

53

HARYANA VIDHAN SABHA

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2007)
(ELEVENTH VIDHAN SABHA)
FIFTY-THIRD REPORT
ON THE
REPORTS
OF THE**

**COMPTROLLER & AUDITOR GENERAL OF INDIA
FOR THE YEARS 2000-2001 TO 2003-2004
(COMMERCIAL)**



(Presented to the House on 22nd March, 2007)

HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH
MARCH, 2007.

TABLE OF CONTENTS

Sr No		Paragraph(s) No of the Audit Report	Paragraph (s) No of this Report	Pages
1	2	3	4	5
	Composition of the Committee On Public Undertakings			(iii)
	Introduction			(v)
	Reports .—			
	2000-2001			
1	Haryana Power Generation Corporation Limited (Review)	2B	1	1—2
	2001-2002			
2.	Haryana Seeds Development Corporation Limited (Review)	2A	2—5	3—6
3	Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited (Review)	2B	6—10	7—23
	2002-2003			
4.	Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited (Review)	2 1	11—14	24—32
5	Haryana State Industrial Development Corporation Limited (Review)	2 2	15—23	33—45
6	Haryana Tourism Corporation Limited (Review)	2 3	24—27	46—65
7.	Haryana Warehousing Corporation Limited	3.19	28	66—68
	2003-2004			
8.	Haryana Agro Industries Corporation Limited (Review)	2 1	29—36	69—75

(ii)

9 Haryana Vidyut Prasaran Nigam Limited (Review)	2.2	37—38	76—80
10 Haryana Land Reclamation and Development Corporation Limited	3 5	39	81—84
11 Haryana Vidyut Prasaran Nigam Limited	3 6, 3 7	40—41	85—90
12 Uttar Haryana Bijli Vitran Nigam Limited	3 9, 3 10	42—43	91—98
13 Dakshin Haryana Bijli Vitran Nigam Limited	3.12	44	99—101
14 Haryana Financial Corporation	3.16, 3 18	45—46	102—105
15 Haryana Warehousing Corporation Limited	3 19	47	106—107
16 Annexures			108—117

(iii)

**COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2006-2007)**

CHAIRPERSON

- 1 Sh Shamsheer Singh Surjewala

MEMBERS

- *2 Sh. A.C. Chaudhary
- ***3 Sh Jitender Singh
- 4 Sh Kharait Lal Sharma
- 5 Sh Kulvir Singh Beniwal
- 6 Sh Randhir Singh
- 7 Sh Bhupinder
- 8 Sh Rajinder Singh Joon
- 9 Sh Arjan Singh
- **10 Sh. Ramesh Kumar Gupta
- ****11 Sh Jai Singh Rana

SECRETARIAT

- 1 Sh Sumit Kumar, Secretary
2. Sh Balbir Singh Chauhan, Under Secretary

* Resigned from the Membership of the Committee w e f 23rd May, 2006

** Nominated as a Member for the remaining period of 2006-07 w e f 23rd May, 2006

*** Resigned from the Membership of the Committee w e f. 30th May, 2006

**** Nominated as a Member for the remaining period of 2006-07 w e f 30th May, 2006

INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings, having been authorized by the Committee in this behalf present this Fifty-Third Report of the Committee on the Reports of the Comptroller and Auditor General of India for the Years 2000-2001 (Haryana Power Generation Corporation Limited) 2001-2002 (Haryana Seeds Development Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited), 2002-2003 (Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited, Haryana State Industrial Development Corporation Limited, Haryana Tourism Corporation Limited and Haryana Warehousing Corporation Limited) and 2003-2004 (Haryana Agro Industries Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Haryana Land Reclamation and Development Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited, Haryana Financial Corporation and Haryana Warehousing Corporation Limited)

The Committee for the year 2006-2007 undertook the unfinished work of the previous Committee(s) and also orally examined the representatives of the Government/Public Sector Undertakings/Boards where necessary. A brief record of the proceedings of the various meetings has been kept in the Haryana Vidhan Sabha Secretariat.

The Committee are thankful to the Accountant General (Audit), Haryana and his staff for his valuable assistance and guidance in completing this Report. The Committee are also thankful to the Financial Commissioner and Principal Secretary to Government, Haryana, Finance Department including his representatives and representatives of Departments/Corporations/Boards concerned who appeared before the Committee from time to time. The Committee are also thankful to the Secretary, Under Secretary, the dealing officer and the staff of the Haryana Vidhan Sabha for the whole hearted co-operation and unstinted assistance given in preparing this report.

Dated Chandigarh
The 27th February, 2007

SHAMSHER SINGH SURJEWALA
CHAIRPERSON

REPORT
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF
INDIA FOR THE YEAR 2000-2001

2B. Haryana Power Generation Corporation Limited
(Review)

2B. 6.1 Avoidable payment of sales tax on purchase of coal

1 Sales tax at 4 per cent on sale price of coal including surface transportation charges (STC) from colliery head to rail head was being charged by the coal companies from PTPS on the coal supplied by them.

According to the Central Sales Tax Act, 1956, sale price shall mean the amount payable to a dealer as consideration for the sale of any goods inclusive of any sum charged for any thing done by the dealer in respect of the goods at the time of or before the delivery thereof other than the cost of freight or delivery or the cost of installation, in case where such cost is separately charged. Thus, the sale price under the said Act means only the amount payable to a dealer as consideration for the sale of goods excluding cost of freight and delivery incurred prior to delivery. This view was upheld (March 1970) by the High Court of Andhra Pradesh in State of Andhra Pradesh Vs the Bengal Coal Company (27 STC 213) and the High Court of Orissa (February 1974) in Orient Paper Mills Limited Vs. State of Orissa (35 STC 84). In view of the rules and settled case laws, the element of internal surface transportation charges incurred prior to delivery would not attract sales tax.

During the period from 1996-97 to 2000-01 (up to October 2000) the PTPS paid Rs 84 lakh by way of sales tax to the coal companies on STC which was not actually required to be paid in view of the settled case laws as quoted above. The Management stated (March 2001) that the sales tax on STC was rightly being paid as it was being paid by all power utilities all over India. The reply was not tenable in view of the settled case law on the subject.

In their written reply, the State Government/Company stated as under.—

“South Eastern coal fields has got the point of levy of Sales Tax on surface transport charges examined from Additional Commissioner of Commercial Taxes (General) and it was clarified vide their letter No III (i) 298/90-24032/CT dated 1-8-90 that Sales Tax had to be paid on surface transportation charges which forms part of basic price.

The case was taken up with Central Coal fields Ltd. They have supplied the opinion of Deputy Commissioner of Commercial Taxes, West Circle, Ranchi, wherein it has been clarified that surface transportation charges form part of the basic price of coal and attract sales tax.

The issue was also got examined from our sales tax consultant i.e. M/s Madhav Sharma and Associates, Panipat who have opined that the surface transport charges is to be includable in the turn over and subjected to levy of Central Sales Tax. This view has been held by the Hon'ble Supreme

Court of India in the case of M/s Cement Marketing Company of India Ltd V/s Assistant Commissioner of Slaes Tax, Indore and Others It has clearly been held by the Hon'ble Supreme Court that exclusion of freight from the turn over amount to avoidance to tax In view of above surface transport charges before the loading of coal forms part of basic price and CST is leviable and no excess payment of CST has thus been made "

During the oral examination, the representatives of the Government/Corporation stated that Hon'ble Supreme Court has decided this matter But the Committee observed that as per the judgement of the Supreme Court cited as 24 SCT 487 and 43 STC 13 followed by this very Tribunal in STA No. 134-135 of 1997-1998 decided on 23-1-1998 wherein similar facts and circumstances it has been held that freight can not be part of the turnover **The Committee recommended that the matter may be re-examined with a view to see that in which year the Supreme Court gave this decision. Whether it has been decided before the above cited case or after it. Therefore, the Committee decided to keep the paragraph pending.**

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 2001-2002

2A. Haryana Seeds Development Corporation Limited (Review)

2A.3 Organisational set-up

2 The management of the Company is vested in a Board of Directors (Board) comprising of not more than 11 directors. As on 31 March 2002, there were 11 directors on the Board, six nominated by the State Government (Chairman, Managing Director, one Director from Haryana Agricultural University (HAU) and three ex-officio directors), three by National Seeds Corporation Limited (NSC), one each by Government of India and the growers. Nominees of the NSC and HAU were experts. Except Managing Director who was a bureaucrat, all the directors were on part time basis.

The Managing Director was the Chief Executive of the Company and was assisted by five departmental heads viz Chief Manager (Marketing), Chief Manager (Production), Chief Manager (Personnel & Administration), Chief Engineer and Chief Finance & Accounts Officer in day to day affairs of the Company. Besides, there were six Regional/Branch Managers in the field to look after the six* seed processing plants and marketing of seeds.

As per Memorandum of Understanding (MOU) entered (May 1996) amongst Government of India, State Government and the Company for implementation of the National Seeds Project-Phase III (NSP-III) for making the State Seed Corporations viable on sustainable basis, it was envisaged to appoint Managing Director for a tenure of three years for ensuring commitment and continuity of management. The Committee on Public Undertakings (COPU) had also recommended (March 1983) in its 11th Report that the Chief Executive of Public Sector Undertaking/Board should be given a minimum tenure preferably three years or more. Contrary to the recommendations of COPU and MOU, 10 Managing Directors were appointed during the last five years up to March 2002 and their tenure remained between one and 18 months.

The Committee observed that the then Committee on Public Undertakings had also recommended (March, 1983) in its 11th Report that the Chief Executive of the Public Sector Undertakings/Boards should be given a minimum tenure preferably three years or more but situation continues to be same till now. **The Committee recommends to Governemnt/Chief Secretary that the Seeds Corporation being an organisation has to compete with other private commercial companies, so the Committee is of the view that they should be armed with professionally competent people and tenures should also be fairly long as to have experience of the working of the Corporation.**

* Ummi, Yamunanagar, Hisar, Sirsa, Tohana and Pataudi

2A.10.6.1 Failure to sell wheat seed to a private party outside the State

3. For sale season 2000-01, the Company had 2,20,087 quintals of wheat seed. To liquidate this stock, the Company decided (September 2000) to explore possibilities of inter-state marketing at the rate of Rs 1,085 per quintal. One party viz. Tarai Seed Syndicate, Udham Singh Nagar (UP) consented to purchase 30,000 quintals of seed at the rate of Uttar Pradesh Seed and Tarai Development Corporation Limited/NSC for sale in Uttar Pradesh and Bihar and also offered to be a distributor of the Company for these States. It also offered advance payments for 30,000 quintals of seed and earnest money for dealership. Representative of the firm visited (October 2000) the office of the Company at Panchkula to finalise the purchase proposal. The Company insisted upon the rate of Rs 1,085 per quintal and held no negotiations with the party. At the end of the season, huge stocks of 82,347 quintals remained unsold. The Managing Director observed (July 2001) that the manner in which the offer of 30,000 quintals of seeds was unceremoniously buried was very intriguing and the Company could have reduced its margins to prevent blockade of funds.

Thus, had the negotiations been conducted at higher level, the Company could have not only saved carry over charges of about Rs 0.75 crore as worked out by the management but also given a boost to the inter-state sale by accepting the offer of the party to be distributor for inter-state sale.

The Company has, however not investigated the matter further and fixed any responsibility for not pursuing the matter at an appropriate level.

In their written reply, the State Government/Corporation stated as under.—

"The observations of audit that had the negotiations been conducted at higher level, the Company could have not only saved carryover charges of about Rs 0.75 crore worked out by the management but also given a boost to the inter-state sale by accepting the offer of the party to the distributor for inter-state sale. is not correct, to the extent that when the party did not come back again, it was not possible to fix the negotiations with higher level. Merely showing interest on papers does not mean that the party is really interested to purchase the seed. If the party had some problem with the officers they should have brought out the same in the notice of the higher authorities, which was not done. There is no point of investigation in the matter."

After going through the reply given by the representatives of the Government/Corporation during oral examination the Committee is of the view that responsibility be fixed against the persons who are responsible for not conducting the enquiry against the defaulting officers for not pursuing the matter with the party. **Therefore, the Committee recommends that enquiry be conducted in this case and the Committee may be informed accordingly.**

2A.10.6.2 Loss due to injudicious inter-state sale

4. As per production programme given (5 October 2000) for the year 2000-01 (sale season 2001-02), 1,90,500 quintals wheat seed was to be procured. During mid season review, the target was reduced to 1,67,500 quintal is due to carry over stocks. The Company could, however, procure only 96,190 quintals due to untimely rains even by relaxing luster factor. Thus, total availability of seed with the Company for sale for the crop season 2001-02 was 1,77,053 quintals, including 80,863 quintals of carry over stock. However, overlooking the aspect of low availability of seed, the Company sold 27,600 quintals of wheat seed to Himachal Pradesh (23,600 quintal) and Jammu & Kashmir (4,000 quintal) during September to November 2001 at the rate of Rs 990 per quintal against its sale rate of Rs 1,275 per quintal in the State. Thus, imprudent decision of the Company to sell wheat seed outside the State at cheaper rates had resulted in loss of Rs 0.79 crore to the Company.

The management stated (June 2002) that to avoid the last year's bad precedence of having left over of approximately 82,000 quintals of stock this quantity was sold. The reply was not tenable as the decision to sell seed at reduced rates particularly when there was large demand at higher rates within the State lacked commercial prudence.

In their written reply, the State Government/Corporation stated as under —

"The deal with the Inter-state agencies was done in the month of Aug / September, 2001, when the sale trend of wheat seed could not be anticipated. However, with a view to dispose off those varieties which were in poor demand in the State i.e. UP-2338 and Raj -3765, some quantity of PBW-343 was also offered so that these two varieties may not remain unsold in the State.

Therefore, the decision of offering wheat seed outside State during Rabi 2001-02 was commercially prudent with the result that no wheat seed remained unsold with the Corporation."

The Committee observed that at that time there may have been need of this seed in the State but the Corporation has sold the same to other States. **Therefore, the Committee recommended that the enquiry be conducted in the light of above observation and Committee be intimated about the outcome of the enquiry.**

2A.11.1 Payment of idle wages to marketing staff

5. The Company deployed 140 regular persons in the Marketing wing out of which 102 persons were directly involved in marketing. As the sale of seed was confined to two crop seasons only, the personnel in the field remained idle for a considerable time.

The management stated (June 2002) that the manpower remained idle for six months. As a result of idle manpower, the Company had paid about

Rs 2.47 crore as salary and allowances to the staff directly involved with the sale of seed during the last five years up to 2000-01 for the period they remained idle (i.e. six months per year). No effective steps were taken for gainful deployment of idle manpower.

In their written reply, the State Government/Corporation stated as under :—

“It is not correct to say that no effective steps have been taken for gainful deployment of idle manpower. With a view to utilize the idle manpower at sale counters, the corporation has started sale of pesticides/weedicides. Decision regarding sale of DAP, after procurement from HAIC, has also been taken and it is likely to be started shortly. Besides this services of Incharge Sale Counters are also utilized for market survey, getting the subsidy bills released from DDA,s or other field functionaries of Deptt. of Agri. and liaisoning with Govt. agencies in their jurisdiction.”

The Committee observed that the seeds sale points/centers remain open only seasonally and rest of period their employees sit idle. **Therefore, the Committee recommends that the Seed Corporation should also be considered for procurement of food grains, which is being done by the other Corporations and Departments, so that the idle staff could be utilized properly.**

**2B. Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran
Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited
(erstwhile Haryana State Electricity Board)**

(Review)

2B.4 Adequacy of transformation capacity

2B.4.1

6 Adequate grid power transformation capacity is needed for evacuation of power from generating stations. Sub-power transformation capacity is the middle chain for feeding distribution transformers to meet power load of consumers.

The table below indicates growth of the power transformation capacity, distribution transformation capacity, connected load, and HT/LT lines during five years up to 2001-02

Sl. No	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
1	Grid Power Transformation Capacity (220/132 or 66 or 33 KV, 132/66 or 33 KV and 66/33 KV)					
	MVA	6617	6781	7377	7471	7703
	MW*	5624	5764	6270	6350	6548
	No of transformers	169	177	180	175	182
2	Sub-power transformation capacity (132 or 66 or 33/11 KV)					
	MVA	5430	5676	6150	6395	6648
	MW	4616	4825	5228	5436	5651
	No of transformers	705	721	771	786	780
3	Distribution transformation capacity (11/0.4 KV)					
	MVA	6823	7078	7349	7996	8454
	MW	5800	6016	6247	6797	7186
	No of transformers	99938	103678	106992	111476	117301
4	Percentage of distribution transformation capacity in excess of sub power transformation capacity	25.7	24.7	19.5	25.0	27.2
5	Total connected load					
	MVA	8164	8221	8495	9013	9676
	MW	6939	6988	7221	7661	8225
6	(a) Connected load in excess of distribution transformation capacity MW (5 - 3)	1139	972	974	864	1039

* Million Watt (MW) = Million Voltage Ampere (MVA) X 0.85

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
	(b) Percentage of excess load(6/5)	19.6	16.2	15.6	12.7	14.5
7	Sub-power transformation capacity per MV A of connected load (2/5) MA	0.67	0.69	0.72	0.71	0.69
8	Distribution transformation capacity per MW of connected load (3/5)	0.84	0.86	0.87	0.89	0.87
9	Length of lines (Kms)					
	LT	103878	105266	105749	107217	107136
	HT	54240	55059	55765	56601	58247
10	Ratio of LT lines to HT lines	1.92	1.91	1.90	1.89	1.84

Analysis of the above table revealed the following:

(i) As on 31 March 2002, the sub-power transformation capacity was 6648 MVA and distribution transformation capacity was 8454 MVA against the connected load of 9676 MVA. Ideal ratio of transformation capacity to connected load is considered 1: 1. Sub-power transformation capacity per MVA of connected load ranged between 0.67 and 0.72 MVA during 1997-2002. Similarly, the distribution transformation capacity per MW of connected load ranged between 0.84 and 0.89 MW during the last five years up to 2001-02.

The mismatch between transformation (sub-power and distribution) capacity and connected load had resulted in overloading of transformers causing in turn excessive transmission and distribution losses and failure of distribution transformers. This indicated a requirement for augmentation of the transformation capacity to meet the demand of power by consumers and to avoid damage of transformers.

In order to strengthen transmission and distribution system, Power Sector Reform Programme, *inter alia*, envisaged addition of 2461 MV A power transformation (220 KV, 132 KV and 66 KV) capacity and 47,666 distribution transformers during 1998-2002. Thereagainst, the erstwhile Board/companies could make addition of 1757 MVA power transformation capacity and 17,363 distribution transformers during the same period resulting thereby in shortfall of 704 MVA power transformation capacity and 30,303 number of distribution transformers. Reasons for shortfall called for from the management in July 2002 were awaited.

The management stated (July 2002) that ideally speaking the distribution transformation capacity should be equal to connected load but it required substantial investment for which the companies had planned to induct additional transformers in the distribution system. It was also noticed that mismatch of sub-power transformation capacity and distribution transformation capacity to connected load

was due to excessive rate of damage of transformers, delay/non-repair of transformers as discussed in para 2B 6 1 2 and 2B 7 1 1 *infra*

(ii) A general review of statements of maximum demand recorded on 756 out of 961 power transformers during 2000-01 revealed that 65 transformers were overloaded and aggregate maximum demand on these transformers was 1309 MVA against the capacity of 1229 MVA which worked out to 107 per cent although as per guidelines of Power Finance Corporation, transformers should not be loaded beyond 80 per cent of their rated capacity

(iii) Transmission voltage is required to be kept high so that energy losses are as low as possible. The National Council of Power Utilities observed (July 1987) that to reduce the energy losses by about two per cent, there was a necessity to reduce the LT/HT line length ratio from 2:1 to 1:1. Ratio of LT lines to HT lines improved slightly from 1.92 in 1997-98 to 1.84 during 2001-02, but was significantly more than the recommended ratio of 1:1. The companies had, not devised any system to match the growth of HT lines with that of LT lines so as to reduce the energy losses and overloading of lines/transformers

The management admitted (July 2002) that in ideal conditions, LT/HT ratio should be 1:1 but over the years there had not been sufficient investment on the higher voltage transmission system and on the contrary LT distribution system was extended considering the requirement for rural electrification. It further stated that as a remedial measure, efforts were being made to adopt less LT system for new expansion projects

In their written reply, the State Government/Company stated as under :-

"The category-wise break-up ending 31.3.2002 was as follows -

Category	Connected load in MW	Connected load in MVA
Domestic	2661	3131
Commercial	410	482
Small & Medium industry	1053	1239
Large Industries	1512	1779
Tubewells	2286	2689
Others.	303	356
Total:	8225	9676

While planning for the capacity of distribution transformers, load of various categories of consumers is considered while keeping a margin of 20% in the capacity. As on 31.3.2002, there were 1,17,301 distribution transformers with a total capacity of nearly 8454 MVA. Normally the diversity factor for domestic consumers is taken as 0.5 and for other categories of consumers as 0.8 except for agriculture consumers where it is taken as 1

Guided by the above diversities, the effective load for calculating the capacity of the distribution transformers works out to 7339 MVA. Against the normative requirement, the distribution transformers capacity provided in the system was 8454 MV A, which was suitable for the load. It also needs to be appreciated that the diversity factor varies depending on the urban/rural area, as the probability of expansion of load is much higher in urban areas than rural areas.

With the availability of additional funds under APDP, PFC, REC etc., ambitious program has been drawn up for the 10th Five Year Plan. Following works are proposed to be executed during the 10th plan period to strengthen the system.

Voltage	New S/Stn.	Aug S/Stns	Trans./Lines.
220 KV	16	10	1519
132 KV	43	42	875
66 KV	29	23	722
33 KV	86	110	795

19 Grid substation (66 KV & above) have been commissioned, 49 substation augmented and 807.86 Kms length of transmission line commissioned during the year 2001-02 & 2002-03 as per details given below -

Voltage	New S/Stns.	Aug.S/Stns	Total Capacity addition	Trans./ Lines:KM -
220 KV	3	6	720MVA	175.97
132 KV	6	27	358MVA	66.05
66 KV	9	17	261MVA	59.32
33 KV	9	47	189.5MVA	133.72

Ideally speaking, the distribution transformation capacity should be more than the connected load. But it would depend on the investment to be made and the utilization factor. In case there is surplus transformation capacity, the investment would remain under utilized. However, under the investment programme drawn, there is a proposal to add large number of distribution transformers in the system under APDRP & normal development programme. We have already added over 20,000 new distribution transformers since July 1999.

The Power Utilities have stepped up investments on Rehabilitation & expansion of T&D system in a big way with the availability of funds under APDRP and from PFC/REC. Under APDRP, investment of Rs 552.65 crore has been approved by Ministry of Power for the period 2000-01 to 2004-05. Simultaneously loans have been negotiated with PFC/REC/NABARD for new T&D works.

There is significant improvement in transformer burn out rate, which has reduced from a level 30.45% in 1997-98 to 14.63% in 2002-03. In fact one of the main reasons for the damage to distribution transformers is overloading, which is being attended by making massive addition in capacity.

It has been the emphasis of HVPN to strengthen the transmission system in such a manner that the load of various categories of consumers could be met with comfortably as explained above. Earlier, due to limited availability of funds, the programme for system expansion used to be restricted depending on the availability of capital funds. Now, with the availability of additional funds under APDP, PFC, REC etc. ambitious programme has been drawn up and the load on transformer shall be contained in their rated capacities. Otherwise also the maximum demand recorded is for short duration and transformers are capable to take up some overloads for short duration. Utilities are endeavouring to ensure operation of all transformers within specified parameters which shall now be possible with strengthening of system carried out/in progress.

