-off the losses so as to avoid closing down of the factory due to its financial instability. The Committee feel satisfied with the steps which have been taken by the present management to boost the rate of production and observe that the steps now taken/being taken for boosting the rate of production should have been taken a long time ago.

## ANNEXURE

**\* Motion regarding constitution of a Committee on Public Undertakings.**

**~~A Minister to move—~~**

- “1. (a) That a Committee of the Haryana Vidhan Sabha to be called the “Committee on Public Undertakings” for the examination of the working of public undertakings be constituted consisting of nine members who shall be elected by the House every year from amongst its members according to the principle of proportional representation by means of single transferable vote.
- (b) That a Minister shall not be eligible for election as a member of the Committee and that if a member, after his election to the Committee, is appointed as Minister, he shall cease to be member thereof from the date of such appointment.

2. That the functions of the Committee shall be :—

- (a) to examine the reports and accounts of the public undertakings specified in the \*Schedule and any such other public undertakings as may be referred to the Committee by the Speaker for examination;
- (b) to examine the reports, if any, of the Comptroller and Auditor-General on the public undertakings;
- (c) to examine in context of the autonomy and efficiency of the Public Undertakings whether the affairs of the Public Undertakings are being managed in accordance with sound business principles and prudent commercial practices; and
- (d) to exercise such other functions vested in the Committee on Public Accounts and the Committee on Estimates in relation to the Public Undertakings mentioned above as are not covered by clauses (a), (b) and (c) above and as may be allotted to the Committee by the Speaker from time to time :

Provided that the Committee shall not examine and investigate



any of the following, namely :—

- (i) matters of major Government policy as distinct from business or commercial functions of public undertakings;
  - (ii) matters of day-to-day administration;
  - (iii) matters for the consideration of which machinery is established by any special statute under which a particular public undertaking is established.
- (3) that the term of the office of the members of the Committee shall not exceed one year.
  - (4) That the quorum of a sitting of the Committee shall be four.
  - (5) That in all other respects the Rules of Procedure of the Legislative Assembly relating to the Committee shall apply with such variations and modifications as the Speaker may make.

**SCHEDULE (SEE PAGE 10)**

**List of Public Undertakings**

1. Haryana Financial Corporation, Chandigarh.
2. Haryana State Industrial Development Corporation, Chandigarh.
3. Haryana State Small Industries & Export Corporation, Chandigarh.
4. Haryana State Handloom & Handicrafts Corporation, Chandigarh.
5. Haryana Agro Industries Corporation, Chandigarh.
6. Haryana Warehousing Corporation, Chandigarh.
7. Haryana Land Reclamation & Development Corporation, Chandigarh.
8. Haryana Seed Development Corporation, Chandigarh.
9. Haryana Dairy Development Corporation, Chandigarh.
10. Haryana Minor Irrigation (Tubewells) Corporation, Chandigarh.
11. Haryana Tourism Corporation, Chandigarh.
12. Haryana Harijan Kalyan Nigam
13. Haryana Tanneries Ltd., Chandigarh.
14. Haryana Breweries Ltd, Murthal.
15. Haryana Matches Ltd., Yamunanagar.
16. Haryana Minerals Ltd., Narnaul.
17. Haryana State Electricity Board, Chandigarh.
18. Haryana Agricultural Marketing Board, Chandigarh.
19. Haryana Housing Board, Chandigarh.
20. Kurukshetra Development Board.

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