As already agreed in earlier reply the LT/HT ratio should be 1:1 but over the years there has been sufficient investment on the higher voltage transmission system and on the contrary the L/T distribution system was extended considering the requirement for Rural Electrification. As already stated above, the Power utilities are taking adequate steps to reduce the LT/HT ratio. Some of the steps taken in this direction are:

- * While releasing tubewell connections, the consumers are being given option to own their transformers i.e. get a connection on 11 KV through independent transformer.
- * For Societies Group Housing Colonies, a dedicated transformer is being provided to reduce the LT line length.
- * Efforts are being made to adopt less LT system, for new expansion projects.
- * For new tubewell connections, small capacity transformer viz 25 KV A are installed close to the connection by extending 11 KV line.
- * Additional 11 KV feeders are being added to enlarge the 11 KV network and relieve overloading on the existing feeder. Simultaneously, bifurcation/trifurcation of overloaded 11 KV feeders is being taken up to improve reliability. 161 such feeders have been divided in 391 feeders and another 248 feeders are being divided in 624 feeders.
- * The transmission system is being extended in a big way, which are improved voltage profile to a significant extent. Wherever a new grid substation is created, the voltage profile improves by 10-20%.

The Committee recommended that remedial steps be taken to reduce the transformers burn out rate and line losses.

2B.6 2 Performance of power transformers

7 There were two workshops at Ballabgarh and Panipat for the repair of power transformers of 66 KV and above and 33 KV under HVPNL and UHBVNL respectively. While routine repairs and capital maintenance of transformers was done in workshops, major repairs were got done from manufacturers of the transformers. Table below indicates the transformers damaged, repaired, scrapped and lying unrepaired during the last five years up to 2001-02

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
Number of power transformers					
1. Opening balance	34	25	36	40	43
2. Damaged during the year	32	52	42	48	44
Total (1+2)	66	77	78	88	87
3. Repaired	37	37	36	40	51
4. Scrapped	4	4	2	5	—
Total (3+4)	41	41	38	45	51
5. Balance lying unrepaired	25	36	40	43	36

Out of 36 power transformers lying unrepaired as on 31 March 2002, nineteen and five power transformers were lying unrepaired for more than one year and two to four years respectively. Out of 218 transformers damaged during 1997-2002, investigation reports of 50 transformers examined in audit revealed the following points

(i) Forty five transformers were damaged due to lack of maintenance of transformers and feeder lines and/or inadequate protection system at grid sub-station. Of these, one transformer was declared irreparable and scrapped after seven years of service thereby resulting in loss of Rs 23.61 lakh (worked out on the basis of proportionate cost for the balance life). While 13 transformers were under repairs, 31 transformers were repaired at a cost of Rs 1.52 crore.

(ii) Two transformers were damaged due to wrong operation of equipment by staff and were repaired at a cost of Rs 7.29 lakh. One transformer was scrapped after 15 years due to inherent weak design as its condition continued to deteriorate with every major fault, thereby incurring loss of Rs 7.83 lakh (worked out on the basis of proportionate cost for the balance life).

In their written reply, the State Government/Company stated as under —

"The audit report mentions that in all 218 power transformers were reported damaged during the period 1997-2002. Out of these, 125 transformers were of 66 kV and above rating and 93 were of 33 kV rating.

The fact is that these 218 transformers were not damaged but received in the Workshops during this period. We received two types of transformers in the Workshop i.e. (a) the transformer, which is declared damaged by the M&T staff while in operation at the grid substation, (b) the transformer, which is declared sick by the Committees constituted for this purpose and is taken to the Workshop for capital overhaul. The declaration of sick transformer is based on the very low IR value of the transformer oil and the windings. Even otherwise, power transformers are required to be taken out for capital overhaul after 10-12 years service. Due to shortage of spare power transformers, it had not been possible in the past to take the transformers frequently for capital maintenance.

It was under the World Bank Reform Programme that 14 No. power transformers were purchased specifically for replacement of sick transformers and these 14 transformers, which were spared after replacement were got maintained in the Workshop and re-inducted in the system.

On scrutiny of the data, it has been noticed that out of 125 transformers of 66 kV and above ratings, 73 transformers were the sick transformers, which were subjected to capital overhaul and re-issued on various works. Similarly, out of 93 transformers of 33 KV rating, 40 transformers were taken out for capital maintenance and reinstalled in the system after major overhauling.

Thus, the resultant damage to the transformers was only 52 in the 66 KV and above voltage class and 53 in the 33 KV class.

In the audit report it has been mentioned that there were 36 transformers lying unrepaired as on 31.3.2002. It would be noticed that the normal repair time for a power transformer is nearly one year if it is to be repaired within the Workshop and it takes nearly 18 months if it is repaired through the repairing firm. Except two, these have already been repaired. Out of the remaining two, one transformer of 12.5/16 MVA 33/11 KV rating is yet to be repaired and the NIT is being floated shortly, for the other transformer of rating 4 MV A 33/11 KV, repair has not been initiated because of low demand for this rating of transformers. This transformer would be repaired as and when the need arises.

Normally, a power transformer does not get damaged because of internal fault. The fault is caused due to the breakdown/ close short-circuiting on the 11 KV lines/underground cables adjacent to the substation. Especially in the repaired power transformer, such high incidence of close proximity faults result in successive weakening of the insulation and resultant damage.

The Power Utilities have been quite conscious about such occurrences and following major steps have been taken to check damage to power transformer.

- (a) Special maintenance of the 11 KV feeders in 2 KM radius of the substations has been carried out and it is emphasized on all the

field offices that such close proximity lines should be kept in perfect condition

- (b) High set elements have been installed on majority of the 11 KV feeders so as to reduce the isolation time whenever any fault is experienced on the line
- (c) In order to avoid cable end joint faults epoxy-resin joints, are used instead of the earlier conventional bitumen compound joints. These joints have lesser frequency of damage and ultimate event close faults
- (d) The checking & maintenance of protection system is done regularly to ensure that the protection gear operates at the time of fault.
- (e) Special drive has been launched to bifurcate/trifurcate the overloaded 11 KV feeders so as to reduce the incidence of fault. Due to high current and long length of the feeders, there are frequent faults, which could be transient in nature or permanent fault. The fault also occur due to falling of trees, snapping of conductors, breakage of jumpers and transient faults due to bird-age, lightening etc. Since July 1999 to September 2003, 245 overloaded 11 KV feeders have been bifurcated/trifurcated in 570 feeders and work on 225 feeders is in progress, which would be converted into 520 feeders. The work is likely to be completed in next one year.

Simultaneously, the distribution transformers have been added (22881 transformers during July 1999 and September 2003) to strengthen the distribution system and to prevent faults on the system due to overloading. The size of the conductor of 11 KV/L T lines has been augmented wherever required. Simultaneously, LT cables, which were worn out, have been replaced to check incidence of faults.

Because of these steps having been taken, there has been reduction in damage rate of the power transformers over the years. The damage, which occurred in the last three years is given here under —

Financial year	Number of power transformers	Transformers damaged	%age of damaged transformers.
2000-01	893	21	2.35
2001-02	918	12	1.30
2002-03	954	12	1.26

In order to take design deficiencies noticed during operation of the transformers, corrective action has been taken. The conduct of short circuit tests on the transformers was made mandatory so as to ensure that the transformers do not fail because of inherent weakness. Wherever the transformer gets damaged within warranty, these are got repaired from the

manufacturers/repairers Utmost quality control has been introduced in the Transformer Repair Workshop and third party inspection is being conducted in the purchase of new transformers ”

The Committee recommended that position/percentage/detail of transformers damaged during the last two-three years i.e. from 2003 to 2006 be supplied to the Committee. The information was not received till the finalization of the Report (February, 2007).

2B. 7.1.3 Failure of repaired transformers within warranty period

8 As per clause 10 of the agreement for repair of damaged distribution transformers, the firms were responsible to remove free of cost, all defects noticed within twelve months from the date of commissioning of the repaired transformers for which security deposit/bank guarantee was taken from the firms. In case the damaged transformers were not attended to by the repairing firms within a period of two months, the transformers could be got repaired at the cost of defaulting firms. Further, in case the defects were not attended to within two months of intimation of defects, the supplier was under contractual obligation to pay interest at the rate of 12 per cent per annum of the value of transformer from the date of its becoming defective up to the date of its re-commissioning after repair. Audit scrutiny revealed as follows

(a) Non-repair of transformers failed within warranty period

A scrutiny of records of Central Stores, Dhulkot, Panipat and Rohtak under UHBVNL revealed that 233 repaired transformers valued at Rs 41.94 lakh, failed within warranty period during April 1997 to December 2000 and were lying unrepaired (December 2001). The Company did not take action to get the same repaired from the firms at their cost resulting in locking up of funds of Rs 41.94 lakh in 233 transformers

(b) Non-return of damaged transformers

A scrutiny of records of various stores under UHBVNL/DHBVNL revealed that 604 transformers, valued at Rs 1.09 crore pertaining to 30 firms that failed within warranty period during April 1993 to December 2000, were lifted from time to time by the repairing firms but were not repaired/returned by them till December 2001. As such, funds to the extent of Rs 1.09 crore remained locked up in 604 damaged transformers

(c) Non-recovery of interest charges

During audit it was observed that 1,243 transformers damaged during warranty period, received in Central Stores, Dhulkot, Panipat and Rohtak of UHBVNL, were repaired by the firms during July 1999 to June 2001 after a delay ranging from two to 77 months and interest charges calculated from the date of damage worked out to Rs 26.45 lakh which had not been recovered as per provisions of the agreement

With reference to audit points (a) to (c) above, the management stated (July 2002) that besides issuing notices and filing of FIRs, the companies had withheld Rs 0 50 crore and financial coverage of Rs 45 60 lakh was available in the shape of bank guarantees. As regards recovery of interest, an amount of Rs 0 61 crore was withheld from payment of firms. The fact remains that though the cases were old, the companies had not made final adjustments for recovery of cost of transformers and interest charges amounting to Rs 1 77 crore against available financial coverage of Rs 1 57 crore.

In their written reply, the State Government/Company stated as under —

"It is not correct to say that "Company did not take any action to get the damaged transformers within Warranty Period repaired from the firms". Regd Notices have been given by the concerned Xen/Central Store, Xen/TRW and SE/Stores & Workshops Dhulkote to all the firms for repairing these transformers. Even FIR has been lodged against M/s Vikas Enterprises, Jaipur and payments of the firms which are still doing the repair work have been with-held on this account. The detail of amount withheld from firms bills on account of warranty period transformers has been given in Para(b) below (Annexure-'A').

393 Nos transformers pertaining to UHBVNL which failed within Warranty Period during 4/97 to 12/2000 were lifted by the repairing firms from various stores but were not repaired returned by them till December 2001. These firms have been given Notices. Letters have been sent to Police Deptt for lodging FIR against Firm. Further an amount of Rs. 32 08-lakh has been with-held from the firm's bills on account of warranty period transformers pending against them. Besides this, financial cover of Rs. 41 60 lakh was available in the shape of Bank Guarantee of these firms (statement showing firm-wise detail attached-Annexure-'A')

Similarly in DHBVNL the payment withheld from the firm's bills is Rs. 19 77 lacs. Besides this financial cover of Rs. 1 5 lacs in the shape of bank guarantee is also available with the Nigam. As such the payment withheld along with financial cover is Rs. 94.95 lacs.

In view of the above, there is no loss to the Nigam on this account.

It is not correct to say that the interest charges calculated for delay in the repair by the firms has not been recovered from the repairing firms. All the interest charges on account of delay in repair of damaged warranty period transformers, as mentioned in the Audit Para upto June 2001 has been deducted from the bills of the firms.

However, some of the firms has gone to the Court on this account and the interest charges are being worked out again as per directions of the Court and decision of the Board of Directors. The main point of dispute was

The fact is that these 218 transformers were not damaged but received in the Workshops during this period. We received two types of transformers in the Workshop i.e. (a) the transformer, which is declared damaged by the M&T staff while in operation at the grid substation, (b) the transformer, which is declared sick by the Committees constituted for this purpose and is taken to the Workshop for capital overhaul. The declaration of sick transformer is based on the very low IR value of the transformer oil and the windings. Even otherwise, power transformers are required to be taken out for capital overhaul after 10-12 years service. Due to shortage of spare power transformers, it had not been possible in the past to take the transformers frequently for capital maintenance.

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Normally, a power transformer does not get damaged because of internal fault. The fault is caused due to the breakdown/ close short-circuiting on the 11 KV lines/underground cables adjacent to the substation. Especially in the repaired power transformer, such high incidence of close proximity faults result in successive weakening of the insulation and resultant damage.

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- (c) In order to avoid cable end joint faults epoxy-resin joints, are used instead of the earlier conventional bitumen compound joints. These joints have lesser frequency of damage and ultimate event close faults.
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manufacturers/repairers Utmost quality control has been introduced in the Transformer Repair Workshop and third party inspection is being conducted in the purchase of new transformers ”

The Committee recommended that position/percentage/detail of transformers damaged during the last two-three years i.e. from 2003 to 2006 be supplied to the Committee. The information was not received till the finalization of the Report (February, 2007).

2B. 7.1.3 Failure of repaired transformers within warranty period

8 As per clause 10 of the agreement for repair of damaged distribution transformers, the firms were responsible to remove free of cost, all defects noticed within twelve months from the date of commissioning of the repaired transformers for which security deposit/bank guarantee was taken from the firms. In case the damaged transformers were not attended to by the repairing firms within a period of two months, the transformers could be got repaired at the cost of defaulting firms. Further, in case the defects were not attended to within two months of intimation of defects, the supplier was under contractual obligation to pay interest at the rate of 12 per cent per annum of the value of transformer from the date of its becoming defective up to the date of its re-commissioning after repair. Audit scrutiny revealed as follows:

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(b) Non-return of damaged transformers

A scrutiny of records of various stores under UHBVNL/DHBVNL revealed that 604 transformers, valued at Rs 1.09 crore pertaining to 30 firms that failed within warranty period during April 1993 to December 2000, were lifted from time to time by the repairing firms but were not repaired/returned by them till December 2001. As such, funds to the extent of Rs 1.09 crore remained locked up in 604 damaged transformers.

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During audit it was observed that 1,243 transformers damaged during warranty period, received in Central Stores, Dhulkot, Panipat and Rohtak of UHBVNL, were repaired by the firms during July 1999 to June 2001 after a delay ranging from two to 77 months and interest charges calculated from the date of damage worked out to Rs 26.45 lakh which had not been recovered as per provisions of the agreement.

With reference to audit points (a) to (c) above, the management stated (July 2002) that besides issuing notices and filing of FIRs, the companies had withheld Rs 0 50 crore and financial coverage of Rs 45 60 lakh was available in the shape of bank guarantees. As regards recovery of interest, an amount of Rs 0 61 crore was withheld from payment of firms. The fact remains that though the cases were old, the companies had not made final adjustments for recovery of cost of transformers and interest charges amounting to Rs 1 77 crore against available financial coverage of Rs 1.57 crore.

In their written reply, the State Government/Company stated as under —

"It is not correct to say that "Company did not take any action to get the damaged transformers within Warranty Period repaired from the firms" Regd Notices have been given by the concerned Xen/Central Store, Xen/TRW and SE/Stores & Workshops Dhulkote to all the firms for repairing these transformers. Even FIR has been lodged against M/s Vikas Enterprises, Jaipur and payments of the firms which are still doing the repair work have been with-held on this account. The detail of amount withheld from firms bills on account of warranty period transformers has been given in Para(b) below (Annexure-'A')

393 Nos. transformers pertaining to UHBVNL which failed within Warranty Period during 4/97 to 12/2000 were lifted by the repairing firms from various stores but were not repaired returned by them till December 2001. These firms have been given Notices. Letters have been sent to Police Deptt for lodging FIR against Firm. Further an amount of Rs. 32.08 lakh has been with-held from the firm's bills on account of warranty period transformers pending against them. Besides this, financial cover of Rs. 41 60 lakh was available in the shape of Bank Guarantee of these firms (statement showing firm-wise detail attached-Annexure-'A')

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In view of the above, there is no loss to the Nigam on this account

It is not correct to say that the interest charges calculated for delay in the repair by the firms has not been recovered from the repairing firms. All the interest charges on account of delay in repair of damaged warranty period transformers, as mentioned in the Audit Para upto June 2001 has been deducted from the bills of the firms.

However, some of the firms has gone to the Court on this account and the interest charges are being worked out again as per directions of the Court and decision of the Board of Directors. The main point of dispute was

Capacity of distribution T/Fs in KVA	No of T/Fs surveyed off during the period				Total
	7/99 to 3/2K	4/2K to 3/01	4/01 to 3/02	4/02 to 5/02	
15	1	17	1	1	20
25	141	206	71	12	430
40	110	628	34	58	830
50	53	196	14	28	291
63	17	96	42	28	183
75	-	10	-	-	10
100	46	424	27	39	526
160	-	36	-	-	36
200	-	-	2	-	2
1000	-	1	-	-	1
G. Total	368	1614	191	166	2339

Further the surveyed off transformers and other unserviceable material is also being disposed off through public auction as per the following details :—

Date of Auction	Total No. of Surveyed off distribution T/Fs disposed off (Lot wise)	Reserve (Rs in lacs)	Sale price (Rs in lacs)
25-9-2000	50 Nos (Cu Wound)	4 120	4 250
	67 No. (-do-)	6 071	6.120
	53 No. (-do-)	8 512	8 770
	51 No. (-do-)	3.741	3 710
	60 No (-do-)	4 607	4 630
	60 No. (-do-)	6.105	6 210
	69 No. (-do-)	9 860	10 001
	51 No (-do-)	3 962	4 010
	60 No (Al Wound)	2 956	2.930
	49 No. (Cu Wound)	6 497	6 910
4-12-2000	50 No (Cu. Wound)	5 200	6 450
	52 No. (Al Wound)	2 520	2.600
	52 No. (Cu. Wound)	8 600	8 650
	50 No. (Cu Wound)	7 000	7.020

	48 No. (-do-)	7 600	7 510
	47 No (Cu Wound)	5 100	4.960
	57 No (-do-)	6 300	6 200
	65 No (-do-)	8 300	8 250
	51 No (Al Wound)	2 430	2 550
	51 No (-do-)	2 400	2 550
7-2-2001	50 No (Cu Wound)	5.060	5 033
	50 No (-do-)	4 550	4 520
	48 No. (-do-)	4 920	4 880
	47 No (-do-)	4.520	4 500
	50 No. (-do-)	4 080	10.270
	49 No (-do-)	6 260	
	18 No (-do-)	1.860	5 620
	34 No (-do-)	3 810	
	35 No (Al. Wound)	1 700	2 650
	19 No. (-do-)	0 950	
13-3-2001	22 No (Al Wound)	1 900	2 105
28-6-2001	65 No. (Cu Wound)	8.000	7 700
	50 No. (Cu Wound)	6.150	5.852
	54 No. (Al Wound)	2.900	2.821
	44 No (Cu Wound)-	6.800	6 580.
	64 No. (-do-)	6.750	6 430
	25 No. (-do-)	4 250	4.100
	23 No. (-do-)	2.350	2 250
	17 No. (-do-)	1.750	1 680
	13 No. (Al. Wound)	0 700	0.650
	24 No. (Cu Wound)	3 000	2 950
2-11-2001	44 No. (Cu Wound)	5.650	5.370
	50 No (Al. Wound)	2 300	2.200
	46 No. (Al. Wound)	2 700	2 650
8-2-2002	50 No (Cu. Wound)	4 120	3 950
	48 No. (-do-)	4 520	4 650
	12 No. (-do-)	0 840	0.800
21-3-2002	30 No (Al. Wound)	1 890	1 820

Since July 2000 i.e. immediately after creation of this Wing, 2174 No Damaged distribution transformers (1641 Cu Wound and 533 Al Wound) of different capacities have been disposed off further disposal is continuing

thereafter as per availability of surveyed off T Fs "

After going through the reply given by the representatives of the Government/ Corporation and oral examination, the **Committee recommended that the transformers history cards be maintained to avoid delay in scrapping and disposal of transformers.**

2B. 9 Non-recovery of transformer oil and missing parts

10 As per procedure in vogue, the damaged distribution transformers were sent by the various divisional offices to the transformer repair workshops for their repairs. During test-check of records of 10 transformer repair workshops, it was noticed that recoveries aggregating Rs 12 23 crore towards short receipt of 8, 968 kilolitre transformers oil valued at Rs 9 97 crore and parts valued at Rs 2 26 crore of 1,24,081 damaged transformers were not made during the last five years up to 2001-02

The management stated (July 2002) that in respect of UHBVNL, an amount of Rs 1.80 crore had been charged to officials who returned the damaged transformers and an amount of Rs 22 72 lakh had been recovered and the process of recovery was continuing. Steps taken to recover remaining amount of Rs 10 43 crore were not intimated

In their written reply, the State Government/Company stated as under:—

"The question of shortages in respect of transformer oil as well as missing transformer parts was reviewed by the Power Utility keeping in view the fact that the distribution transformers are installed in the field unattended and over a period of time some small parts go missing while maintaining the transformers of shifting from one location to another. Similarly, the transformer oil also leaks from transformers while dismantling or shifting from installed location to the Stores/ Workshop after damage. Instances of consumers stealing transformer oil from the transformers have also been noticed. Since it is not possible to keep transformer under watch all the time, it will be difficult to fix total responsibility on the staff. Accordingly, the Utility decided to write-off the loss of parts to the extent of 5% of the existing cost of transformer and 20% of the total cost of transformer oil found short being beyond human control after conducting enquiry. As such the matter pertaining to the shortages is being re-worked and shall be charged to the employees responsible after making the above-mentioned adjustment. The chargeable amount shall be intimated to the Government "

The Committee recommended that latest position of recovery of amount be supplied to the Committee. The information was not received till the finalization of the Report (February, 2007).

**REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR
THE YEAR 2002-2003.**

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

(Review)

2.1.10 Extra expenditure in purchase of meter cup boards

11 For supply and installation of one lakh MCBs for three phase electro mechanical meters under World Bank loan scheme, UHBVNL received (March 2000) only one tender from Capital Meters Limited, Noida at Rs 873.21 per MCB (excluding 4 per cent CST and Rs 80 for freight and installation).

Tender Evaluation Committee comprising of two Executive engineers and an Accounts Officer of UHBVNL, worked out rate of Rs. 703 per MCB on the basis of price of Rs 238 per MCB for single phase electronic meters allowed against purchase order placed (March 2000) on the same firm. The Committee justified the rate by adding cost due to increase in quantity of material (121 25 per cent) and increase in labour (74 25 per cent). UHBVNL awarded (July 2000) the contract to Capital Meters Limited, Noida at Rs 873 21 per MCB. The supply was received between December 2000 and April 2001.

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

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

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

In their written reply, the State Government/Company stated as under.—

"Nigam floated NIT for procurement of 1 lac MCBs for installation on 1 lac three phase electromechanical energy meters. Despite press NIT, only one offer was received. Keeping in view that this item has not been procured

in the recent past and consequently comparison for assessing the reasonability of rates can not be made, a Committee consisting of two XENs and one Accounts Officer was constituted to assess the approximate cost of MCB for 3-phase meters. The Committee adopted following methodology to work out the approximate cost.—

The Nigam had purchased 115,000 MCBs for single phase meters @ Rs 238/- per MCB against World Bank Loan during the month of March 2000. The Committee assessed the approximate cost of 3 phase meters by increasing proportionately each element of the cost as percentage of the cost of single phase meters as detailed item-wise increase brief is given below:—

- (a) Additional cost of MCB due to increase in area of MS Sheet of 3 phase meters with respect to S/phase meters = 65% of cost of S/phase meters
- (b) Additional cost of MCB due to use of 1.0 mm thick sheet for 3-phase MCB as compared to 0.8 mm thick sheet used for single phase MCB = 25% of 165% i.e. 41.25%
- (c) Additional cost of 3 phase MCB due to excess labour, used of high accuracy and heavy tools and other processing charges for fabrication of 3 phase MCB as compared to fabrication of single phase MCB = 45% of 165% i.e. 74.25%
- (d) Additional cost due to extra hinges, locking arrangements, MS Sheet partition between meter body chamber & Terminal block chamber = 15%

Total Cost = 195.5% of 238/- + 238/- = Rs. 703/-

Further in the REC standard referred to by audit, cost of MCB is just tentative, not based on actual market survey and without indicating any specifications/parameters of the MCB. As such, this cost can not be considered for the purpose of comparison of rate received against a specific NIT. Further cost of MCB mentioned in P.O. No. 1/CE/QD-II dated 25-6-01 referred to by audit was given while intimating break up of prices by the firm M/s Omni Agate System Pvt. Ltd., Chennai. The size and specifications of the MCB supplied by M/s Omni Agate System Pvt. Ltd., Chennai are different from the one purchased from M/s Capital Meters Ltd. Further, as the rate reduced by the firm was as per their own convenience and considerations it should not be considered as the actual cost of MCB for comparison purpose. Thus, in view of position explained above, the Nigam has not incurred any extra expenditure of Rs. 4.33 crores for purchase of MCBs for 3 phase meters as observed by the audit."

During oral examination the representatives of the Government/ Company stated that the reply given to this Para is incorrect. Correct reply will be supplied to the Committee and requested to take up the Para after the revised reply. Reply not received till the finalization of the Report (February, 2007).

2.1.11 . Incorrect application of delivery clause and short recovery of liquidated damages.

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

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

In their written reply, the State Government/Company stated as under —

"As per clause 9 (iv) of Schedule 'D' contained in P.O.—

"The entire supply shall be completed by the supplier as per these terms and conditions within the period specified in Purchase Order, if the supplier fails to deliver the material within the period fixed for delivery in the said Purchase Order, the Purchaser shall have the right to refuse to accept any supplies received by him (Purchaser) after date on which such supplies were due. No extension of date on which the deliveries are due will ordinarily be claimed by Supplier. Where the Purchaser agrees to accept delayed supplies/supply the supplier shall be liable to pay one half of one percent of the delayed portion of the material, per week of the period of delay or a part thereof subject to a maximum of 5% of the cost of delayed /undelivered material as damages.

The claim under clause 9(iv) is without prejudice to other claims/rights of the Board in this contract, the above said amount shall be recoverable as a pre-determined loss caused to the Board on account of delayed supplies as a sum presently due and payable without any reference to the Court or Arbitrator for adjudication."

Accordingly, when the supplier offers the material after delivery period, the delayed supplies are accepted only after comparing with the prevailing market trend (if available). If market trend is not available the cost of major raw material is ascertained.

In case the market trend is lower, counter offer is given to the firm. The counter offer is given after expiry of delivery period."

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

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

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

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

Scheduled supply and installation		Acceptance of delayed supply & installation		Rate allowed	Rate prevailing at the time of acceptance of delayed supply	Extra expenditure (Rupees in lakh)	Liquidated damages (Rupees in lakh)	
Date	Quantity (in numbers)	Date	Quantity (in numbers)	Rupees	Rupees	(Rupees in lakh)	Leviable	Actually levied
1	2	3	4	5	6	7	8	9
3-11-2000	44,825	Up to 27-12-2000	1,359	1,215	1,215	-	80.91	6.28
3-12-2000	44,825	28-12-2000 to 3-4-2001	54,192	1,215	1,152	-		
		4-4-2001 to 1-7-2001	70,445	1,215	1,152	44.38		

1	2	3	4	5	6	7	8	9
3-1-2001	36,350	1-7-2001 to 28-10-2001	49,744	1,152	1,152	-	18 60	20 92
	1,26,000	29-10-2001 to 31-3-2002	66,198	1,152	1,120	21 18	38 18	13 44
31-7-2001 (Extended delivery schedule)	1,42,950	-do-	1796	1,120	1,120	-		
		1-4-2002 to 30-6-2002	22,204	1,120	600	115.46	14 39	-
		-do-	3,000	Payment 600 withheld		-		
	2,68,950		2,68,938			181.02	152.08	40.64

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

In their written reply, the State Government/Company stated as under.—

"P.O. was placed on M/S EMCO Ltd. Dadra for supply, delivery & installation of 268950 Nos. Electronic Meters with MCBs @ Rs 1290/- (1215/-+75/-). The delivery period provides "The supply, delivery & installation will commence within 2 months from the date of receipt of purchase order and completion of total ordered quantity within six months thereafter in equal monthly lots." As per the delivery schedule the firm was to complete the order by 3-4-2001

The lower rate of Rs 1152/- was finalized by SHPPC in 12/2000. But as the delivery period was not over the counter offer could not be given to the firm. After completion of the delivery period i.e. 3-4-2001 counter offer @ Rs 1152/- was given to the firm and delivery period was extended up to 31-7-2001

Subsequently, the rate was reduced to Rs 1120/- on 25-10-2001 in respect of meters yet to be supplied/offered by the various firms. Accordingly the supplies made/material offered by M/S EMCO Ltd after 25-10-2001 have been accepted @ Rs. 1120/- with penalty. The firm completed the supplies up to 31-12-2001 whereas lower rate of Rs 600/- per meter was finalized by SHPPC w.e.f. 1-4-2002. Similarly for installation of meters the lower rates as finalized from time to time have been offered to the firm.

It was only after the completion of the delivery period i.e. 3-4-2001 that counter offer can be offered to the firm and the same has been offered in respect of the material yet to be supplied by the firm.

The liquidated damages have been charged after expiry of delivery period as per Board of Director's decision dt 19-6-1980 & dt 30-1-2000 Initially delivery period was upto 3-4-2001 so no liquidated damages were charged on 88068 Nos meters received upto 3-4-2001 The delivery period was extended for supply of balance meters upto 31-7-2001. No liquidated damages were charged on 53492 Nos meters received upto 31-7-2001. L.D. were charged on 89450 Nos metered received after 31-7-2001.

The case regarding rate to be offered to the firms over different periods of times taking the number of meters offered by the firm was considered by the Board of Directors in its meeting held on 13-9-2002 wherein it was decided that lower rates would be applied on the basis of meters installed by the firm during the delivery period. This decision was not implemented as it was considered advisable to get it reviewed from legal angle and the case was, therefore, sent to Advocate General Haryana to review in respect of various rates to be applied

Meanwhile, the firm has gone for arbitration Director 'OP' has been appointed arbitrator by Designation in the case The firm submitted its application Nigam has decided to defend the case in line with BODs earlier decision dated 13-9-02 The Nigam has filed its reply on the basis of BODs decision dated 13-9-02 and counter claim amounting to Rs 4.58 Crores Next date of hearing is fixed for 26-5-04

Further it is intimated that cover in the shape of BGs, withheld payments and cash deposit is available with this office "

The Committee observed that the arbitrator be appointed from other department who have long time for retirement so that they are not changed time and again. The Committee further recommends that Nigam should prefer to go to the Civil Court instead of appointing arbitrators.

2.1.13

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

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

Acceptance of delayed supply of 32,388 electronic meters by UHBVNL at Rs.1,120 per meter (including Rs 250 being cost of MCB) resulted in extra expenditure of Rs 54 41 lakh when compared with the lower rate of Rs 702 paid in January 2002 by Punjab State Electricity Board

In their written reply, the State Government/Company stated as under —

"The SHPPC in its meeting held on 25-10-2001 while finalizing the rate of S/Phase Meters, *interalia*, decided as under —

"In case any firm fails to supply the prescribed quantity during prescribed supply period, the remaining quantity for that period as well as any subsequent supply may not be accepted "

Subsequently, when a number of firms did not complete their supplies as per prescribed supply period, the issue was brought to the notice of SHPPC in its meeting held on 26-3-2002. Keeping in view that finalization of new tender was likely to take some time and to avoid interruption of supply, the SHPPC, *interalia*, decided as under:—

"The balance quantity of meters may be accepted either by levying as penalty upto 5% on account of delay in delivery of material as per Clause-9 (IV) of P.O. or to allow rates to be finalized in the new rate contract against tender enquiry no QD-121 which is under process whichever is economical to be Nigam with the following conditions.—

- (1) The Firm shall give an undertaking for accepting the lowest rates either to be finalized as per new rate contract under tender enquiry No. QD-121 or, by levying a penalty of upto 5% on account of delay in delivery of the material as per clause-9 (IV) of the PO, whichever is lower for the supplies to be received after 31-3-2002
- (2) The firms shall raise an interim bill at unit F.O.R. destination price @ Rs 1120/- (inclusive of all) subject to deduction of penalty charges as applicable. In case the rates finalized against new tender enquiry no. QD-121 are lower than the rates arrived at after deducting penalty, payment shall be made as per these rates.

The committee also decided that the delayed supplies shall be accepted by the Nigam upto 31-5-2002

In pursuance of above decision, the delayed supply of 32500 nos meters were accepted by UHBVN with levy of penalty and undertaking with the approval of WTDs.

Later on, in the SHPPC meeting held on 12-10-2002, the rate of S/Phase meters against tender enquiry no QD-121 was finalized as Rs 600/- per meter with MCB and the payment for meters received after 31-3-2002 was made @ Rs 600/- per meter "

During oral examination the representatives of the Government stated that delayed receipt of meters was due to delayed inspection by the corporation staff and detailed report would be submitted to the Committee. The Committee recommended that the Committee be apprised of the reasons of delay in conducting inspection. Who is responsible for this delay? A detailed report in this regard be supplied to the Committee.

2.1.15 Non-implementation of decision for amending warranty clause.

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

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

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

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

In their written reply, the State Government/Company stated as under —

“The tender enquiry against World Bank loan was floated for procurement of 3 lac single phase electronic meters against package 21-A, 21-B & 21-C. The bidding documents for these packages were approved by the WTDs in their in house meeting held on 27-7-99. The warranty clauses was provided of 12/18 months instead of 5 years. This tender enquiry could not mature and was dropped. The Nigam again floated tender enquiry No. QH-2274 & 2275 for the procurement of meters stipulating same warranty

clause i e of 12/18 months and P.O No HH-5087 dated 26-7-2000 and HH-5088 dated 3 8-2000 was placed on M/s EMCO Ltd , for supply 2,68,950 Nos and 80,000 Nos single phase electronic meters containing warranty clause of 12 months from the date of receipt and 18 months from the date of despatch The tenders quote their rates with due consideration of warranty clause stipulated in the NIT In case of longer warranty, higher rates are quoted to take care of likely additional expenditure that may have to be incurred on repair/replacement of supplied material. In instant case, Nigam received competitive rates corresponding to the warranty period of 18 months provided in the NIT. So, Nigam has not suffered any loss on this account

SHPPC in the meeting held on 28-12-2000 & 25-10-2001, finalized lower rate of Rs 1152/- and Rs. 1120/- respectively for supply of single phase electronic meters with MCB Lower rates for delayed supplies were levied on M/s EMCO Ltd The Nigam could not change the terms & conditions of the PO unilaterally However, as per warranty clause of the P.O. placed on M/s EMCO Ltd., the warranty of the defective/damaged meters was extendable for full another year from the date of its replacement/repair In view of above, the firm could not be asked to enhanced the warranty period

The assumption of the audit that UHBVN would be deprived of the benefit of repair/replacement of 86,120 meters valuing Rs 9.65 crores due to short warranty period of four years is also not correct Field units have been asked to ensure that meters getting defective/damaged within warranty period should promptly be got replaced from the concerned companies As on today, only 7265 supplied by the firm have been reported to be defective and matter is being pursued with the firm to replace the meters Both Nigams have sufficient warranty cover to recover the cost of the meters in case firm does not replace the meters "

The Committee desired the corporation to examine the matter again as to whether the warranty period was five years or not and intimate the results to the Committee.

2.2 Haryana State Industrial Development Corporation Limited

(Review)

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

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

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

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

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

* Promoters: Shri Brij Moan Gupta and Shri Vijay Aggarwal

** Valuer: Sh. T.K. Chatterjee

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

In their written reply, the State Government Company stated as under :—

"Matter of record

The Corporation accepted the collateral security offered by the company on the basis of Advocate's Search Report and Valuation Report of an approved valuer submitted by the company as per the procedure.

The Company approached the Corporation in March, 1998 for Working Capital Term Loan to increase viability of the project by increasing its level of operations. The company was regular with the Corporation as well as its banker. However, it had a dispute with HFC. It purchased equity shares of HFC and availed bridge loan against working capital from it. It requested HFC to adjust this bridge loan against the shares purchased by it earlier out of its working capital funds, whereas HFC was insisting to convert this bridge loan into Working Capital Term loan at an interest rate of 23%, which was not acceptable to the company. It was hopeful of resolving this issue with HFC. Since, the Company was regular with HSIDC and its banker, the corporation did not insist on compliance of this condition.

The company again approached the Corporation for further disbursement offering additional collateral security when a letter was received from HFC regarding default committed by the company, including default against the bridge loan. The disbursement to the company was stopped. However, the Corporation received another letter from HFC informing that the amount has been rescheduled and the sale notice u/s 29 of SFCs Act, 1951 has been rescinded. BM, HFC was instructed to issue letter to the company in this regard. In view of this, the Corporation made disbursement of the eligible amount to the company. The balance WCTL was cancelled due to shortfall in security and its default with OBC as published in newspaper.

The balance collateral security in the shape of agriculture land at Ahmedpur, Distt. Sonapat has been got demarcated and Corporation proposes to take over this property shortly u/s 29 of SFC's Act & sell it to recover its dues. As mentioned earlier, the Corporation had disbursed loan after accepting the collateral security on receipt of the valuation made by an approved valuer submitted by the company, as per the prevalent procedure.

Reply to the observations has already given above. Further, the Corporation had not insisted upon compliance of condition relating to credit worthiness report from HFC on the request received from the Company."

The Committee recommended that the latest position of recovery of amount be intimated to the Committee.

2.2.8 M/s Mentha Agro-Chem (I) Pvt. Ltd.

16. The Company sanctioned (March 1999) a term loan of Rs. 83.64 lakh to Mentha Agro Chem (India) Pvt. Limited, Sonapat (unit)** for manufacturing menthol bold crystal. The terms and conditions, *inter alia*, provided that the unit would

** Promoters: Daya Nand Jain and Ishwar Singh Jain

provide collateral security equivalent to 100 per cent of loan amount and get the working capital limit sanctioned before disbursement of last 50 per cent of loan

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

Thus, due to acceptance of collateral security based on incorrect search report of the advocate and failure of the Company to ensure the genuineness of the report and relaxing the condition for arranging working capital, the recovery of Rs. 1.09 crore (principal, Rs. 82.80 lakh and interest Rs. 25.81 lakh) as on March 2003 had been put at stake.

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

In their written reply, the State Government/Company stated as under —

"Matter of Record

As per practice, the condition regarding arrangement of working capital funds is generally relaxed on the basis of in principle approval by some bank to provide working capital assistance to the borrower but the actual disbursement of funds is invariably made by the bank after actual implementation of the project. In greenfield projects like this project, this condition is stipulated to pressurise the borrower to get the working capital expeditiously. Stoppage of further funding otherwise, would kill the project endangering funds already committed.

The disbursement was therefore made to the company relaxing the condition regarding sanction of working capital limits as Company submitted in principle approval from PNB for consideration of its application of the company for the same.

It was expected that the bank would provide the requisite working capital funds once the project is fully implemented.

The company started defaulting due to severe recession in this industry and

import of Menthol Bold Crystals from China in Indian Market. The Corporation has not been able to sell this unit despite putting it on auction a number of times due to these reasons. The property at Village Malikpur, Model Town, Delhi was shown to the officers of the Corporation which was assessed by him for Rs. 0 84 crore and disbursement was released to the company. It was subsequently found that the company had mortgaged the property which was acquired by Delhi Development Authority in 1966 and allotted to a Cooperative Housing Society. The Corporation has filed an FIR with the Police Deptt. Sonapat against the promoters as well as the owner of the property. Action against the Advocate is also being initiated.

An FIR has been filed against the promoters and the owner of the collateral security with Police Deptt. Sonapat for submitting fake documents. Legal Department of the Corporation is also initiating action against the Advocate for submitting incorrect Search Report.

The Corporation accepted the collateral security based on Search Report of the Advocate as per procedure. The Corporation cannot ensure the genuineness of the Advocate's Report since he is an independent professional. As explained earlier, the condition for arranging working capital from the banker of the company viz. PNB was relaxed since it agreed in principal to provide working capital funds to the company once the project is implemented. The stoppage of disbursement mid way would have killed the project, endangering funds already committed. The recovery of amount disbursed to the company cannot be said to be at stake since the primary security mortgaged to the corporation and taken over by it is still to be sold off.

An FIR has been filed against the promoters and the owner of the collateral security with Police Deptt. Sonapat for submitting fake documents. Legal Department of the Corporation is also initiating action against the Advocate for submitting incorrect Search Report. Action is also being taken against the defaulting officer(s). "

The Committee recommended that the matter be followed up sincerely to recover the amount and the Committee be intimated about the latest position of recovery.

2.2.9 M/s Capsil Laboratories (P) Ltd.

17. The Company sanctioned (March 2000) a term loan of Rs. 72 lakh to Capsil Laboratories (Pvt.) Limited (unit)* for setting up a pharmaceutical unit in district Sonapat. The unit was required to furnish a collateral security of 75 per cent of the amount of loan and furnish sanction of working capital limit from the bank before availing last 50 per cent of the loan. The unit offered (July 2000) a plot situated at village Badarpur (New Delhi) as collateral security valuing Rs. 78 lakh along with Advocate's* search report. The Company accepted this security without verifying the title from the revenue record and released Rs. 26.94 lakh in July 2000 and Rs. 9.06 lakh in October 2000. The Company further disbursed Rs. 15.05 lakh in March 2001 by relaxing the condition of sanction of working capital limit till next

Promoters: S Baljit Singh and H N Lal

* Advocate Savita Prabakar

promoter of unit had misappropriated the loan released to the unit and had furnished fake collateral security. On the basis of above complaint, the Company verified the documents of the collateral security, and found that the signatures of the sub-registrar, secretary and representatives of seller in the sale deed were forged.

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

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

The management stated (February 2003) that net realisable value of the assets mortgaged to the Company did not match with the balance outstanding and as such after disposal of the primary security, the amount would be recovered through recovery certificate. The Company further intimated (July 2003) that the matter was under investigation for taking action against the Advocate and concerned officer responsible for accepting the defective security.

In their written reply, the State Government/Company stated as under —

"Matter of record

As per the procedure, the title of the security is cleared by the Legal Department of the Corporation on the basis of satisfactory Advocate's Search Report. Accordingly, on acceptance of this security, the disbursement was released to the Company.

As per practice the condition regarding arrangement of working capital funds is generally relaxed on the basis of in principle approval by some bank to provide working capital assistance to the borrower but the actual disbursement of funds is invariably made by the bank after actual implementation of the project. In greenfield projects like this project this condition is stipulated to pressurise the borrower to get the working capital expeditiously. Stoppage of further funding otherwise, would kill the project endangering funds already committed. The disbursement was therefore, made to the Company relaxing the condition regarding sanction of working capital limits as Company submitted in principal approval from the Bank for consideration of its application for the same. It was expected that the bank

would provide the requisite working capital funds once the project is fully implemented

The unit was required to furnish sanction of working capital limit from the bank before availing last 50% of the loan. The unit offered (July 2000) a plot situated at village Bahapur (New Delhi) as collateral security valuing Rs.78.00 lacs alongwith Advocate's Search Report

The condition regarding sanction of Working Capital Limits from the bank before last 50% of the loan was relaxed since the company submitted in principle approval of the bankers.

On receipt of a complaint from ex-employee of the Company, the Corporation investigated various issues made in the complaint. The promoter of the Company was asked to bring the owner of the collateral security to the Corporation for verification. The veracity of the documents of the security was also examined. On finding a number of incongruities in the documents, it was decided to file an FIR against the promoters.

After the unit was taken over by the Corporation for recovery of its dues, the promoters made payment of Rs 2.00 lacs and promised to substitute the collateral security to the satisfaction of the Corporation. The unit was therefore, restored to the promoters, but the deemed possession was kept with the Corporation, so as to keep pressure on the promoters to make payments as per its commitments. However, the promoters failed to clear default as well as provide alternate security. Therefore, the possession was again taken in Nov, 2002. A bid of Rs 12.00 lacs has been received against tender notice issued in Indian Express. Maximum bid notice has been issued to attract better bid. The Corporation disbursed loan to the Company as per the procedure after verification of the title of the collateral security by its Legal Deptt. on the basis of Advocate's Search Report. Further, the Corporation stipulated at the time of sanction of loan that the Company would arrange requisite working capital limits before full disbursement of loan and implementation of the unit. This is a pressure tactics to ensure sanction of working capital to the Company before complete implementation of the project. However, the Corporation has to relax this condition in a number of green field projects, so that the implementation of the project is not hampered due to shortage of funds and the funds already committed are not endangered. The Corporation has to put the primary security mortgaged to it for sale, to recover the amount due. Recovery Certificates have also been issued against the promoters/guarantors under Haryana Public Monies Recovery of Dues Act.

The Corporation had sought explanation of the advocate Smt. Savita Prabhakar who informed that her Search Report was correct. This matter is being further investigated by the Legal Deptt.

Action is also being initiated against the concerned officer(s) responsible for accepting the defective security.

The Committee recommended that sincere steps be taken to recover the balance amount.

2.2.10. M/s Euro Plywood Company Pvt. Ltd. Sonapat

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

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

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

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

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

In their written reply, the State Government/Company stated as under :—

“Matter of record.

The Unit did not start production since the Boiler installed was not working satisfactorily. Hence, the Company could not repay the principal as well as interest.

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

** Valuer: M/s Aggarwal and Associates

Total assets taken over u/s 29 of SFCs Act were compared with the assets financed by the Corporation when inventory list drawn at the time of taking possession was submitted to Head Office of the Corporation. It was found that a number of items financed by the Corporation were missing. The Branch Office was asked to file an FIR against the promoter, which resulted in delay in filing FIR, which is regretted. The Corporation received a bid of Rs 31.00 lacs at the time of first auction. This was Pay Order for Rs 100 lac by a buyer brought by the promoter namely Shri Vijay Kumar of New Delhi. Therefore, the bid received was rejected and confirmation was sent to the bidder brought by promoter. However, no payment was received, resultantly the fresh offers were called. The Corporation did not receive a better bid even after seven attempts, hence it was decided to dispose of the primary alongwith adjacent collateral security of agriculture land for Rs. 31.00 lacs, since the value of the assets was depreciating and additional security expenses were mounting.

The Corporation has issued Recovery Certificates against the promoters/ guarantors of the Company for recovery of the balance amount as arrears of land revenue.

As mentioned earlier, the Corporation finances Green Field Projects for development of industry in the State. To pressurise the new entrepreneurs to arrange necessary working capital before the complete project is implemented. A condition is stipulated that they would arrange the necessary working capital when 50% of the amount sanctioned has been disbursed. The stoppage of disbursement mid-way leads to delay in implementation of the project endangering the funds already committed. The Corporation has now decided to discontinue this stipulation as per review held with CAG. Instead it would extend need based working capital simultaneously to such applicants under its working capital term loan scheme at time of sanction of term loan."

The Committee recommended that action be taken against the officers/ officials who submitted wrong report after verification. The Committee further recommended that the Committee be intimated about the action taken in this regard.

2.2.12 Acceptance of defective collateral security.

M/S. Natural Fragrances (P) Ltd.

19 The Company sanctioned (January 1998) a term loan of Rs. 1.25 crore to Natural Fragrances (Private) Limited, Sonapat (unit)* for manufacturing menthol bold crystal. The terms and condition of sanction, *Inter alia*, provided that the unit would provide 100 percent collateral security. The unit provided collateral security of

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

agricultural land at Mathura Road near Apollo Hospital valuing Rs. 1.42 crore, which was accepted on the basis of valuation report (February 1998) given by the valuer* and the search report by an advocate**.

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

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

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

In their written reply, the state Government/Company stated as under:-

"Matter of record. The valuation of the collateral security was accepted on the basis of Valuation Report from the approved Valuers submitted by the promoters as per the procedure prevalent at that time.

The Corporation relied upon the Valuation Report since there was no procedure for cross checking the valuation made by the Valuer's Firm and identifying the exact location of the property, at that time. The Corporation has modified its Policy now, according to which the Valuation made by the Empanelled Valuer is cross checked by the officer of the corporation and the exact location of the property is identified by the officer of the Legal Deptt.

Due to constant follow up of Recovery Certificate against the promoters/guarantors and Criminal Complaint filed against them for missing machinery, Sh. Raman Pandoi, the promoters of the company visited the office of the Corporation on 02.03.2004 and submitted proposal for one time settlement of the account at Rs. 1.00 crore and gave 16 (sixteen) post dated cheques for Rs. 8.00 lacs (Rs. 50,000/- each) out of which two cheques have already been realised in the month of March, 2004, itself. The proposal of the Company for OTS is under consideration.

* Valuer Shri T. K. Chatterjee

** Advocate Shri Parmod Kumar Bhagat

The Company has already approached the Corporation for OTS which is under consideration, the explanation had been sought from Valuer Firm as well as promoters, and the Valuer Firm has intimated that the concerned Valuer has expired in 1999. Further, FIR has been filed against the promoters for missing machinery and Recovery Certificates against the promoters / guarantors have also been issued. The matter relating to action against the Defaulting officer(s) is also being examined."

The Committee recommended that responsibility be fixed for this lapse. What action has been taken against the valuer/advocate and others? Details be supplied to the Committee.

2.2.13 M/S Kundan Lal Ransingh Agro Products Pvt. Ltd.

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

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

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

In their written reply the State Government/Company stated as under :—

"Matter of record. Although the collateral security was in the form of agriculture land scattered over 2-3 different locations. It was got demarcated from the Revenue Department and was taken over by the Corporation.

In 1998, the Corporation used to accept collateral securities based on

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

** Valuer: Mr. Shashi Sharma.

*** Locations: Agricultural land at Karnal.

the valuation report from approved valuers submitted by the Company. However, its net realisable value is assessed again at the time of sale of these properties.

The Corporation filed an FIR against the promoters as well as the approved valuers with the Police Department Karnal for mis-guiding it by giving wrong valuation of the property. The matter was investigated by the Police Deptt., and it informed the Corporation that the valuation report of the property at the time it was mortgaged, was correctly assessed at Rs. 80.00 lacs. Hence, it closed the case.

The Corporation made all out efforts to sell the properties mortgaged to it and sold primary and collateral security Rs. 64.00 lacs thus recovering Rs. 45.84 lacs. For recovery of the balance amount, it is following up Recovery Certificates issued against the promoters and guarantors through Collector Karnal.

The Committee recommended that matter be pursued again as huge amount is outstanding. The Committee further recommended that the Police case against the valuer, which was closed by the Police, be got reopened.

2.2.17 Possession of units

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

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

In their written reply the State Government/Company stated as under

"The Corporation has sold 16 units in the five years period under audit. It is true that the corporation holds frequent auctions to dispose off the assets taken over at the assessed value. An Asset Sale Committee has been constituted last year to take a pragmatic view on sale of assets at prevalent market realizable value of the mortgaged assets so as to save expenditure on security and avoid locking of funds."

The Committee recommended that full details of such type of units which were sold during the years from 2000 to 2004 together with the price

at which these were sold along with the names of purchasing parties be supplied to the Committee.

2.2.21 Doubtful recovery

22. Promoter of Kool Breweries Limited, (unit)* requested (February 2000) the Company for equity participation of Rs 3 50 crore in its project for manufacture of beer at Dharuhera which was to commence production from April 2000. The BOD accorded approval in March 2000. Accordingly, an assisted sector agreement was entered into (April 2000) with the promoter for equity participation. The disbursement was made from May 2000 to August 2001. As per buy back clause of the agreement, the buy back was due in May 2003 i.e., three years after first disbursement. However, the unit could not commence commercial production (July 2003) and as such chances of buy back of shares were remote.

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

In their written reply the State Government/Company stated as under :—

"As per company's letter dated 17.3.04, it has been mentioned that the project is expected to be completed in April 2004 since the commercial production has been delayed as such the promoter of the company has requested us to allow 2 years for buy-back HSIDC shareholding after start of commercial production. The matter is under consideration (Annexure-V) "

During oral examination the representatives of the Government admitted that it was not a good decision for investment. **The Committee decided to keep the paragraph pending as the matter is still under consideration of the corporation for recovery.**

2.2.22. Doubtful recovery due to lack of timely action

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

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

*Promoter Shri Damanjit Singh

Thus, failure of the Company to ensure personal guarantee of the directors and the change of status in management of the unit had put the recovery of Rs 2 85 crore at stake. The management stated (July 2003) that action against the defaulting officers could not be taken due to untimely death of Head of Department of equity branch. The reply was endorsed by the Government in August 2003. Reply was not tenable as the action could have been completed by his successor.

In their written reply the State Government/Company stated as under.—

"HSIDC had invested Rs. 58 lacs in Jersey India Ltd (JIL) in pursuance to the assisted sector agreement dated 29.9.93 which was executed between HSIDC and Modi Steel Ltd. As per provision of agreement, the buy-back was to become due in the September 99. Sh. N. K. Modi was only a director of MSL and as per agreement no individual was responsible to buy-back the HSIDC equity. The undertaking of MSL was obtained in this case while allowing financial assistance to JIL. When the amount of buy-back became due HSIDC wrote letters to Sh. N. K. Modi who was MD/JIL at that time, for buy-back of equity as per agreement. In his response he informed that JIL has been declared a sick unit and this issue would be sorted in the rehabilitation scheme being prepared by ICICI, the operating agency appointed by BIFR. It was also informed by him that MSL is being controlled by his elder brother with whom they had separated by way of family agreement. He also informed that MSL was not doing well and they needed time to fulfill their commitment. The matter was brought before Sub-Committee/BOD, HSIDC on 11.1.2000 which deferred the matter for want of any concrete proposal for payment of equity.

As already explained in previous reply that split in the Modi family was occurred in 1996-97 due to which some family members who were directors on the Board of MSL/JIL were changed. As a result of which Sh. N. K. Modi became MD/JIL. The promoters of JIL i.e. MSL remained unchanged. Moreover at the time of split in the family i.e. during 1996-97 the buy-back of the HSIDC was not due. In the above circumstances action against the promoters for recalling/recovering the equity was not justified considering the fact that the project was fully implemented and commercial production was started in 1994.

After the equity became due in September, 1999 HSIDC issued registered notices to the promoters for payment of buy back amount and subsequently on non-payment of the same Recovery Certificate were issued to the concerned officers at Patna/Delhi against the promoters i.e. MSL. A fresh RC to the Collector, Kolkata has also been issued recently.

Further an action against the defaulting officers which was dropped earlier, is being re-initiated now."

The Committee decided to keep the paragraph pending till the decision of the BIFR.

2.3 Haryana Tourism Corporation Limited

(Review)

2.2.3 Organisational set up

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

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

In their written reply, the State Government/Corporation stated as under –

"It is true that the overall control and management of the affairs of the Corporation is vested with the Board of Directors and the Managing Director works under the overall superintendence, control and direction of the Board of Directors. As per the Articles of Association, the total strength of the Board is not less than two and more than eleven. As on 31st March 2002, there were ten directors and one vacancy was there on the Board. Out of ten Directors, the Managing Director is the only whole time Director. There are three non-official Directors including the Chairman. Further, there is one permanent Non-Official Special Invitee also on the Board. It is also true that there were frequent changes in the office of the Managing Director during the year from 1998-99 to 2004-05.

The Managing Director being the Chief Executive Officer is assisted at HQ various officers like, General Manager (A), Chief Engineer, General Manager (Purchases), General Manager (Management), Chief Accounts Officer, Company Secretary, Architect, Deputy General Manager and Divisional Manager."

The Committee recommends that the tenure of the Chief Executive of the Corporation should not be less than four-five years.

2.3.8 Non-availment of sponsoring amount for marketing activities

25. The Company invited (April 2001) tenders for exclusive selling rights for supply of aerated cold drinks in all its tourist complexes during 15 May 2001 to 14 May 2002. The suppliers were asked to indicate the rates separately for sole selling rights along with their offer of sponsoring amount. Kandhari Beverages Limited,

Chandigarh was awarded (18 May 2001) the contract for exclusive rights for supply of coke in all the complexes of the Company and was asked to pay a lump sum sponsoring amount of Rs 20 lakh. The supplier, however, clarified (28 May 2001) that it was not possible to provide the marketing support amount as up front cash and amount would be spent directly as per mutual agreement on marketing activities as already agreed in its offer. Accordingly, the Company conveyed (18 June 2001) the amended clause and the date of commencement of the agreement was extended to 25 June 2001.

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

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

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

In their written reply the State Government/Corporation stated as under –

"It is correct that M/s Kandhari Beverages Limited, Chandigarh was awarded the contract of exclusive rights for the sale of aerated soft drinks at the complexes of HTC as per our letter dated 18.5.2001. It was clearly mentioned in clause No 1 of the said letter, that M/s Kandhari Beverages Limited would pay Rs 20.00 lacs to Haryana Tourism Corporation on account of brand promotion fee through sole selling rights in lumpsum or at the most in two equal installments i.e. 1st at the time of award and the 2nd installment after three months. It was also been mentioned that HTC should be free to utilise this amount for whatsoever purpose, it may deem fit.

It is also correct that M/s Kandhari Beverages Limited *vide* their letter dated 28.5.2001 had not agreed to pay the amount as upfront cash and had agreed to spend the amount on marketing activities as per mutual agreement on various activities but in the letter dated 21.5.2001 of M/s Kandhari Beverages Limited, it had been mentioned that the MD, HTC had asked them to deposit Rs 20.00 lacs in the form of cash and the authorised representative of M/s Kandhari Beverages Limited clarified that

the same amount would be spent as per mutual agreement between Haryana Tourism and Coca cola for various activities. In the letter dated 21.5.2001 of M/s Kandhari Beverages Limited it has also been clearly mentioned that "it was thus mutually agreed that the amount of Rs.20.00 lacs would be spent on marketing activities "

Accordingly after series of discussions, HTC vide its letter dated 18.6.01, in suppression of HTC letter dated 18.5.2001 and M/s Kandhari Beverages Limited letter dated 21.5.2001, issued revised letter informing M/s Kandhari Beverages Limited regarding acceptance of their offer for exclusive rights for sale of soft drinks on various terms and conditions indicated in the letter which included that M/s Kandhari Beverages Limited would pay Rs 20.00 lacs to HTC on account of their brand promotion which will be spent as per mutual agreement between HTC and Coca Cold purely for marketing activities and programmes involving all HTC outlets. While acknowledging the above said letter dated 18.6.2001, M/s Kandhari Beverages Limited raised certain objections to some of the clauses except Clause No 1 which implies that the clause regarding payment of Rs.20.00 lacs to HTC was acceptable to them and another letter dated 22.6.2001 had been issued by HTC clarifying on the observations recorded by M/s Kandhari Beverages Limited on letter dated 18.6.2001.

M/s Kandhari Beverages Limited violated the terms and conditions of the contract as they failed to give an affidavit/undertaking as per clause 12 and also failed to deposit the amount of Rs 20.00 lacs on account of brand promotion fee.

When M/s Kandhari Beverages Limited was asked to sponsor Malkiat Singh Night at Surajkund vide letter 13.8.2001 and 22.8.2001 respectively, then they failed to do so putting HTC in an embarrassing situation. Again they had been asked to sponsor Gurdasman Night at Oasis on 29.5.2001 and Hissar on 1.10.2001. The estimated expenditure agreed was Rs.3.50 lacs but vide their letter dated 15.9.2001, they inflated the same to Rs 7.00 lacs which was breach of trust/commitment. No such proposal of sponsorship after initial agreement could be finalised because of back trekking by M/s Kandhari Beverages Limited which resulted adversely on the creditability of Haryana Tourism Corporation.

A notice was given to M/s Kandhari Beverages Limited on 20.9.2001 for calling off the contract and its reply being found not satisfactory, a legal notice had sent on 5.11.2001. The matter had also been placed before the BOD in its 111th meeting wherein the BOD had been apprised in detail about the problem faced in getting the amount from M/s Kandhari Beverages Limited and cited reasons for cancellation of the contract and accordingly BOD approved the action taken by the Managing Director.

Since M/s Kandhari Beverages Limited failed to deposit the requisite amount of sponsorship, the HTC has invoked the arbitration clause in the agreement/terms and conditions and accordingly an Arbitrator has been appointed to adjudicate the dispute for the recovery of Rs 19 00 lacs. The Arbitrator has given the award of Rs 9 50 lacs in favour of Haryana Tourism Corporation Ltd M/s Kandhari Beverages Ltd however, is yet to pay the award amount decreed in the award "

The Committee decided to keep the paragraph pending being the matter sub-judice **The Committee further recommended that the court case be pursued vigorously.**

Para No. 2.3.9 to 2.3.17: Performance of Tourist Complex, Puffin Tourist Complex, Operation of Motels, Occupancy Ratio, Dormitory Accommodation, Catering, Food Costs in Restaurants, Fuel Cost and Cost of Electricity.

2.3.9 Performance of tourist complexes

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

Year	Number of working complexes	Total operational surplus (excluding depreciation and overheads) (Rupees in lakh)	Units which earned profit			Units which incurred losses		
			Number	Percentage of total units	Amount (Rupees in lakh)	Number	Percentage of total units	Amount (Rupees in lakh)
1997-98	43	589 80	24	56	529 36	19	44	54 22
1998-99	45	696 65	25	56	626 62	20	44	63 71
1999-2000	45	513 64	19	42	388 61	26	58	143 73
2000-01	46	654 49	22	48	535 77	24	52	112 00
2001-02	42	862 82	25	60	797 79	17	40	62 48

A review of loss making complexes revealed that 14** complexes set up during 1974 to 1995 had been consistently running in losses, which accumulated to Rs. 2 70 crore during the last five years ended March 2002 The Company closed only four*** loss making complexes during June 2000 to February 2001 No review of the remaining 10 loss making complexes was made by the Company.

Abubshehr Chandigarh, Meham, Mussoorie and Sonapat

* Hansi, Pehowa and Rai

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

*** Abubshehr, Meham, Mussoorie and Sonapat

Puffin Tourist Complex, Chandigarh

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

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

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

Accommodation

Operation of motels

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

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

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

Occupancy ratio

2 3 12 The Company had neither fixed any targets for occupancy ratio nor worked out break-even point to run its motels. A summarised break-up of the occupancy ratio of motels for the last five years ended March 2002 is given below:

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

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

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

Dormitory accommodation

2 3 13 The Company constructed (December 1992 to November 1993) dormitory type budget accommodation at nine** tourists complexes. Out of nine, dormitory

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

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

accommodation at eight complexes was made available to tourist for use during November 1993 to December 1996. The dormitory facility at Hodal complex (cost Rs 6.46 lakh), which was constructed in February 1993, had not been opened to tourists (July 2003) for which no reasons had been assigned by the management. Occupancy of dormitory accommodation of seven complexes ranged between zero (three complexes) and 33 per cent during the last five years ended March 2002. The low occupancy was due to location of dormitory accommodation in the remote corners of the complexes. The management accepted the audit observation and stated (July 2003) that the Company had decided the alternate use of budget accommodation in the form of staff quarters, stores, offices etc. The fact remained that the purpose of providing cheaper accommodation to tourists had been defeated.

Catering

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

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

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

Food cost in restaurants

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

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

* All the units were providing catering service

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

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

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

Fuel Cost

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

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

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

Cost of electricity

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

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

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

In their written reply, the State Government/Corporation stated as under.—

2.3.9 "The fact given in the paragraph are matter of record."

2.3.10 (a) Puffin Tourist Complex

"It is true that the Corporation was running a Puffin Tourist Complex from a rented building in Sector 2, Chandigarh. The continuation of the guest house in residential area was objected to repeatedly by Chandigarh Administration because of the judgement of the Punjab & Haryana High Court that all Guest Houses operating from the residential areas were to be closed down immediately.

Moreover, a need was also felt for having a Company's Guest House at Chandigarh for stay of the officers visiting Chandigarh. Accordingly with the approval of the Board in 99th Meeting held on 13th January 1999, the Puffin Tourist Complex was converted in a Corporate Guest House. The working of the Guest House was again reviewed by the Board in its 104th meeting held on 28th March 2000 wherein it was decided that the running of Guest House on the lines of Circuit Houses of Haryana should continue. The Guest House was basically meant for the stay of the officers/officials at a very nominal rates. Since it was run as a Guest House on non-commercial basis, its profitability should not be seen on commercial basis.

Meanwhile, a civil suit was filed by the landlord against the Corporation for non-payment of the rent and eviction of the building. The matter was again reviewed by the Board in its 111th meeting held on 29th January, 2002 but it was decided to continue it due to various factors. The working of Puffin Guest House was again reviewed by the Board in its 115th meeting held on 19th December, 2002 wherein it was decided that keeping in view the direction issued by the O/o Chief Secretary Haryana, vide letter No.31 10 02, it may be closed. Accordingly, after taking the approval from the State Government the Puffin Guest House has been closed w e f 28th February 2003 and building was handed over to the landlord and it was also intimated in the court.

Hence the immediate reason for its closure was a direction issued by the O/o Chief Secretary, Haryana vide letter No. 31.10 02 in which it was mentioned that all Guest Houses opened by Boards/Corporations in private houses which are not viable, be closed immediately. So it's not fair to term the expenditure as loss as it was a Guest House for use of the staff and was run on non-commercial basis.

(b) Hornbill Tourist Complex, Mussoorie

The PWD B&R Rest House at Mussoorie (UP) was handed over to the Corporation for running as a Tourist Complex in 1988. In fact, it was not the decision of the Corporation but of the State Government that PWD,

B&R Rest House Building at Mussoorie should be run as Tourist Complex by HTC, so that, proper facilities may be available to the visiting tourists. It is true that low occupancy and remote location of the tourist complex were the reasons for its poor performance. The Corporation tried to improve its performance and the occupancy by introducing the packages but still it could not be improved and ultimately it was decided to return it to PWD, B&R in February 2001. Hence the reported loss of Rs.19.88 lacs is not due to any negligence but due to the circumstances mentioned above

(c) Papiha Tourist Complex

The Papiha Tourist Complex was commissioned in August, 1994 at Fatehabad. Subsequently, at the instance of the District Administration, the Tourist Complex was closed in 1997 as it was converted into an official residence of the Deputy Commissioner, Fatehabad when the Fatehabad was given the status of district HQ. However, as per the decision of Punjab & Haryana High Court on a PIL, it was re-converted into a Tourist Complex. The loss due to its closure as per the directions of the District Administration/State Government and subsequently re-starting as per the decision of the High Court was unavoidable. An abstract of the relevant portion of the judgement of Punjab & Haryana High Court in Writ Petition No 13316/1997, Order dated 14.1.98, observed for its re-starting as under –

“Be that as it may, we trust that the State genuinely means to treat the conversion as ‘temporary’. It would proceed to construct the residence of the Deputy Commissioner as it promises. Thereafter, the complex shall be restored to its original use. The needful in this behalf shall be done on or before December 31st, 1998 and a report shall be filed in Court”

The above abstract shows that there was no choice left with the Corporation in re-starting it. Since it was a direction of the court, it had to be re-started and the same was done as the residents of the town were deprived of its use.

Although the tourist complex remained in losses from the day one, yet its performance is improving day by day, as evident from the following figures:

Sr. No.	Year	Net loss
1.	2000-01	10.49 lacs
2.	2001-02	9.14 lacs
3.	2002-03	5.49 lacs
4.	2003-04	8.50 lacs
5.	2004-05	6.98 lacs

Further, a record sale in the Bar of Rs. 9 70 lacs was made during the financial year 2002-03

2 3.11 No doubt, the financial results consisting of Income & Expenditure and loss as given in the table for the year from 1997-98 to 2001-02 are on the basis of accounts, but the position is otherwise because there are certain complexes whose income goes only in commercial portion like Hotel Raj Hans, Motel and Hermitage Huts situated at Surajkund Fardabad. As per the policy decision of the management, even the non core income of these three properties at Surajkund is taken into account in commercial portion only Hence, the figures of income arrived for the non-commercial position (Room Rent) for the period from 1997-98 to 2001-02 has been tabulated as under :-

1.	1997-98	
	Commercial Income to be treated as Non-comm	445 89
	Non Commercial	491.80
	Total	937.69
2	1998-99	
	Commercial Income to be treated as Non-comm.	414 01
	Non Commercial	594.28
	Total	1008.29
3	1999-2K	
	Commercial Income to be treated as Non-comm.	398 00
	Non Commercial	581.69
	Total	979.69
4	2000-01	
	Commercial Income to be treated as Non-comm	479.90
	Non Commercial	630.71
	Total	1110.61
5	2001-02	
	Commercial Income to be treated as Non-comm	484 18
	Non Commercial	723.16
	Total	1207.34

The above mentioned figures are only of income from room rent (Commercial and Non-Commercial) and other related income of non-commercial side. Further, the variation in the income of non-commercial as mentioned in the audit observations is because of the fact that the element of closing stock has also been taken into account whereas it should have been excluded as closing stock is not an "Income"

2.3 12 Haryana Tourism Acts as a catalyst for providing of infrastructure development in the State Regarding the observation of opening of complexes without any feasibility study, it is clarified that sometimes the complexes are also setup/opened with reference to the scheme for which funds are made available by the Ministry of Tourism, Government of India i.e. for Highway Promotion Scheme, Budget Tourist Accommodation Scheme, Religious Tourist Scheme etc. etc.

Being a State owned Corporation, HTC plays a vital role in the socio-economic development of the State, and enhancing the image of the State, provides facilities of hygienic and ambience to the tourists as well as domestic crowd, develop undeveloped areas etc. etc. However as indicated in the audit para that "60% occupancy in a hotel is acceptable norm", is basically not true. In hotel industry, 60% occupancy throughout the year is very difficult because in every part of the country there are different seasons for tourists inflow not only from within the country, but internationally also.

Overall occupancy of the Corporation, as a whole, ranges between 55% to 65%. The variations at the individual level of the complexes have to occur because of their locations such as on the highway, at the District Head Quarter, in remote areas, in the cities, outside the cities, type of clientele etc. etc. The occupancy is affected by a number of factors which are beyond the control of the management like - 11th September episode of America, Afghanistan War, Kargil Operation, disturbance in J&K and the coming of the new Hotels & Dhabas in the immediate vicinity of HTC Complexes. Although the average occupancy of the complexes of HTC is around 60%, yet it is 55.6% as per the survey of Indian Hotel Industry for the months of January-February, 2001 done by FHRAI.

Further the observation of the Board of Directors in the meeting held in June, 1997 was because of the fact that since there were huge losses during the year 1996-97 and 1997-98 because of introduction of prohibition in the State, virtually no amount was spent on the renovation of the complexes and motels. Since the amount involved in renovation, repair & maintenance was very substantial, it was taken to the Board along with proper justification and after approval of the Board, a number of renovation works were taken up & executed. In fact, the expenditure in question is very small as keeping in view the number of complexes, number of rooms, AC restaurants and Bars, a lot needs to be spent on repairs/maintenance so that our complexes may compete with the facilities provided by the Hotels in the private sector. The experience shows that where the rooms have been renovated, the occupancy has improved as evident from the renovations done in the rooms of Skylark-Panipat and Shama-Gurgaon.

However, proper publicity of the various complexes is being made from time to time. While fixing the room tariff a study of the room tariff of the similarly situated Hotels in that area is also made. Similarly providing of STD/PCO facility at the complexes is always thought of by the management but sometime no private party comes forward to take the premises on lease for providing of STD/PCO facility.

because of its non viability and also non availability of the license by the P & T Department.

2 3.13 The position of the dormitory type accommodations at the complexes is as under

Sr. No	Complex	No. of rooms/beds	Rate (existing)
1	Hodal	2 (Two bedded each)	Rs 100/- per bed
2	Damdama	1 (Eight bedded)	Rs 100/- per bed
3.	Bahadurgarh	4 (Four bedded each)	Rs 100/- per bed
4	Karna Lake Karnal	4 (Two bedded each)	Rs 100/- per bed
5	King Fisher Ambala	3 (Four bedded each)	Rs 100/- per bed
6.	Tilyar Rohtak	4 (Two bedded each)	Rs. 100/- per bed
7	Sultanpur	4 A C Rooms (Converted from Dormitory w e.f 21.8.94)	Rs. 700/- per room
8.	Dharuhera	4 (Four bedded each) Converted into Non A C. rooms w e f 1 2.1998	Rs 100/- per bed Rs. 500/- per room
9.	Badkhal	3 A C Rooms since its commissioning	Rs 900/- per room

It is true that dormitories were constructed in conformity with the GOI's policy for providing facility to economy tourists but it was not success. Sometimes a decision is taken with good intention but it fails because of some reasons. Normally, economy class tourist travels by buses and prefers destination places like Kurukshetra, Jyotisar, Yamuna Nagar or towns etc. So at destinations like Sultanpur, Neelkanthi and at Sohna, it is successful. Efforts were also made to stop buses for night halts but tourists preferred to reach destination.

However, seeing the low occupancy of budget accommodation/dormitories, the Board of Directors of the Corporation in its 117 meeting held on 27th June, 2003 has approved the alternate use of the budget accommodation in the form of staff quarters, stores, offices etc. This has been done keeping in view the demand of the Incharges of the complexes wherein it was felt that there is acute shortage of accommodation at the complexes. Since some of the complexes are situated in the remote areas, the staff working there has to be provided accommodation. This is also necessary keeping in view the long working hours of the staff at the complexes and presence even on weekends and holidays.

Efforts have been made to popularize the availability of budget accommodation at the complexes. In the tariff leaflet/brochure, the tariff of the deluxe and budget accommodation is mentioned alongwith the tariff of other A C / Deluxe accommodation, so that, the visitors may know about its availability.

2 3 14 The Table given in the paragraphs regarding total number of units, numbers of units in losses and the quantum of losses is a matter of record and its needs no further clarification. However, the management is aware of the number of units in losses as the monitoring of the working of the complexes is done regularly, it's an on going process

2.3.15 (a) Food Cost in Restaurants

The concept of Food Cost is in fact the ratio of cost of material consumed with reference to sales. The food cost varies from one complex to other complex due to the following factors

- 1 Pricing of the dishes
- 2 Fluctuations in the prices of raw material
3. Location of the unit (Availability of raw material its prices etc in smaller towns or remote areas)
- 4 Different profit margins in different food items
- 5 Type of food items saleable in different units For example Sale of tea & snacks, sale of non-veg and vegetarian items etc
- 6 Quantum of sale, as higher sales reduces overheads and wastages
- 7 Seasonal impacts. For example summer season Beer sale is more which means more of snacks sale also
- 8 Quantum of ala carte, Fast Food, Banquet/Parties sale etc.
9. Area and type of clientele in parties For example, children parties, kitty parties, students packages and marriage parties etc
- 10 Vegetarian and Non Vegetarian parties (with or without liquor).

In the light of these variable factors, it is not possible to achieve the fixed food cost. Still, efforts are made to keep it at a desired level. Further, the percentage of food cost as given in the Annexure is calculated on the basis of the cooked food items whereas the readymade items like sweets and fruits etc have not been taken into account

It is true that food cost of some of the tourist resorts was over and above of the prescribed limit that is because of the number of variable factors as mentioned above. The food cost is also linked with the snacks sale in a particular complex. The complexes where the snacks sale is more, the food cost will be less and vice-versa

Categorywise %age of Food Cost for the last eight years has been indicated as under :-

Norms: Food cost %age A-35%, B&C - 40%, & D-45%

S. No.	Name of the Unit	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Category A									
1	Red Bishop	28%	28%	27%	29%	32%	25%	24%	22%
2	Ambala	25%	28%	28%	29%	32%	31%	27%	22%
3	Badkhal Lake	31%	33%	34%	37%	37%	36%	32%	34%
4	Bahadurgarh	28%	35%	31%	29%	35%	31%	31%	24%
5	Karna Lake	25%	34%	30%	31%	28%	25%	24%	22%
Category B									
1	Bhiwani	34%	40%	34%	33%	34%	41%	27%	25%
2	Myna (Rohtak)	25%	34%	29%	26%	25%	23%	23%	23%
3	Sohna	26%	30%	27%	33%	30%	31%	29%	27%
4	Hodel	27%	32%	29%	30%	27%	25%	28%	24%
5	Kaithal	27%	37%	30%	30%	30%	25%	23%	23%
Category C									
7	Damdama	26%	30%	32%	34%	36%	43%	35%	28%
8	Flamingo	32%	40%	38%	45%	35%	36%	35%	29%
9	Jind	30%	34%	32%	35%	34%	33%	28%	27%
10	Fatehabad	52%	36%	50%	35%	40%	41%	34%	39%
11	Sonepat/Rai	40%	44%	29%	32%	Closed	23%	23%	19%
Category D									
13	Mansa Devi	30%	49%	39%	31%	31%	34%	34%	25%
14	Morni Hills	37%	52%	48%	63%	31%	38%	33%	27%

A Category : Variations in Food Cost are very minor in Ambala, Badkhal, Bahadurgarh and Karna Lake (Karnal).

B Category :

1. There are slight variations in Bhiwani, Myna (Rohtak), Sohna and Kaithal Tourist complex.

C Category :

1. There are slight variations in Food Cost of Damdama, Flamingo and Jind

2 Due to closure of Red Robin and opening of Rai at Sonapat the Food Cost has come down

3 Fatehabad was opened in December 1998 The complex is in a small town having a low volume of sales and because of that the food cost is higher Nevertheless, efforts were made and accordingly food cost % has come down in 2000-01 to 2004-05

D Category :

1. Morni is in a remote area and far away from Panchkula town and food sale is very low at this place. Efforts were made to send packages and boost up the sales Subsequently position improved and food cost has come down in the year 2004-05

Due to the wide range of variability in food cost due to various factors, it has been felt in recent past that the food cost percentage should be revised for individual complexes Hence the alleged loss of Rs 8.78 lacs is not correct as it is very difficult to maintain the food cost at a fixed level in all the tourist resorts.

2.3.16 Fuel Cost

Similarly wherever the sale of the restaurant/food are less, fuel cost will be more The concept of fuel cost is the cost of fuel used for cooking the food as against the total volume of food sale In normal routine fuel comprises of Gas, Kerosene Oil, Coal, Wood, Electricity etc Notional fuel cost norms were only indicated for the purpose of curbing wastage's, taking control measure to reduce expenditure etc and these cannot be taken as practical fuel cost norms because of below mentioned factors -

- 1 Earlier domestic gas was there which was converted into commercial gas for hotels with quite higher prices
2. The prices of all types of fuel / e Gas, Wood, Coal etc. have gone up many fold may be four to five times in the indicated period.
- 3 Prices of dishes or their revisions don't match with the hike in fuel rates
- 4 Different eating points in one complex means burning of fuel at different places
- 5 Low sales For example even if 2 tandoori chicken, 50 chappaties are sold etc. Tandoor has to be kept functional for lunch as well as dinner which can be same for the place where 500 chappaties are sold
6. Higher sales decreases the fuel cost %
7. Higher banquet / parties or lower
8. Distance from the city.

Fuel Cost %age i.e. 4% for A and 5% for B

S.No.	Unit	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05
Category A									
1	Karna Lake	6.89	5.33	6.09	6.83	3.97	5.54	6.49	6.16
2	Magpie	3.04	2.30	3.22	3.74	4.52	4.98	4.81	4.63
3	Myna	4.58	4.11	4.95	4.14	3.94	5.06	4.49	4.06
4	Oasis (Two)	4.50	3.37	4.09	4.99	3.55	4.63	5.00	4.88
5	Pinjore (Three)	4.06	3.70	7.09	7.57	6.69	5.65	8.53	7.61
6	Red Bishop	3.50	2.55	2.85	3.16	2.95	3.73	4.22	4.96
7	Rai				9.94	6.75	7.11	7.10	5.00
8	Samalkha	4.68	4.34	4.94	8.51	6.44	6.36	7.10	6.19
9	Panipat (Two)	3.83	3.09	3.56	4.64	3.92	4.62	4.52	4.58
Category B									
1	Pipli (Two)	7.28	6.76	7.93	9.30	7.69	10.39	8.74	8.44
2	Pehowa			9.29	13.61		13.63	14.60	12.53
3	Rewari	11.80	5.60	6.93	8.70	8.12	8.55	12.49	9.26
4	Sirsa	5.78	5.21	7.09	6.72	7.69	10.35	7.23	6.63
5	Sohna (Two)	6.70	4.50	5.84	7.55	7.00	10.70	8.53	7.74
6	Sultanpur	6.74	3.83	7.19	8.21	6.30	7.61	8.45	8.61

2.3.17 The Corporation has not fixed any norm with regard to expenditure on electricity by the complex. The consumption of electricity is dependent on various factors like the area of the complex, number of rooms equipments, machinery etc. The expenditure on electricity is more of a fixed nature because proper illumination of the buildings, approach roads and lawns is required to be made as all the complexes are public places and frequented by a number of tourists. Further adequate number of electrical gadgets and kitchen machinery are kept at all the complexes. The expenditure also varies because of scattered activities at a complex. Huge lawns, water bodies, street lights gardens and surroundings need to be illuminated properly at the complexes. However, the expenditure on electricity is being monitored in the DDO's meetings while reviewing the performance of the complex. Instructions to minimize the expenditure on electricity have also been issued from time to time. At some complexes, the land available with the built-up area is very excessive, as evident from the following -

1	Pinjore Garden	55 acres approx
2	Aravali Golf Course, Fbd	70 acres approx
3	Badkhal Lake	206 acres approx.
4	Hotel Raj Hans, Surajkund	77 acres approx.
5	Motel & Hermitage Hut, S Kund	62 acres approx.
6	Tilyar Lake, Rohtak	88 acres approx.
7	Damdama	68 acres approx.
8	Karna Lake, Karnal	45 acres approx
9	Blue Bird, Hissar	52 acres approx

Further, proper lighting and illumination of the building is done regularly whether the sales/occupancy is more or less. Hence it would be incorrect to say that there is a loss of Rs. 1.69 crores on account of non-fixation of the norm for electricity. It's difficult to fix the norm as it would vary from complex to complex depending upon its size and the activities it is running and whether they are under one roof or scattered. The steep rise in the cost of electricity, supplied by HSEB/UHBVNL, over the years, is also responsible for it.

However, keeping in view the audit observation, the Corporation will make an attempt to fix it in near future."

The Committee observed that the officers of the department/corporation have no power to reduce or increase the rates of rooms of the Hotels and Motels whereas the private Hotels and Motels reduce or increase the rates of their rooms seasonally as a result thereof, their occupancy remains good. Contrary to it the rates of rooms of the Hotels and Motels of Tourism corporation remain constant throughout the year which affects the occupancy of the tourist complexes. **Therefore, the Committee recommends that the officers of the tourist complexes. Hotels and Motels may be given power to reduce or increase the rates of rooms to compete with the private Hotels and Motels.** The Committee further observed that private Hotels and Motels introduce scheme like 'happy hours' in their Bars. During these hours Beer and Whisky is served to the customer at cheaper rates. But these types of schemes are not introduced by the tourism deptt./corporation as a result thereof their Bars run in loss. **Therefore the Committee recommends that schemes like 'happy hours' in private Hotels and Motels may also be introduced by Haryana Tourism Corporation in their bars so that they can earn profit and compete with the Hotel industry.**

2.2.22 Non-recovery of license fee

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

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

Thus, due to inaction on the part of DDO to take the possession of site under terms and conditions of the agreement resulted in loss of Rs. 5.19 lakh on

account of lease money, electricity charges and interest etc. No action had been taken by the Company against the concerned DDO (July 2003)

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

In their written reply, the State Government/Corporation state as under –

“The Health Club at Surajkund was leased out for a period of five years (approx.) i.e. w.e.f 19th August 1999 to 31st March., 2004 for Rs 5 50 lacs + electricity charges. The contractor deposited Rs. 0 83 lacs towards 15% security and Rs 0 37 lacs as 1st installments.

As contractor was default in remitting the quarterly installments hence DDO was in continuance in communication with him for realization of dues/outstanding installments on finding all his efforts but in vain. A number of letters were written by GM, Hotel Rajhans, Surajkund to the contractor for recovery of the amount as evident from the details given below -

- 1 HRS/PERS/99/1445 dated 2 12.99
2. HRS/Pers/2000/895 dated 18 5.2000
- 3 HRS/Pers/2K/1735 dated 26 9.2000
4. HRS/Pers/2K/2327 dated 16 12.2000
- 5 HRS/Pers/2001/258 dated 20 3 01
- 6 HRS/Main-II/2001/453 dated 7.5.01
- 7 HRS/Pers/2001/428-429 dated 5.5 2001
- 8 HRS/Acctt /2001/802 dated 11 7 01
- 9 HRS/Acctt /2001/937 dated 22.8.01

It is also a fact that there is a system of membership for use of health club facilities and swimming pool at Hotel Raj Hans. The amount collected by way of membership was Rs 3 81 lacs during that period. The members had been using the Health Club facilities which was run by the contractor during that period. The persons who pay membership fee use the facilities of Swimming pool as well as of the Health Club. Had the health club been closed on account of non-payment of installments, the persons who had paid the membership fee would have been deprived of the use of facilities of health club. Hence no action was taken with regard to locking of premises or cancellation of the agreement with health club contractor but efforts continued to be made for its recovery by way of writing of letters. The GM (Hotel Rajhans) has asked the contractor for

the remittance of Rs 3 10 lacs within 10 days vide letter No. HRS/PRS/2001/428-29 dated 5.5 2001 failing which legal action will be initiated against him for the recovery of outstanding amount and premises of Health Club be got vacated The contractor without clearing the outstanding dues, vacated the Health Club Site on 28 10 2001 vide his application dated 28 10 2001

The Outstanding dues as on 28 10 2001, was as under :—

Quarterly installment 7 Nos @ Rs 36,664/-	2,56,648
Electricity charges @ Rs 5,347 p m.	1,41,264
Total	3,97,912
(-) Amount received on the fall of hammer	36,700
Balance recoverable amount	3,61,212

The DDO made continuous efforts for recovery of default amount of Rs 3,61,212/- but he could manage to recover an amount of Rs 1,65,000/- whereas for the balance amount of Rs 1,96,212/- he approached the Headquarter for adjusting the same from the income received in Hotel Rajhans towards membership fees during the year 1999-2000 i.e. Rs.1,90,500/- (50% amount of Rs 3,81,000/-) vide letter No HRS/Acct/2003/1011 dated 5 6 2003 but Headquarter has not accepted the proposal vide their office letter No HTC/03/CS/3414 dated 17.6 2003, thereafter, DDO filed a civil suit against the contractor in the Civil Court, Faridabad for the recovery of default amount of Rs 1,96,212/- alongwith interest The case is still in the civil court, Faridabad

Being the matter sub-judice, Committee decided to keep the paragraph pending.

Haryana Warehousing Corporation

3.19 Misappropriation of paddy and gunny bales

28 The Corporation procures paddy for central pool and provides the same to millers, who deliver rice to the Food Corporation of India (FCI) after milling. The milling agreement entered (February 2002) with Star Industries Private Limited, Pehowa, *inter alia*, provided that the miller would take delivery of paddy for milling purposes either against the bank guarantee or delivery of advance rice to FCI equivalent to the cost of paddy handed over to miller. The miller should be responsible for safe custody of paddy till delivery of rice and submit fortnightly reports indicating stock position of milled/unmilled paddy. The miller was required to provide security at the rate of Rs. 0.50 lakh per tonne capacity and Rs. 0.25 lakh for every additional tonne of capacity subject to maximum of Rs. 3 lakh. In the event of default in delivery of rice, the miller was liable to pay the price of undelivered rice at the rates fixed by Government of India plus interest at cash credit rate.

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

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

In their written reply, the State Government/Corporation stated as under—

"The Corporation is one of the State agencies for procurement of paddy for Central Pool since 1997. The paddy thus purchased is stored in the various mill premises for milling and simultaneous delivery of rice (Custom Milled Rice) to FCI on behalf of HWC, as per terms & conditions of the milling contract finalized uniformly by the State Govt.

After collecting Rs. 50,000/- as security, as per milling agreement executed by M/s. Star Rice Industries, Pehowa on 19.2.2002, 38702 quintals of paddy Grade "A" and 1380 quintals of "Common Grade" was stored in the said mill premises. In lieu of bank guarantee, as per practice

followed uniformly by all State agencies, as per provision of clause no 15(ii) of the agreement, the miller delivered the first consignment of CMR to FCI on 16 10 2001 as advance rice and continued to deliver CMR up to the third week of June, 2002. The performance of the miller as on date was as under

(Fig. in Quintals)

Variety	Paddy stored with M/s Star Rice Industries	CMR Due	Paddy milled & CMR delivered		Balance Paddy (Unmilled) & equivalent CMR	
			Paddy	Rice	Paddy	Rice
Grade "A"	38702 00	25930 34	34761 41	23290 15	3940.59	2640 19
Common	1380 00	924 60	-	-	1380 00	924 60

On physical verification of the premises of the said miller on 24.6 2002 by a team of District Manager, HWC and Junior Technical Assistant, State Warehouse, Pehowa, it was observed that neither paddy nor rice was physically found available against the balance unmilled paddy and, therefore, the following remedial action were initiated by the Corporation

(a) FIR, under Section 420/409/120 IPC dated 11 7 2002 was lodged with the local police against the said miller and the Manager concerned for misappropriation of paddy/rice and also for non-settlement of account. To this, on the direction of the Hon'ble Lower Court, a sum of Rs 10 00 lakhs was subsequently deposited by the miller with the Corporation towards settlement of account.

(b) On our persuasion, a quantity of another 1879.47 quintals of rice Grade "A" was delivered to FCI by the miller in the account of the Corporation.

(c) Release of a sum of Rs 10 75 lakhs payable to the miller on account of milling charges of paddy and godown rent etc. have been withheld by the Corporation to recover the losses.

(d) Arbitration proceedings were initiated against the miller as per clause no. 23 of the agreement. The proceedings are in progress.

(e) Meanwhile, the miller has approached Hon'ble Punjab and Haryana High Court. The Hon'ble Court has stayed the declaration of award by the Arbitrator. The next date is fixed for 4.5 2004.

Taking into account the above transactions, the balance recoverable amount from the miller has reduced by Rs 20 75 lakhs. For the remaining amount, our claim is being considered by the Learned Arbitrator/ Court. The Corporation is hopeful of settlement of claim with the miller.

Simultaneously, instructions have been reiterated to the field staff to issue the paddy to the millers for milling after getting the bank guarantee equivalent to amount of 72 00 MT of rice for 1 00 MT capacity or delivery of three consignments of CMR in advance "

The Committee recommended that court case may be pursued sincerely and efforts be made to recover the amount.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 2003-04

2.1 Haryana Agro Industries Corporation Limited.

(Review)

2.1.4 Organisational set up

29 The management of the Company is vested in a Board of Directors (BOD) consisting of not less than two and not more than twelve directors including a Chairman and a Managing Director (MD). As on 31 March 2003, there were eleven Directors (eight officials and three non-officials). Out of eight official Directors, two Directors were nominees of the GOI and the remaining six were ex-officio nominees of the State Government including the MD. The MD was the Chief Executive of the Company and was assisted in day-to-day work by three Deputy General Managers, a Chief Accounts Officer and a Company Secretary.

During 1999 to 2004, the State Government appointed five MDs including three MDs whose tenure ranged between three and eight months thereby impeding the pursuit of a firm, stable and consistent approach in management.

The Committee recommended that the tenure of the Chief Executive should not be less than three years and normally their tenure should be three to five years so that most of the results can be achieved.

2.1.10 Appraisal of activities

30. The Company had been preparing budgets annually for the manufacturing plants and FSCs.

The table below indicates units wise* budgeted vis-a-vis actual profit/bss during the last five years ending March 2003.

(Amount : Rupees in lakh)

Name of the unit	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Farmers service centres	193.60	278.49	199.60	387.64	259.60	61.97	235.40	3.11	108.50	150.25
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Cattle feed plants, Jind	0.51	14.44	6.53	19.26	6.15	33.39	2.40	69.00	2.50	26.84
				(-)						
Haryana agro fertilisers and chemical plant, Shahabad	8.69	33.69	6.65	6.53	5.65	1.24	3.53	16.70	2.00	21.21
		(-)		(-)		(-)				
Agro engineering workshop, Nilokheri	0.47	20.95	1.90	16.98	20.00	4.18	3.50	11.57	4.00	6.95
		(-)		(-)	(-)	(-)				

Audit observed that there was huge variation in the budgeted and the actual profit/loss and the Company had never analysed the reasons for the same and taken corrective measures.

* No separate budgets were prepared for wheat, paddy and fertilisers.

In their written reply, the state Government/Corporation stated as under -

"As regards profitability for the year 2000-01 and 2001-02, are concerned, it is correct that there is huge variation in the budgeted and the actual profit/loss of the Corporation.

The budget is prepared after taking into account of all positive market trends. However due to sudden change in the price structure/stiff competition in market, it has an direct impact on the profitability of the Corporation "

The Committee recommended that Corporation should make improvement to avoid variations in budgeted and actual figures. The Committee further observed that the machinery of the plants is very old. Therefore, the Committee recommended that the Corporation should change its old machinery due to which Corporation is running in loss.

2.1.11 Wheat procurement

31. The State Government declared (1988) the Company as one of the agencies for procurement of wheat for the Central Pool under the Minimum Support Price (MSP) Scheme. The Company procures wheat from various mandis allotted by the State Government for Central Pool and delivers it to Food Corporation of India (FCI).

During last five years ending March 2003, the Company procured 2 40, 2.98, 3.91, 6 84 and 5 79 lakh MT wheat respectively

FCI accepts the wheat of specified quality and makes payment of carry over charges for the period wheat remained in the custody of the Company. The Company failed to maintain the quality of the wheat due to poor storage and also failed to raise the bills of wheat, incidentals and carry over charges and reconcile its accounts with FCI in time.

In their written reply, the State Government/Corporation stated as under .-

"Since 1988 Corporation is in procurement activity but no such audit para was prepared in the past. There was abnormal situation developed in the state when the procurement quantity was increased, wheat movement out of state slowed down. The large quantity of stocks accumulated in the state for which sufficient infrastructure was not available nor it was practically possible. The longer storage as the space which could be available created a problem and caused some losses to grains due to longer storage. Bills were raised in time immediately after Katla was signed by FCI. FCI generally delays in signing Katla and wait for report from destination for which wheat was dispatched."

The Committee observed that from 1998-99 to 2002-2003, the FCI failed to take delivery of wheat from the Corporation, which resulted in damage to the

stock. The stock cannot be stored for 2-3 years. The FCI has caused a loss of Rs. 15.58 crores to the Corporation and FCI should have made the payment of this loss to the Corporation as FCI has failed to take delivery for such a long time. **The Committee is of the view that the Government/Corporation may take up the issue with the Ministry of Agriculture and Food, Government of India and it may be ensured that FCI should pay the interest on the delayed payments.**

2.1.14 Loss due to improper storage of the stock

32. During the crop year 2001-02, the FSC of the Company at Fatehabad purchased 1,40,311 quintal wheat. Out of 1,40,311 quintal wheat, FSC delivered 1,33,207 quintal wheat against the standard weight*** of 1,33,993 quintal wheat. This resulted in shortage of 786 quintal wheat. During 2001-02, FCI relaxed the norm of moisture gain from 700 gm to 350 gm per quintal as moisture content was high at the time of procurement by the Company due to rains during harvesting season (April-May). With this norm, the actual shortage worked out to 1255# quintal (469 quintal for moisture gain and 786 quintal for shortage in standard weight) valuing Rs. 11.04 lakh.

Remaining 6,318 quintal (1,40,311 - 1,33,993 quintal) wheat was rejected by FCI as it was found unfit for human consumption. District Manager reported (November 2002) that the wheat got deteriorated due to improper storage. Out of 6,340\$ quintal (by adding moisture gain of 22 quintal), 4,689 quintal sub-standard wheat was auctioned for Rs. 16.04 lakh against FCI rate of Rs. 46.76 lakh at a loss of Rs. 30.72 lakh, leaving shortage of 1,651 quintal valuing Rs. 16.47 lakh. Thus, the Company suffered loss of Rs. 58.23 lakh (Rs. 11.04 lakh + Rs. 30.72 lakh + Rs. 16.47 lakh) due to poor upkeep and shortage of wheat.

The management, while admitting the loss, stated (June 2004) that matter had been taken up with the GOI/FCI for reimbursement of difference on 4,689 quintal sub-standard wheat. As regards shortage in weight, the management stated that action had been initiated against the defaulting official for recovery of loss. Amount had not been recovered so far (July 2004).

In their written reply the State Government/Corporations stated as under:-

"Enquiry has been instituted. The audit shall be apprised of the outcome of the enquiry."

After going through the reply given by the representatives of the Government/Corporation and oral examination, **the Committee recommended that action may also be initiated against the officers who are responsible for not charge sheeting the defaulting officers for such a long time.**

*** Quantity of wheat for which payment was made to the farmers
 # 1,33,993 quintals x 350 gram = 469 quintals + 786 quintals = 1255 quintals
 \$ (6318 quintals x 350 gram) + 6318 quintals = 6340 quintals

2.1.17 Loss due to shortage of wheat

33. Test check of bills for delivery of wheat to FCI during 2002-03 revealed that the weight of wheat in bags delivered to FCI was less than the standard weight filled at the time of procurement by the Company for which payments had been made to the farmers. The Company delivered 9,66,970 quintal wheat to FCI in 84 consignments from various storage points against the standard weight of 9,79,347 quintal during the above period, resulting in short delivery of 12,377 quintal wheat valuing Rs 111 crore.

The management stated (July 2004) that except Tohana mandi there was no shortage in the standard weight of wheat in any crop year. The reply was not tenable as apart from Tohana mandi, there were shortages in other consignments despatched from various mandis pointed out in the para, which were not to be squared up with other consignments.

In their written reply the State Government/Corporations stated as under:-

"The calculation given by audit pertains was left over stock in small quantities which was up-graded due to prolonged storage. Thus the foreign matter/atta was separated and there wheat loss occurred. After the total delivery shown calculated the average and if average is found less then recoveries are effected from the staff and if not found then the matter is squared up."

During the oral examination, the representatives of the State Government/Corporation stated that responsibility has been fixed for physical shortage of wheat. Therefore, the Committee recommends that after taking action in the matter, Committee may be informed accordingly.

2.1.21 Non-imposing of penalty

34. As per clause 9 (iii) of the standard agreement with the millers for 'milling of paddy, the miller was to ensure milling of paddy and delivery of rice as per the predetermined schedule. If the miller failed to adhere to the schedule, he was liable to pay interest at the rate of cash credit of Reserve Bank of India prevailing for the period of default on the price fixed by the GOI from the date it became payable till the date of actual realisation.

Audit observed that five* FSCs did not charge interest of Rs. 63.47 lakh from the millers for not milling the paddy as per schedule during 1998-2003. The management stated (June 2004) that since the date for acceptance of rice was extended by the GOI, interest was not charged from the millers. The reply was not tenable as the interest was to be charged from the millers for delayed milling as per agreement with them.

In their written reply the State Government/Corporations stated as under:-

"The contention of audit is not correct. The period of delivery is extended by GOI and accordingly extended by State Govt. Procurement

* Fatehabad, Jind, Kaithal, Palwal and Sirsa

Agencies without any condition of penalty of any sort / e hold charges The FCI has compensated the agencies of carry over cost according to extended period."

During oral examination the representatives of the corporation intimated that aspect of charging interest would be re-examined and in case of lapse action would be taken against the defaulting officers. The Committee recommended that the matter be examined and the Committee be informed accordingly.

2.1.23 Manufacturing plants

35 The table below indicates the capacity utilisation of the manufacturing plants during the last five years up to 2002-03

plants during the last five years up to 2003							
SI	Name of unit	Installed	Year wise production				
No.		capacity	1998-99	1999-2000	2000-01	2001-02	2002-03
1	Pesticide and insecticide plant, Shahabad	Liquid formulation (litres) 6,00,000	66,779 (11.13)	88,924 (14.82)	53,731 (8.96)	1,10,090 (18.35)	44,462 (7.41)
		Powder(MT) 5,960	59 (0.99)	352 (5.91)	83 (1.39)	85 (1.43)	30 (0.50)
2	Cattle feed plant, Jind	(MT) 30,000	8,745 (29.15)	8,113 (27.04)	6,266 (20.89)	8,593 (28.64)	7,984 (26.61)
3	Agro engineering workshop, Nilokheri	Jobs worth Rs 150 lakh per annum	Rs.9 lakh (6)	Rs.42 lakh (28)	Rs 33 lakh (22)	Rs 57 lakh (38)	Rs 116 lakh (77)

Note – Figures in brackets indicate percentage of utilisation.

Capacity utilisation of the plants was very low during all the years. Audit observed that the plants were dependent on the patronage of the State Government for supply of its products. Even after more than three decades, the Company had not developed market for its products to compete in the open market. Performance of individual plants is discussed hereunder

- **Pesticide and insecticide plant, Shahabad:** Despite low capacity utilisation, the plant earned profit during 2001-02 and 2002-03. Audit observed that profit was due to income of godowns constructed in the plant. Regarding low capacity utilisation the management stated (June 2004) that with the coming of multinational companies, the demand for its products had declined. The reply was not tenable as absence of an organised marketing wing and outdated plant and machinery contributed to low capacity utilisation.
- **Cattle feed plant, Jind:** The capacity utilisation of the plant ranged between 21 and 29 per cent during the last five years ending March 2003. Regarding low capacity utilisation, the management stated (June 2004) that feed was produced as per demand, which was poor due to existence of large number of small units in private sector.

Audit observed that poor quality of feed and lack of organised market were the main reasons for poor capacity utilisation.

- **Agro engineering workshop, Nilokheri:** The capacity of workshop was fixed in 1968-69 to undertake jobs such as manufacturing agriculture implements, fabricate water tankers, trucks and bus bodies worth Rs 1 50 crore per annum. The workshop, however, confined itself to undertake jobs under the subsidy schemes of the State Government. The management admitted (June 2004) that low capacity utilisation was due to dependence on Government orders under various subsidy schemes.

In their written reply the State Government/Corporation stated as under -

"It is fact that there is no organized marketing set up in Corporation which is the main factor for low capacity utilisation of the plant. Corporation is trying to engage persons as liaison agents/ Sales promoters on contract basis to promote the sale of pesticide products in Govt Sector and as well as Pvt. Sector and after engaging sale promoters/liaison Agents it is expected that sale will improve.

It is not correct that plant and machinery is out dated out it is a fact that plant and machinery is old but it is produce the material on rated capacity.

It is fact that there is no organized marketing set up in Corporation which is the main factor for low capacity utilisation of the plant. Corporation is trying to engage persons as liaison agents/ Sales promoters on contract basis to promote the sale of pesticide products in Govt Sector and as well as Pvt Sector.

The audit observation that quality of feed is poor, is not correct. The Feed being manufactured at Plant conforming to ISI specification and also ISI marked

It is fact that the price of our product are higher than the Pvt Manufacturers in the State as we use fresh material where as Pvt Manufacturers used second hand material and reconditioned bearings due to higher prices direct sale to farmer is negligible. However we are manufacturing and are supplying various implements to farmers under the subsidy scheme, as well as against Govt order."

The Committee recommended that the Government/Corporation may appraise as to how these plants can be viable.

2.1.24 Murthal plant

36 The Company had a plant at Murthal for processing food and beverages. As it was running in losses the State Government decided (September 1997) to sell the plant. The Company instead of selling the running plant, closed (April 1998) it

by getting the electric connection permanently disconnected and transferred surplus staff to other units

The Company got assessed (August 1998) the value of plant and machinery at Rs 44.47 lakh. Instead of selling the plant and machinery, the Company started exploring various options to run the plant, which did not materialise. In May 2002 the Company constituted a committee to reassess the value of plant and machinery. The committee assessed (September 2002) the value at Rs 15.03 lakh. The Company had not been able to dispose of plant and machinery even at the depleted value of Rs 15.03 lakh so far (June 2004) as it had become obsolete.

Thus, due to indecision on the part of the management, the condition and value of the plant had deteriorated.

In their written reply the State Government/Corporation stated as under:-

'We had invited tender for disposal of plant and machinery but the response was very poor. Now the disposal of machinery is in process and audit will be informed immediately after its disposal.'

The Committee recommended that after the completion of the process of disposal of plant and machinery, Committee may be informed accordingly.

2.2 Haryana Vidyut Prasaran Nigam Limited (Review)

Targets and actuals

2.2.6 Physical targets and achievements

37 The Company had been drawing up transmission programme by fixing the physical targets for erection of new sub-stations and lines besides augmentation of existing sub-stations and lines. The programme of erection/augmentation was approved on the basis of feasibility reports formulated after receiving the techno-economic justification from the distribution companies. The targets and achievements in physical terms during 1999-2004 are given in **Annexure 9**.

It would be seen from the **Annexure 9** that the Company had not achieved the targets for laying of transmission lines and addition in transformation capacity in any of the five years. The percentage of shortfall ranged between four and 62 in respect of transformation capacity and between 62 and 85 in respect of transmission lines. The shortfall was due to delay in execution of works.

The management stated (June 2004) that only need-based works were executed keeping in view the system requirements and availability of fund. The reply was not tenable in view of the fact that transmission programme was based on techno-economic justification given by the distribution companies and fund sanctioned by financial institutions could not be utilised as per schedule due to delay in execution of works. During ARCPSE meeting (August 2004), the management attributed the non-achievement of targets to the problem of 'right of way' and assured that more realistic and achievable targets would be fixed in future.

In their written reply, the State Government/Company stated as under:-

"The necessity of creation of new Sub-Stations and augmentation of the existing Sub-Stations alongwith creation/augmentation of transmission system is based on the pattern of the load growth in the State. Accordingly, areas where system augmentation is required to cater to load growth are identified and necessary strengthening is planned. This planning is based on long term basis and in no way to be treated as target for the year in which work has been approved/identified specially in view of the fact that most of the works take more than a year to execute. The works spread over more than one year appear in the list of works for number of years thereby multiplying the number of works as counted by audit. Only need based works, out of this list are executed keeping in view the system requirement, availability of funds, availability of infrastructure and man power etc. The system demand is growing at a much faster pace as compared to the past and emergent works have to be carried out placing already approved works on low priority.

After the reorganization of HSEB, the State Government is not giving equity/loan for execution of transmission works. Funds have to be arranged

from different financial institutions for such works which is a time consuming process.

Only after tying up the loan, actual execution is initiated, which involves various time consuming activities like technical design, procurement, installation, testing and commissioning of equipment involved in the project. With reduction in infrastructure and manpower over the period of time it is not possible to take up all the works departmentally. Accordingly, with a target to execute the works speedily, the concept of turnkey execution of works through contractor has been followed.

It would be appreciated that by adopting the turnkey mode it has been possible to commission 38 new grid Sub-Stations during 2003-04 compared to earlier average of 9-10 Sub-Stations per year. The plan-wise progress is attached (Annexure A).

We have been able to run/operate the system in an efficient manner by way of efforts made and works executed/commissioned to strengthen/improve the system. The efforts have been acknowledged and well appreciated by various authorities. The minutes of Board of Directors HVPNL meeting held on 26.02.2004 (Annexure B) speak for itself.

Some of the works could not be completed due to different problems like land availability/possession of suitable land, right of way, court case, time consumed in financial tie-up, supply of material, shortage of manpower, resistance by farmers due to standing crop, hostile weather and site conditions etc. 66 KV Sub-Station Gulab Nagar was delayed due to non-availability of suitable land and the site has been shifted to Jaroda. After prolonged litigation the stay orders have now been got vacated and 132 KV MDU Rohtak & Sampla have been commissioned.

The list of works notified for the years 1999-2000 to 2003-04 was reviewed. A detailed statement indicating each of the works covered under the respective list of works for individual years prepared and submitted to audit. From the list it was established that for the above referred period of five years there were 181 works which were to be executed including 69 new Sub-Stations and 112 augmentations. Against this works program, 177 works (including 50 new Sub-Stations and 127 augmentations) were completed before 31.03.2004 and additional 19 works (10 new Sub-Stations and 9 augmentations) have been completed upto the first three months of this year. It would be clear that the achievement has been even more than the target.

The difference in the total number of works, as appeared in the two lists was mainly due to the reason that some of the works which were enlisted in the list of works for a particular year got spilled over to the list of works for the next year. Therefore, there has been multiple counting of the same work in the different list of works.

Most of the works have been completed and latest status of works is placed at (Annexure C).

As already indicated more realistic and achievable targets are now being fixed which will minimize the confusion between works planned and targeted "

The Committee desired to know as to why constraints viz availability of land, right of way, financial tie up and supply of material faced during the execution of work were not taken care of well in time to avoid subsequent delays.

2.2.10 Erection and augmentation of sub-stations

132 KV sub-station at Hisar

38. With a view to meet growing demand of electricity and to supply quality power to industrial consumers of Hisar, HSEB approved (December 1992) a proposal to create a 132 KV sub-station in Sector 27-28 Industrial Estate, Hisar with one transformer of 10/16 MVA capacity having 132/11 KV rating. Civil works at the proposed sub-station were completed during 1993-94 for Rs 31 20 lakh. Payment of Rs. 44.35 lakh towards cost of land was made in March/June 1998. The electrical works commenced in 1994-95 were scheduled to be completed by March 1995, which were not completed due to change of priority of the sub-station.

After a gap of five years, the Company decided (July 1999) to install one transformer of 10/16 MVA capacity having 132/33 KV rating (instead of 132/11 KV) transformer to feed the load of proposed 33 KV sub-stations at Mangali and Haryana Urban Development Authority (HUDA) complex, Hisar. Remaining electrical works at the sub-station were completed and the transformer was commissioned (August 2001) at the sub-station at a total electrical cost of Rs 1 20 crore.

Audit observed that since the date of its commissioning (August 2001), the transformer remained energised on "no load" and the installed capacity of the sub-station remained untapped till 26 February 2004, when 6.3 MVA load of 33 KV sub-station, Mangali was put on the transformer.

Thus, construction of sub-station without assessing its actual requirement resulted in blocking of Rs 31 20 lakh from March 1995 on civil works, Rs 44 35 lakh from June 1998 on cost of land, and Rs 1 20 crore on electrical works from August 2001, which resulted in loss of interest of Rs 78 94* lakh up to January 2004.

The management stated (June 2004) that the priority for the sub-station was lowered due to closure of steel industry (prospective consumers from the sub-station) owing to decontrol of steel. The contention of the management was not tenable as the proposal to create sub-station was meant for all industries located in the vicinity.

* Worked out at 10 per cent i.e. minimum borrowing rate from financial institutions

In their written reply, the State Government/Company stated as under :-

"The Chief Engineer/Planning of erstwhile HSEB decided to set up 132 KV sub station Sector-27/28, Hisar vide his Memo No. Ch. 10/4-7/K-109 dated 16 12 92 with a capacity of 10/16 MVA 132/11 KV transformer after the inputs data given by the 'OP' Organisation. The sub station is located in an industrial belt and was obviously planned to be constructed to cater the load requirement of upcoming industries in HUDA's sector-27/28 which was being developed exclusively as an industrial Sector besides the load requirement of surrounding area steel and other industries

The fact of the matter is that the Industrial Area in Sector-27 & 28 could not be developed with the pace it was anticipated and the surrounding steel industries were either closed or stalled their expansion plan owing to the liberalization in the economic policies including decontrolling of the steel by the Government of India. Accordingly in view of the emerged situation wherein it was observed that requirement of load at 11 KV level is no more required and in order to utilize the infrastructure already created a conscious decision was taken to install 10/16 MVA 132/33 KV transformer to feed 33 KV sub station Mangali and 33 KV sub station Sector-13, Hisar. The revised proposal was also again submitted by CE/'OP' DHBVNL Hisar vide his office Memo No Ch 163/WO/SS/HSR/Vol-19 dated 07.05 99 and approved by CE/Planning HVPNL Panchkula vide his Memo No. R No 68/Ch. 67/407/K-109 dated 20.07.99. 33 KV sub station Mangali was simultaneously under construction and 33 KV sub station Sector-13 Hisar was then proposed to be constructed in near future. Accordingly the sub station with 10/16 MVA, 132/33 KV transformer was commissioned in the year 2001.

It is however pointed out that the sub-station on commissioning could not be loaded in the year 2001 as 33 KV sub station Mangali could not be connected/ commissioned simultaneously by the DHBVNL. The fact of the matter is that after the unbundling of erstwhile HSEB, in the transition period of first 2-3 years the construction of 33 KV sub stations particularly under execution took a back seat as the succeeding distribution company (DHBVNL) took times to decide the modalities of their execution. The construction of 33 KV sub station Mangali and its feeding line was first entrusted to HVPNL. But as per policy decision the material for 33 KV works was to be arranged by DHBVNL. However, DHBVNL could not provide the required material in time and thus finally DHBVNL decided the execution of 33 KV sub station Mangali on Turn Key basis and awarded the work to M/s BSES. The work of construction of 33 KV line was again assigned to HVPNL with the promise that the required material will be provided by them in time. Accordingly 33 KV sub station Mangali could only be commissioned on 26.02 2004.

The above narration is circumstantial and factual which proves that undoubtedly the 132 KV sub station Sector-27/28 Hisar was neither

completed on time nor loaded immediately after its commissioning. This is due to the reasons explained above and also primarily due to the incidence of unbundling of the erstwhile HSEB. Thus the blocking of funds of Rs. 31.20 lacs from March, 1995 on civil works, Rs. 44.35 lacs from June, 1998, cost of land and Rs. 1.20 Crore on electric works from August, 2001 to January, 2004 was unavoidable. Still this power transformer of capacity 10/16 MVA 132/33 KV kept in hot condition as spare could have been utilized in case of damage of any other similar transformer in operation for its replacement in the Haryana State for maintaining the continuity of supply and to avoid inconvenience to the public besides huge financial loss which would have been, much more than the interest calculated by Audit.

In view of the above circumstantial narration and system constraints emerged due to the unbundling of the erstwhile HSEB, it is clear that nobody has intentionally or unintentionally delayed its execution and loading which leads to the blockade of funds as pointed out in the audit para. The availability of 1 No. 10/16 MVA, 132/33 KV power transformer as a spare one in hot condition does not amount to any loss."

The Committee recommended that there should have been proper coordination amongst the power utilities for ensuring optimum utilization of the transformers.

Haryana Land Reclamation and Development Corporation Limited

3.5 Fraudulent sale of fertiliser

39 Standard agreement with the dealers for sale of fertiliser, *inter alia*, provided that the Company on the basis of dealer's monthly requirement would allocate the quantity of fertiliser. The Company would deliver fertiliser to a dealer only after getting the payment for the same.

Audit observed (November 2003) that Assistant Manager (AM), Stores of the Company at Palwal without getting monthly requirement and its corresponding allocation, delivered fertiliser worth Rs. 13.37 lakh on credit to one of its dealers Yoginder Brothers, Palwal on 1 and 22 September 2003. Meanwhile, Vishnu & Company, Ateli Mandi, another firm, sent (25 September 2003) three bank drafts for Rs. 16.50 lakh as dealership security (Rs. 0.50 lakh) and supply of fertiliser (Rs. 16 lakh) through courier which were received by the Palwal centre on 26 September 2003. The Palwal centre forwarded (27 September 2003) two drafts of Rs. 16 lakh (Rs. 11 lakh and Rs. 5 lakh) to head office for collection. The AM, Stores Palwal, however, wrongly adjusted (29 September 2003) two drafts worth Rs. 16 lakh received from Vishnu & Company, Ateli Mandi against the credit sale made (September 2003) to Yoginder Brothers, Palwal.

On noticing the wrong adjustment, Vishnu & Company brought (29 September 2003) the fact to the notice of the Company and intimated the banker to stop the payment against these bank drafts. The Palwal centre further released (1 October 2003) fertiliser worth Rs. 2.73 lakh to Yoginder Brothers, Palwal, obviously equivalent to the amount of Rs. 16 lakh considered to be deposited by him.

Audit noticed that AM, Stores was working at the Palwal centre since July 1988 and made similar irregularities earlier also, in two cases (November 2001 and November 2002) where the amount received was credited to the party other than the depositor. The Company did not take any action against the delinquent official and allowed him to continue there.

Thus, sale of fertiliser on credit without getting dealers' requirement and its corresponding allocation coupled with posting of an official already involved in such irregularities in the past facilitated the occurrence of a fraud of Rs. 16.10 lakh.

The Government/management stated (July/May 2004) that FIR had been lodged against the dealer (Yoginder Brothers, Palwal) for cheating the Company besides suspending (17 February 2004) the AM Stores, Palwal. The recovery of Rs. 16.10 lakh was awaited (July 2004).

In their written reply the State Government/Company stated as under :-

"Sh. Meer Singh, A M' (S), Palwal supplied DAP & Urea to M/s Yogender Brothers, Fertilizer Dealer, Palwal during the period from 1.9.2003 to 1.10.2003 on credit contrary to the instructions of Head Office and the then, Regional Manager, Karnal Sh. R. N. Dhoon. Detail of fertilizers sold on credit basis is given hereunder -

A

Sr. No.	JV/CV No.& date	Particulars	Amount Dr.	Amount Cr.
	JV 99/30.9 2003	125 MT Knbhco Urea @4545/- per MT Bill No. 267637/1 9.03	5,68,125 00	
	-do-	39 MT Kribhco Urea Bill No 267638/1 9 03	1,77,255 00	
	JV 100/30 9 03	To 65 0 MT IFFCO DAP @ 9100/-per MT Bill No 267639 dt 27 9 03	5,91,500 00	
Total :			13,36,880.00	

B

Sr. No.	JV/CV No.& date	Particulars	Amount Dr.	Amount Cr.
	CV 148/29 9 03	By DD deposited		16,00,000 00
		DDs were actually given by M/s Vishnu Kumar & Co, Ateli Mandi		
		Bill No 67640/1 10 03 sale of IFFCO DAP 30 00MT@ 9100/- per MT	2,73,000 00	
Total(B) :			2,73,000.00	
Total (A+B)			16,09,880 00	16,00,000 00-
Balance			9,880.00	

M/s Vishnu Kumar & Company of Ateli Mandi gave two drafts bearing No 569079 dated 25.9.2003 for Rs 5 00 lac and 346099 dated 25 9 2003 for RS.11 00 lac (Total RS.16.00 lac) to Sh Meer Singh, AM(Store) Palwal for supply of 200 MT DAP. These drafts were got adjusted by Sh Mir Singh, Assistant Manager (Store) against the outstanding recovery of Rs.16,09,880 00 of M/s Yogender Brothers, Palwal, to whom Sh Mir Singh supplied fertilizer on credit basis contrary to the instructions issued by the Head Office from time to time and Sh. R N. Dhoon, Regional Manager, HLRDC Karnal-cum--Manager, Palwal There were clear cut instructions from Sh R N Dhoon to Sh Mir Singh, AM (Store) that no material should be given on credit basis.

Actually, these drafts were given by M/s Vishnu Kumar & Company, Ateli Mandi for the supply of 200 MT of DAP, which were wrongly got adjusted by Sh Mir Singh in the account of M/s Yogender Brother, Palwal, to whom the material was given on credit basis contrary to the instructions of the Corporation When rake of DAP was received and no material was

supplied to M/s Vishnu Kumar & Company, they came to know that the drafts of Rs. 16.00 lacs have been mis-used by Sh Mir Singh, AM(S) and got credited in the account of M/s Yogender Brother, Palwal. M/s Vishnu Kumar & Company got both these drafts cancelled on 29.9.2003, when these were deposited by the Head Office of the Corporation in its bank account. Hence, the bank returned these drafts back to HLRDC. Since, it was a *prima facie* case of fraud, Regional Manager, HLRDC Karnal was appointed to enquire into the matter, who submitted his preliminary report to Head Office vide his letter No. 4815 dated 10.10.2003. The perusal of the report clearly indicates that Sh Mir Singh had hatched a criminal conspiracy in connivance with M/s Yogender Brother, Palwal, to whom material was supplied on credit basis from 1.9.2003 to 1.10.2003.

According to the enquiry report, draft for Rs. 5.00 lac was sent by M/s Vishnu Kumar & Company through courier and the same was received in HLRDC office Palwal by Sh. Kadera Singh, Chowkidar, who had handed over this draft to Sh Mir Singh, A M.(S). During the course of enquiry, M/s Vishnu Kumar & Company had stated that draft of Rs. 11.00 lacs was handed over to Sh Mir Singh, AM (Store). Regional Manager, Karnal has concluded in his enquiry report that these drafts were given by M/s Vishnu Kumar & Company, which were got adjusted by Mr. Meer Singh, AM(S) in the account of M/s Yogender Brothers, Palwal, to whom the material was supplied on credit basis contrary to the instructions of the Corporation issued from time to time.

Regional Manager, HLRDC, Karnal has intimated that cheques amounting to Rs. 12,37,416.25 (Rs 6,10,166.25 and Rs 6,27,250.00) were taken by Sh. Mir Singh from M/s Yogender Brothers, Palwal and had deposited the same in the Corporation's account on which were bounced by the bank for want of sufficient funds. Sh Mir Singh did not inform the Accounts Branch of Palwal centre for the bouncing of these cheques. All the facts of this case were put up to the then Chairman, Sh. K.S. Bhorla, IAS, through the Managing Director, HLRDC and he placed Sh. Mir Singh, AM (Store) under suspension on 16.2.2004. The case was again put up to the Hon'ble Financial Commissioner & Principal Secretary, Agriculture Department on 22.2.2004 wherein F.C. Agriculture also approved on 26.2.2004 that the recovery of Rs. 16.00 lacs may be made from Sh. Mir Singh, A M (S). Since the drafts of Rs. 16.00 lacs given by M/s Vishnu Kumar & Company were misused by Sh Mir Singh, AM(S), a F.I.R. No. 7 was lodged by M/s Vishnu Kumar & Company against Sh. Meer Singh in Ateli Mandi, Police Station.

It is also pertinent to point out here that the Corporation has lodged FIR against M/s Yogender Brothers, Palwal, Sh. Meer Singh, A M (S), Palwal and others with the police station, Palwal in the month of December, 2003 but later on the FIR was cancelled by the police. The Corporation has filed a case in the court for the re-opening of the FIR and for taking the action against the accused.

In the meantime, M/s Yogender Brothers, Palwal made a complaint to the Head Office that actually material was not given to him. Therefore, Sh S P Sharma, Regional Manager, HLRDC Hisar was appointed as Enquiry Officer to investigate whether the fertilizer was actually given to M/s Yogender Brothers, Palwal or not.

On the basis of records of the warehouse from where the material was lifted and on the basis of the statements of the truck drivers, Sh S.P Sharma, Regional Manager, Hisar has concluded that 95 MT of DAP was sold by Sh. Mir Singh, AM(S) to M/s Shiv Shakti Traders, Palwal and not to M/s Yogender Brothers, Palwal.

After deciding that recovery of Rs.16.00 lacs be made from Sh Mir Singh, AM(Store), a show cause notice was issued to Sh. Mir Singh, AM(S) on 3 3 2004. The reply of the show cause notice received from Sh Meer Singh was not found satisfactory and the then Managing Director HLRDC finally ordered the recovery on 9 8 2004 and as such orders were issued on 17 8 2004. Sh Meer Singh, A M (S), HLRDC, Palwal had filed a suit in the Court of CJ M, Faridabad on 29 5 2004 for stay of this recovery which was dismissed by CJ.M, Faridabad on 28.9.2004. However this recovery of Rs.16.00 Lacs has been kept pending till the decision of the Court case against the dealer, in view of the orders of the then Agriculture Minister dated 23 11 2004.

M/s Yogender Brothers, Palwal has also filed a case in the court at Palwal for the fraud committed by Sh Mir Singh against them. Sh Mir Singh has also been charge sheeted under rule 7 of the Punishment & Appeal Rules and the enquiry officer has been appointed into this case. The enquiry is still in progress.

It is also worth mentioning here that the then Hon'ble Chief Minister Haryana had ordered an enquiry into the fraud of Rs 16 00 lacs committed by Sh Mir Singh, AM(S) HLRDC. The Superintendent of Police, Crime Branch, Madhuban, Karnal conducted the enquiry and the same was submitted to the Inspector General of Police, Crime, Panchkula I.G. Crime Branch. On the basis of the report, SP Madhuban, ordered that a case be registered against Sh. Mir Singh, AM(Store), HLRDC and others involved in the fraud of RS. 16.00 lacs.

As regards the case of earlier financial irregularities committed by Sh Meer Singh, A.M.(S), HLRDC, Palwal, Sh. Dariyao Singh, Manager, HLRDC, Palwal & Sh Dinesh Kumar Gaur, Section Officer, HLRDC, Palwal, competent authority has imposed suitable penalties on all the above named officials/officer of Palwal centre on the basis of enquiry report. Final outcome of the pending Court cases and enquiry report is still awaited."

The Committee recommended that matter be kept pending till the final outcome of the court cases and enquiry against the defaulters.

Haryana Vidyut Prasaran Nigam Limited

3.6 Infructuous expenditure on remote controlled load management scheme

40 Overloading of distribution network leads to heavy line losses and failure of transformers. The overloading of distribution network was due to switching on combined loads of agricultural pump sets, domestic and commercial consumers, etc

To overcome this problem, the erstwhile Haryana State Electricity Board (Board) framed (October 1997) Remote Controlled Load Management Scheme (Scheme) by which agriculture loads were to be separated from other loads during peak hours. The Scheme covered two 11KV feeders (Kishangarh and Dhola Majra) being fed through distribution network of 220 KV sub-station Shahabad. Total estimated cost of the scheme was Rs. 2.96 crore. The Central Government sanctioned (October 1997) a grant of Rs. 2.37 crore and the balance (Rs. 59.31 lakh) was to be met through loan from Rural Electrification Corporation Limited. The Scheme also envisaged annual savings of Rs. 1.67 crore on account of reduction in line losses and damage of transformers.

The Company awarded (April 1999) a contract to CMC Limited, New Delhi for erection and commissioning of the Scheme on turnkey basis at a cost of Rs. 2.88 crore. The entire Scheme including bifurcation of load was to be commissioned within six months from the date of order. Thereafter, the Scheme was to remain in the purview of the supplier for a period of two years (one year each for warranty and maintenance).

The material under the Scheme was received between August 1999 and July 2001. The Central Government released (up to March 2002) grant of Rs. 2.22 crore in two installments for execution of the Scheme and extended the completion period up to March 2002. CMC installed and commissioned the Scheme on 23 April 2002 and the Company released total payments of Rs. 2.35 crore up to June 2002.

As the Scheme was to be operated by Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL), the Board of Directors of the Company (HVPNL) decided (June 2002) to transfer it to UHBVNL on its book balance. UHBVNL declined (August 2003) to take over the Scheme as the load had not been bifurcated and the farmers continued to get their load connected by bypassing remote controlled system. The remote control system was prone to increase in trippings and breakdowns. The Company/Board did not consider this aspect before venturing into the Scheme. Resultantly, the Scheme remained unimplemented.

Audit observed (March 2004) that the computers, printers and data loading devices (Rs. 26.12 lakh) could be put to alternative use, but remote terminal units

(Rs 68.52 lakh) and special type of transformers Rs. 1.01* crore could not be used and the expenditure thereon was rendered in fructuous

In reply to Audit enquiry, the management admitted the facts and stated (April 2004) that CMC had been requested through numerous references to repair/maintain the system as per terms of the turnkey contract, but it was not responsive. As a last resort, the Company encashed (April 2004) the bank guarantee of Rs 27.57 lakh

Thus, defective remote controlled load management scheme coupled with non-implementation of the scheme as per terms of the contract rendered the expenditure of Rs 1.42 crore in fructuous after adjusting bank guarantee. Besides, the Company was also deprived of envisaged savings of Rs 3.76 crore up to March 2004.

The matter was referred to the Government and the Company in May 2004, their replies had not been received (September 2004)

In their written reply, the State Government/Company stated as under :—

"A The Central Government sanctioned (October 1997) a grant of Rs 2.37 crore (being 80 per cent of the estimated cost) and the balance to be met by loan from Rural Electrification Corporation. The scheme also envisaged annual savings of Rs 1.67 crore on account of reduction in line losses and damage of transformers.

B. Pilot project for remote control load management was introduced in distribution areas of 220 KV Sub-station Shahbad under District Kurukshetra, which was feeding 4 No. 11 KV feeders, all of which were heavily loaded. Out of these 4 feeders, 2 No. feeders namely Kishangarh and Dhola Majra were selected for implementation of scheme. The feeders were to be segregated for village and agriculture loads separately and distribution transformers feeding agricultural load were to be grouped in two groups through load management methods and supply extended to each group in turn thereby restricting the maximum demand on Sub-station. Provision was made in the PO to provide AMC transformers (105 Nos.) in place of conventional transformers after taking into account the load growth of the area and overloading of existing transformers

Keeping this aspect in view, a contract was awarded to CMC New Delhi (A Govt. of India Enterprises) in April, 1999 for erection and commissioning of the scheme on turn key basis at the cost of Rs 2.88 crores. The scheme was to be completed within 6 months and was to remain under the preview of the supplier for a period of 2 years i.e. 1 year as warranty and one year

* Difference between rates of special transformer (Rs 141 crore) and ordinary transformer (Rs 40.29 lakh)

under maintenance clause. The scheme was installed by CMC and Commissioned on 23-4-2002 after removing the observations raised from time to time. Since the scheme was to be operated by UHBVNL, the Board of Directors of the HVPNL decided in June 2002 to transfer the same to UHBVNL authorities on book value basis. However, UHBVNL declined to take over the scheme on the plea that the load has not been segregated and the farmers were continuing to get their load by bypassing the remote control system as the modified temper proof arrangement for retro-fitting of RTU on conventional transformers did not prove to be temper proof. It also helped the agricultural consumers in bypassing the locations. Moreover, the agricultural consumers of the area did not appreciate the scheme because agriculture supply was given during fixed hours which resulted into bypassing of the locations where RTUs were installed. This was the reason why the scheme could not materialize.

However, in August, 2003, the UHBVNL authorities intimated the damage of 12 No. AMC type new transformers due to theft of oil and overloading, which were not repaired/replaced by CMC. The matter was vigorously pursued with the firm but the firm did not respond. The above cited scheme required certain modifications in RTUs for conventional distribution transformers so as to make it temper proof besides replacement of damaged AMC type distribution transformers for which the firm remained silent for a pretty long time in spite of repeated requests by XEN/Const. O&M, HVPNL, Kurukshetra and Superintending Engineer, Const. O&M, HVPNL, Panchkula for immediate needful. As a result the scheme could not be handed over to XEN/Operation UHBVNL Shahbad who is the ultimate custodian of the scheme. Only after the encashment of the bank guarantee amounting to Rs. 27.57 lacs, firm M/s CMC Ltd. New Delhi came forward and agreed on 8-6-2004 to rectify the aforesaid discrepancies to the entire satisfaction of UHBVNL authorities. XEN/Operation UHBVNL Shahbad would associate and supervise the rectification of the scheme and finally take over the same from M/s CMC Ltd.

The XEN/OP UHBVNL, Shahbad and XEN/Const. O&M, HVPNL, Kurukshetra has been vigorously following up with CMC for completing the job/attending to the deficiencies in the O&M of the RCLM scheme. This office is also making regular correspondence with the firm, but they are not responding.

C. This scheme was a new one and was a step towards improvement of supply to the farmers which is given for restricted hours, avoiding overloading of the transformers and reduction in line losses etc. The scheme could have been a success if the firm had attended to the discrepancies and the farmers of the area had appreciated the scheme which was not done."

The Committee observed that the scheme was not executed in time. It was to be completed within six months but delayed for two years. Therefore, the Committee recommended that enquiry into the matter be made thoroughly to see as to who is responsible for this delay and take concrete decision in the matter and inform the Committee.

3.7 Locking up of fund due to faulty planning.

41. The Company constructed a colony consisting of 17 houses of four categories at 220 KV Sub-station, Industrial Area, Hisar during 1993-94 at a cost of Rs. 32.14 lakh. These houses were handed over to Senior Sub-Station Engineer (SSE), Industrial Area, Hisar in March 1995. The houses were not occupied by the allottees mainly due to non-availability of drinking water. Out of 17 houses, one house was occupied from March 2002 and seven houses from January 2003.

At the time of transfer of these houses in March 1995, the drinking water facility was provided temporarily through a pump fitted in a well. The management did not take steps from April 1995 to September 2001 to overcome the problem of drinking water and test the water of the well though the SSE brought the facts of non-occupation of quarters by staff in the notice of higher authorities from time to time. It was only after the visit of Chief Engineer (Civil) in September 2001 that steps for checking potability of the water were initiated and the water got tested in April 2002 which was found unfit for drinking purpose.

The Company took up the matter with Public Health Department. An estimate of Rs. 2.70 lakh to provide safe drinking water was finalized only in March 2003. The work of laying the pipeline by the Public Health Department was in progress (March 2004).

Thus, the Company's fund of Rs. 32.14 lakh in construction of houses remained blocked due to faulty planning for more than eight years. Apart from non-achievement of the objective of providing housing facilities to its employees, the Company had paid house rent allowance of Rs. 3.17 lakh and could not recover licence fee of Rs. 0.97 lakh.

That matter was referred to the Government and the Company in March 2004, their replies had not been received (September 2004).

In their written reply, the State Government/Company stated as under —

"The residential quarters at a particular sub-station in the erstwhile HSEB were constructed as per norms fixed by the Board, Accordingly 17 No quarters were constructed at 220 KV Sub-station Industrial Area, Hisar by the Construction Organization and were subsequently handed over to the Operation Organization during 03/1995. It is to mention here that the Operation Organization now DHBVNL was then entrusted with the

job of operation and maintenance of the sub-station including the residential colonies

It is gathered that the quarters were allotted during 1995 to the officials working at the sub-station who did not occupy the quarters citing the reason that complete civic amenities such as, (i) Street Lighting facility (ii) Non availability of drinking water were not provided in the colony

Apart from these foul smell from an adjoining distillery was causing resentment among the employees. The fact of the matter is that the Operation Wing, Hisar of the erstwhile HSEB (Now part of DHBVNL) could not solve the problems raised by the officials. XEN/OP Divn. No. 1 and SE/OP DBHVNL, Hisar however had been requested vide Superintending Engineer, Const., O&M Circle, HVPNL, Hisar Memo No. Ch 41/RAO-335 dated 10-2-2004, Ch 49/RAO-335 dated 12-3-2004, Ch 57/RAO-335 dated 17-5-2004, Ch 59/RAO-335 dated 26-5-2004 & Ch. 61/RAO-335 dated 11-6-2004 to intimate the reasons regarding non-allotment/non occupation of these houses but nothing has so far been heard from them.

It is also pertinent to mention here that after the bifurcation of HSEB w e f 15-8-1998 and consequent trifurcation of HVPNL w e f. 1-7-1999 the sub-stations were continued to be looked after by the operation organization. HVPNL vide its O/o dated 22-7-2000 created O&M Organization and thereafter the Sub-station was taken over by Const O&M wing of the HVPNL. After taking over the sub-stations O&M wing concentrated on the functioning of the sub-stations and other assets at these sub-stations. During this period Const. O&M wing was empowered and entrusted to make the allotment of residences at various grid Sub-stations (66KV and above) as notified vide EIC/Admn. HVPNL Panchkula vide his office order No. 152/DSE-31-3 dated 20-7-2001. It was then noted that the residential quarters at 220 KV Sub-station Industrial Area, Hisar were un-occupied owing to lack of civic amenities and potable water. Accordingly steps were taken to provide these facilities and the water of the bore well was got tested in April 2002 which was found unfit for drinking purposes. It was then explored to have water supply from Public Health Department. The required amount was deposited with the Public Health Department for laying the pipeline. The obstruction made by the Forest Department in laying the pipe line as right of way (ROW) were got removed and the water supply was finally made available in the quarters, street light was also provided and the quarters were allotted and now all the quarters have been occupied by the staff.

Non occupation of the quarters due to lack of civic amenities as mentioned above, the Nigam was liable to pay the house rent allowances which was the claim of the staff posted at the Sub-station.

In view of the above, it is amply clear that Const. O&M wing of HVPNL after taking over the work of Sub-station and colonies took earnest steps to provide the lacking civic amenities and succeeded in the allotment/occupation of the quarters by the employees and all the quarters stands occupied "

The Committee observed that the officer who approved this project did not see the feasibility of water earlier. Basically this is the fault of the concerned officers/officials. They failed to check the drinking water before implementing the scheme. Therefore, the Committee recommended that action be taken against the officers/officials who are responsible for this planning.

Uttar Haryana Bijli Vitran Nigam Limited

3.9 Extra expenditure due to acceptance of delayed supply of single phase electronic meters

42 On the basis of tenders finalized on 12 October 2002, the Company placed (24 December 2002) purchase orders on seven firms** for the supply of 6,50,000 single phase electronic meters at a negotiated rate of Rs. 600 per meter (inclusive of meter cupboards (MCBs) at Rs. 130 each). Purchase orders stipulated that the firms were to get drawings/samples approved within two months from the date of receipt of orders and thereafter to supply the ordered quantity in four months in equal monthly lots. As such, the firms were to supply the meters in four equal lots during March-June 2003. Terms and conditions of the purchase orders provided that the Company had a right to refuse the supplies in case of failure of the supplier to execute supplies within the contractual delivery period.

Audit observed (August 2003) that six firms failed to execute the supplies in equal monthly lots as specified in the purchase orders. First three lots consisting of 1,62,500 meters each due in March, April and May 2003 respectively were actually received during 26 April - 13 June 2003 (1,12,500 meters), 20 May-21 June 2003 (1,37,500 meters) and 8-30 June 2003 (1,32,500 meters). The balance 2,09,500 meters were received in time and 58,000 meters were not supplied. While accepting the delayed supplies of 3,82,500 meters at Rs. 470 per meter (Rs. 600 less cost of MCB : Rs. 130), the Company did not ascertain the prevalent market price of the meters.

Audit further observed that Capital Power Systems, Noida which agreed (October 2002) to supply these meters to the Company at Rs. 670 per meter (inclusive of the cost of MCB at Rs. 130 each) had offered (March 2003) to supply similar type of meters to Himachal Pradesh State Electricity Board (HPSEB) at Rs. 298 per meter. It is worthwhile to mention that Punjab State Electricity Board had cancelled (May 2003) orders for purchase of 13 lakh meters in view of lower rates finalized by HPSEB.

The management stated (December 2003 and April 2004) that the supplies were accepted within overall delivery period. It was further stated that the meters purchased by the Company had additional tamper proof features unlike the meters of HPSEB. The reply was not tenable because as per conditions of purchase order, the supplier was required to supply the full ordered quantity in four equal monthly lots and in the case of failure, the Company had the right to refuse delayed supplies to avail of the benefit of lower rates in the market. Besides, the meters purchased by HPSEB had also exactly similar specifications relating to tamper proof features.

**1 Accurate Meters Limited, Delhi 2 Avon Meters, Dera Bassi 3. Bentex Electronics, New Delhi 4 Bentex Linger Switchgear Co., New Delhi 5 Elymer Electronics, New Delhi 6 Modern Instruments, Gaziabad and 7 Semi Conductor Complex Limited, Mohali

Thus, acceptance of delayed supply of 3,82,500 single phase electronic meters by the Company at Rs 470 per meter as compared to the lower prevailing market rate of Rs 298 per meter resulted in extra expenditure of Rs 6.58 crore

The matter was referred to the Government in February 2004, the reply had not been received (September 2004).

In their written reply, the State Government/Company stated as under :—

“Tender Enquiry No QD-121 dated 24-12-2001 was floated by DHBVN for fixing rate contract for the period of six months during 2002-03 for supply of 3, 75,000/- Nos. Single Phase Electronic Meters with MCBs. The case was considered by SHPPC in its meeting held on 12-10-02 and decided to place one time order on the firms for whole of the quantity and decided to enhance the quantity of meters with MCBs from 3,75,000 to 11,52,000 Nos. to cover the metering programmes on various ongoing projects of DHBVN/UHBVN (UHBVN = 6,50,000 & DHBVN = 5,02,000). The delivery schedule announced by the SHPPC in the meeting and provided in the POs as under :—

“The firm shall get drawings/samples of MCB approved within two months from the date of receipt of PO and shall complete supply the full ordered quantity in four months thereafter in equal monthly lots. In case firm fails to get the drawing/sample approved within the above mentioned period i.e. two months from the date of receipt of PO, the supply from the firm shall not be accepted. The time is the essence of the contract ”

On receipt of required documents viz Agenda Note and proceedings of SHPPC, LOIs, Copies of POs etc., the detailed purchase orders were placed on 7 firms by UHBVN in line with the purchase order placed by DHBVN. All the firms got their samples of MCBs approved within 2 months from the date of receipt of PO. However, DHBVN approved the samples with the condition that the material of MCB shall be strictly as per Nigam Technical Specifications, the testing for which shall be got carried out from M/s CIPET (Central Institute of Plastic Engineering and Technology, Ahmedabad) and test report be submitted before offering the meters for inspection. This decision was taken by DHBVN to ensure the quality of material of MCB which was being purchased of Thermo Setting Engineering Plastic. UHBVN had also to follow the same. The testing of MCBs took roughly 15 to 30 days due to which delay in supply of first lot and hence remaining lots occurred by minimum 15 days. This testing was got done in addition to the provisions of the purchase orders. The monthly schedule could not be adhered to by the firms on this account. Yet, Nigam levied lot-wise penalty on delayed lots as per contractual delivery schedule and even did not extend the delivery period.

It may be seen by Audit that —

- 1 Lowest rate quoted by any of the bidder against this Tender Enquiry was Rs 824 37 per meter with MCB and second lowest was Rs 1015.77 Also PSEB had placed order on 6-5-02 @ Rs 641.00 per meter and taking cost of MCB as Rs 150/-, the rate of PSEB was Rs 791/- per meter with MCB During negotiations, SHPPC was able to get the rates reduced to Rs. 600/- per meter with MCB only when it was decided that one time PO for supply of enhanced quantity of meters shall be placed on the firms
- 2 As per Clause-9 (iv) of Schedule—'D' of Nigams which is part of contract, the entire supply is to be completed by the supplier within the period specified in PO and if supplier fails to deliver the material within the period fixed for delivery in the PO , the purchaser shall have the right to refuse to accept any supplies received by him after date on which such supplies were due Further, where purchaser agrees to accept delayed supplies, the supplier shall be liable to pay penalty The Nigam has not accepted any supply after the expiry of delivery period i.e 30-6-03 and even levied lot-wise penalty on delay of monthly lots though lots were made just to regularize the supplies.
- 3 The firms were required to supply the meters at the negotiated rates in 4 equal monthly lots so as to complete the supply of entire quantity of ordered meters within 4 months. Since, the POs did not have the provision of cancellation of balance quantity of respective monthly lot of PO, as such the balance quantity was not considered for cancellation being within over all delivery period. However, monthly lot-wise penalty was levied on the firms, as applicable The inference drawn by the audit that the individual lot of supply of material is to be treated as a separate contract in itself is not in keeping with the contract

The contention of audit that meters purchased by HPSEB had also exactly similar specifications relating to temper proof features is not correct To elaborate the difference in specifications of the meters purchased by HPSEB and UHBVN. Audit may see that there is an additional anti temper feature viz. Recording of energy even when only the phase wire is connected and whether it is connected to either in neutral or in phase terminal and even load has been taken through earth This unique feature was provided in the technical specifications by the Nigam to make the meter tamper proof even in case the consumer disconnects the neutral wire of incoming supply and uses the load through local earth and phase wire is connected either in phase terminal or in neutral terminal. This unique tamper feature is not available in the technical specifications of HPSEB and hence, the rate of the two Nigams can not be compared as

providing of this unique tamper feature adds to the cost of the meters substantially. HPSEB Meters record the energy in case neutral is disconnected from the load side but is available in the supply side where as UHBVN meters record energy even when neutral is disconnected from load side as well as supply side. Further, more UHBVN technical specification is more stringent as it provides additional tests of Heat Reflection Test as per ISO-75 and Glow Wire Test on Engineering Plastic used and Boiling Test on registering mechanism over and above HPSEB specifications

In view of above, it is clear that no delayed supplies have been accepted and no extra expenditure of Rs. 6.58 crore as observed by the Audit has been incurred "

The Committee recommended the Company to submit detailed drawings of the extra additional material and discuss matter with the A.G. for resolving the issue.

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

43. Terms and conditions of supply of energy envisage that if large supply consumer fails to pay the bill in full within seven days after the date of presentation, he shall be liable to have energy to his premises disconnected without prejudice to utility's right to recover the amount of the bill as arrears of land revenue. The Sales Manual Instructions (SMI) further provide that where a consumer is billed for some of the dues relating to previous months/years, which were not included in the bills for the relevant period, the benefit of payment in instalments is to be allowed on the express request of the consumer.

During test check of records of Model Town Operation Sub Division, Panipat under Karnal circle of the company, Audit observed (June 2003) that three large supply consumers of Vardhman group in the name of Vardhman Solvex (Account No SM⁵-2), Vardhman Oil and Allied Industries (Account No SM⁵-24) and Vardhman Overseas Private Limited (Account No SM⁵-21) were getting power supply from the Company. All these consumers defaulted in payment of their regular energy bills from December 1997, February 1998 and June 1999 respectively. The Company instead of taking prompt action to disconnect supply of energy to their premises, allowed to accumulate the outstandings by accepting part payments relating to normal monthly consumption of energy in disregard to SMI of the Company.

As against total energy bills of Rs 61 07 lakh and Rs 17 68 lakh, the Sub-Divisional Officer (SDO) accepted part payments of Rs 47 lakh (between December 1997 and February 1999) and Rs 11 90 lakh (between February 1998 and February 1999) in respect of Account No SM⁵-2 and SM⁵-24 respectively. These two connections were permanently disconnected in April 1999. The outstanding of Rs 20 29 lakh and Rs 7 97 lakh (including surcharge) relating to

these consumers were transferred to the third connection (SM⁵-21) in June 2000 which was already in default since June 1999 SDO also accepted part payments of Rs. 53.54 lakh against energy bills of Rs. 99.67 lakh (including Rs. 28.26 lakh transferred from SM⁵-2 and SM⁵-24) in this account during July 1999 to October 2001. The connection of the consumer was permanently disconnected in October 2001 when the outstandings amount rose to Rs. 45.41 lakh after adjusting security available with the Company. The Company had not taken action against the SDO for accepting part payments and not disconnecting supply of power to the premises of consumers immediately after first default.

Thus, failure of the Company to enforce the penal measures coupled with acceptance of part payments in disregard to the SMI, facilitated the consumers to accumulate outstanding dues of Rs. 45.41 lakh. Further action to recover the amount was awaited (July 2004).

While admitting the facts, the management stated (September 2004) that the case was being processed for recovery as arrears of land revenue. Further developments were awaited (September 2004).

The matter was referred to the Government in March 2004, the reply had not been received (September 2004).

In their written reply, the State Government/Company stated as under —

“It is submitted that following 3 No. HT connections were released to M/s Vardhman Group of Industries under (OP) S/Divn. Israna

- | | |
|--|------------------------|
| 1 M/s Vardhman Oil and Allied Industries | bearing A/C No. SM5-24 |
| 2. M/s Vardhman Solvex, Panipat | bearing A/C No. SM5-2 |
| 3 M/s Vardhman Overseas (P) Ltd | bearing A/C No. SM5-21 |

1. M/s Vardhman Oil and Allied Industries bearing A/C No. SM5-24

It is submitted that M/s Vardhman Oil and Allied Industries, Gohana road, Panipat became first defaulter in making payment of Energy bill in 2/98. No payment was made by the firm upto 10/98. The energy bill was pending worth Rs. 9.41 lacs with S/C by ending 10/98. The current bill of 11/98 was added in the bill amount and raised to Rs. 10.98 lacs + S/C thereon. The firm made part payment of Rs. 4 lacs on dated 17.11.98 leaving the balance of Rs. 7.04 lacs. The consumer again made part payment of Rs. 2.41 lacs on dated 24.12.98 leaving the balance of Rs. 7,18,140/- with S/C by ending 12/98. The outstanding amount was added in the current bill of 1/99. A part payment of Rs. 3,49,285/- was made on 11.1.99 and again part payment made on 22.2.99 by the firm. The energy bill ending 2/99 'of Rs. 5.36 lacs' was pending with surcharge. The bill for the month 3/99, 4/99 & 5/99 along with S/C for six months added in the outstanding amount which raised to Rs. 7,96,972/- ending

11/99 at the time of effecting the PDCO No 14/11/98 dated 18.4 99 The outstanding amount of this account was transferred to the A/C No SM5-21 of her sister concern M/s Vardhman Overseas Pvt. Ltd. In the month 7/2000.

Against the transferring amount to the A/C No SM5-21 the firm had gone into the Punjab & Haryana High Court and taken stay for effecting recovery which later on decided vide judgment dated 7-10-2004 in CWP No 15587 of 2004. As per decision of Hon'ble Court the speaking orders vide Xen, City Division, Panipat Office order No. 401 dated 25-11-2005 was issued and accordingly the notices for depositing a sum of Rs 750072/- was issued by the S D.O., Model Town, Sub-Division, Panipat vide his memo No. 518, 599 dated 7-4-06 and 24-4-06 respectively to the firm stating otherwise case under land Revenue Act. 1970 will be prepared for recovery of defaulting amount of Rs 750072/- Necessary notice under Land Revenue Act, 1970 is being prepared and sent to the concerned Tehsildar of the area by the S D O. / Xen concerned

2. M/s Vardhman Solvex, Panipat bearing A/C No. SM5-2

The consumer became first defaulter in 12/ 97. The defaulting amount was Rs. 3,70,772/- ending 12/97 The bills for the month 1/98, 2/98 & 3/98 rendered to the consumer. A part payment of Rs. 8 lacs on dated 30-3-98 was made by the consumer thereby leaving balance outstanding worth Rs 7,64,029/- with S/C The current bills for the month 4/98 to 6/98 were issued to the consumer who made a part payment of Rs 4 lacs on 12-6-98 thereby leaving balance of Rs 10,38,305/-. The consumer was billed for 7/98 to 10/98 and outstanding amount of bill raised to Rs. 26,86,922/- with S/C ending 11/98. The consumer made part payment of Rs. 13 84 lacs in 12/98 thereby leaving balance of Rs 14,10,576/-. The bill for the month 1/99 & 2/99 were issued out of which Rs 2 lacs as part payment was made on 22-2-99 by the consumer The balance of Rs 14 95 lacs was outstanding against the consumer ending 2/99 The bills for 3/99 to 5/99 issued to the firm. The PDCO No 15/11/98 dated 29-4-99 effected and six months S/C added upto 10/99 The total defaulting amount of Rs. 20,29,302/- was pending against the consumer which stands transferred to the A/C No SM5-21 of her sister concern M/s Vardhan Overseas Pvt Ltd in 7/2000

Against the transferring amount to the A/c No. SM5-21 the firm had gone into the Punjab & Haryana High Court and taken stay for effecting recovery which later on decided vide judgment dated 7-10-2004 in CWP No 15587 of 2004. As per decision of Hon'ble Court the speaking orders vide Xen, City Division, Panipat office order No. 401 dated 25-11-2005 was issued and accordingly the notices for depositing a sum of Rs 17,20,902/- was issued by the S D.O. Model Town Sub-Division,

Panipat vide his memo No 517, 598 dated 7-4-06 and 21-4-06 respectively to the firm stating otherwise case under Land Revenue Act, 1970 will be prepared for recovery of defaulting amount of Rs 17,20,902/-. Necessary notice under Land Revenue Act, 1970 is being prepared and sent to the concerned Tehsildar of the area by the S D.O /Xen concerned

3. M/s. Vardhman Overseas (P) Ltd.bearing A/C No. SM5-21

The consumer became first defaulter in the month of 6/99. The bill of Rs 2,00,240/- was pending against the firm ending 7/99 out of which a part payment of Rs 38,000/- was made by the firm No payment upto 11/99 has been made by the firm and bill increased to Rs 14,12,918/- The SDO, Model Town, Panipat accept the case from the SDO, Israna and made efforts to recover the defaulting amount along with current bills. A sum of Rs 4 98,086/-was outstanding against this account by ending 6/2000 During 7/2000, the defaulting amount of A/c NO SM5-2 and SM5-24 was transferred to this account being sister concern and a bill of Rs.33,61,609/- ending 7/2000 was raised to the firm The defaulting amount by adding of S/C in current bills and after adjustment of firm's security now is Rs 45.86,280/-.

In view of the judgment dated 7 10.2004 of the Hon'ble Court in CWP No 15587 of 2004 and speaking orders issued vide Xen City Division, Panipat office order No 401 dated 25 11 05 all of the three accounts of the firm have been overhauled and notices in the account No SM5-24 SM5-2 have been issued to the firm for depositing the defaulting amount. On overhauling the defaulting amount of the above three accounts of the firm, it has come to notice that a surcharge of RS 1367717/- have been charged in excess to the firm to their A/c No. SM5-21. A case for waiving off the excess charged surcharge of RS.1367717/- have been prepared and applied for vide Xen, Operation City Division, Panipat memo No. Ch-260/LRA dated 10 4 06 stands sent to the SE/Commercial, UHBVN, Panchkula vide this office memo No. Ch-132/S-1, dated 14.6.06 for getting its approval for waiving off amount. In view of court judgment dated 7.10-2004 and speaking orders issued by the Xen, City Division, Panipat No. 401 dated 25 11.05 after getting its approval or waiving off the recovery of surcharge, the net recovery notice will be issued to the firm for depositing the defaulting amount If the firm fails to deposit the defaulting amount against this account then a case for recovery under Land Revenue Act, 1970 will be prepared and sent to the Tehsildar for effecting recovery of the defaulting amount against this account The reply of the court cases in CWP 14843 of 2005 and contempt No. 1209 of 2005 both have been submitted in the court through legal counsel of the Nigam on 27-2-2006 and 20.02 2006 respectively The decision is still awaited from the court However, efforts to clear/ recover the

defaulting amount from the firm are being made by the SDO / Xen concerned

Now all the three connections of the firm have been permanently disconnected and accumulation of defaulting amount of all these connections Rs 45,86,280/- due to non effecting of TDCO/PDCO etc in time and the accumulation occurred because of acceptance of part payment and non taking of effecting measures as timely disconnection by Sh H.C. Arora and Sh Raj Pal remained posted as SDO (OP) Israna

The draft show cause notice in respect of Sh H C Arora, S.D O since retired from Nigam services on 31-7-04 was sent to the M D , UHBVNL, Panchkula vide this office memo No Ch-125/EPF-3238 dated 29-11-04 which stands decided by M D , UHBVN, Panchkula in his office file No. UH/Conf -1212 not to initiate the disciplinary case in view of Rule 2 2 (6) of CSR Vol -II Annexure-H Regarding disciplinary action against Sh. Raj Pal remained posted as S.D.O (OP) Sub-Divn , Israna from 6/1998 to 3/2001 Show Cause Notice No 4/Conf -1210, dated 11-1-05 was served vide SE/Admn., UHBVNL, Memo No 15/Conf-1210, dated 13-10-2005 is under consideration and decision of competent authority i.e M D., UHBVNL, Panchkula as per Annexure-H.

As per information of Xen City Divn , Panipat the efforts are being made to recover the amount outstanding against the consumer by referring the case to the concerned Tehsildar/D C Panipat ”

The Committee recommended that outstanding amount be recovered and the Committee be intimated:-

Dakshin Haryana Bijli Vitran Nigam Limited

3.12 Avoidable loss due to improper storage

44 After a fire incident (September 1997) in transformer repair workshop (TRW), Hisar due to short circuiting in LT cable/switch board, the Chief Engineer (Operation Zone III), Hisar of the erstwhile Haryana State Electricity Board (now Company), *inter alia*, recommended (November 1997) concealed electrical wiring installation of highly sensitive miniature and LT breakers, provision of adequate fire fighting equipments and smoke detectors at strategic points in the TRW. The Chief Engineer also recommended that no oil soaked insulating paper/boards packing be allowed to remain in the TRW

Audit observed (November 2003) that the management did not take adequate remedial measures to guard against such eventualities in future in the light of the recommendations of the Chief Engineer. On the night of 9-10 July 2003, another fire broke out resulting in complete burning of 26,539 single phase electronic meters valuing Rs. 1.73 crore and 2,944 meter cup boards (MCBs) valuing Rs. 7.36 lakh. The fire incidence also resulted in loss of Rs. 13.04 lakh due to damage of civil and electrical material in workshop.

Investigation Committee (Committee) consisting of the Controller of Stores and Director (Projects) of the Company attributed (July 2003) incidence of fire to electric short circuit and spreading of fire due to presence of transformer oil. The Committee observed that wiring system in the workshop did not conform to specifications required for industrial establishment and fire fighting equipment needed updation. The Committee suggested the storage of such highly inflammable material in a separate store other than workshops or stores with pucca partitions. The Company could not lodge any claim as the material was not insured in view of heavy premium. Responsibility of the officer/officials at fault was not fixed despite exhaustive guidelines issued by the Chief Engineer in November 1997.

Thus, inaction of the management to implement the recommendations of November 1997, followed by storage of highly inflammable materials in workshop caused an avoidable loss of Rs. 1.93 crore on account of damaged material (meters and MCBs: Rs. 1.80 crore and other material: Rs. 13.04 lakh).

The management stated (May 2004) that remedial measures including installation of conduit pipes and highly sensitive miniature breakers and provision of proper fire extinguishers were taken. The reply was not acceptable in view of the aforesaid report (July 2003) of the Investigation Committee.

The matter was referred to the Government in March 2004, the reply had not been received (September 2004).

In their written reply the state Government/Company stated as under —

“The version of the audit that no remedial measures were taken by DHBVN is not in accordance with the ground realities. In fact a Committee

was formed under the Chairmanship of Chief Engineer/OP DHBVNL, Hisar who recommended that :—

“System of electrical wiring should be concealed, highly sensitive miniature breaker and L T breakers should be provided in the workshop so that the faults are cleared speedily and the short circuiting is avoided thus reducing the chances of fire.”

The recommendations given by Chief Engineer/OP Zone-III, Hisar were fully attended to immediately as under :—

- (i) The system electrical wiring for power supply to evens and filtration set is provided by cable of adequate capacity through covered trenches cement concrete made these trenches (2' deep & 1' wide) are covered with steel plates/covers of 10mm thickness Thus the system of providing cable in trenches is better than the same required under Indl Norms
- (ii) L.T. circuit breakers of incoming circuit of quick clearing of faults were provided
- (iii) Highly sensitive miniature breaker was also provided at the main L T , circuit
- (iv) All the electrical wiring were provided through conduit/PVC pipes, which is a fire fighting measure
- (v) The energy meter was replaced with CT operated meter.
- (vi) Brick was constructed around the LT switch Board as safety precaution
- (vii) Smoke alarm was provided in the shed
- (viii) 9 Nos different types of fire-extinguishers were made available in the workshop which were got refilled and were kept ready. These equipments were used in the present incidence of the fire

After receipt of CE's report modern wiring system as suggested by the Investigation Officer was provided in the TRW and expenditure to the tune of Rs 25,80,594/- was incurred for this purpose by the Nigam

As reported above, the last wiring system was provided in 1997-98 conforming to specifications required for industrial establishment The remarks of COS that 'wiring is not according to specifications required for industrial establishment' given in July 2003 i. e. after lapse of 4 to 5 years has been over ruled by higher office viz CE/MM & Director/ Project.

The Director Project in his investigation report indicated that the cause of fire might be a result of sparking in the street lighting line as it was drizzling. The report further states that a spark must have generated near loose joint. Thus spark travelled down the cable or to the joint bifurcating the main electric line resulting a short circuit and thus fire spread in the area through the T/F oil spilt on the ground near to the place where meters were stored. The fire spread due to sudden start of winds. However concerted efforts were made by the staff by using fire extinguishing equipments available in the Workshop as a result of implementation of CE(OP) Report (Nov. 97). Only after using the available fire Extinguishers the fire could be controlled. Besides fire tenders from Hisar and other nearby stations viz Hansi, Barwala Fatehabad and Adampur were requisitioned to extinguish the fire at the mid night of 9th & 10th July 2003

The shed where the meters were stored was made isolated by providing wall to wall fencing and away from the other sheds of the TRW where the actual day-to-day activities of the workshop take place. The electric supply of the separate shed where the meters were stored was disconnected prior to storage of meters in the shed.

The inventory could not be got insured as the meters were procured against 100% replacement of meters in DHBVNL and were likely to be issued to the field very shortly. These were also not got insured, more so the insurance of these meters was not viable in view of the heavy premium payable.

From the above it would be observed that all possible action to extinguish the fire were taken by the Deptt. The incident of fire occurred on account of sparking in streetlight due to drizzling and spread due to sudden start of winds, which was beyond the control of the concerned staff of workshop. The Director/Projects who investigated the matter also did not hold any person responsible for the current incident of fire. However, the inventory material kept at TRWs has been got insured since 2004-05 onwards as an additional measure to cover up the risk in such like material calamity.

The Board of Directors had considered this loss in their meeting held on 24-8-2005 and it was observed that the fire was due to natural calamity and no officer/official is responsible for the same and decided to write off the loss of Rs. 1,92,91,250/- due to fire in Transformer Repair Workshop, Hisar in 9th & 10th July 2003 "

The Committee recommended that the matter may be reviewed to see as to whether all the earlier recommendations were implemented or not and the Committee be intimated of the outcome.

Haryana Financial Corporation

3.16 Non-recovery of Loan

45. The Corporation sanctioned (January 1996) a term loan of Rs. 66 lakh to Amar Pushp Aqua Private Limited (unit), for setting up a mineral water unit at Roz-ka-meo, Gurgaon with the stipulation that the unit would provide a collateral security of Rs. 19 80 lakh (30 per cent of term loan). The unit offered (March 1996) collateral security of a plot (measuring 111 11 square yards at village Kot Khalsa, Amritsar) with an assessed value of Rs 20 lakh, assessed (March 1996) by the valuer on the panel of the Corporation. To confirm the valuation, Branch Manager (BM) of the Corporation, Gurgaon, visited the site and asked (June 1996) the unit for an additional security in view of downward trend in the value of property. So, the unit offered an adjoining plot (measuring 111 11 square yards) in addition to the already offered plot as collateral security. The BM assessed (June 1996) value of both the plots at Rs 22.22 lakh without considering the prevalent market price. The Corporation disbursed Rs 65 18 lakh between August 1996 and September 1997.

Due to default in repayment of loan and interest (Rs. 36 02 lakh), the Corporation recalled (October 1999) the entire outstanding loan of Rs 84.11 lakh (principal Rs. 62 75 lakh and interest Rs 21 36 lakh). The Corporation took over (January 2000) the possession of the unit under Section 29 of State Financial Corporations Act, 1951. The valuer assessed (February 2000) value of the unit at Rs 33.75 lakh. The Corporation sold (June 2001) primary security through auction for Rs 17.76 lakh leaving an unrecoverable balance of Rs. 73 44 lakh. To make up the shortfall, the Corporation obtained (December 2001) the deemed possession of the above two plots and assessed (February 2002) their value at Rs 2.22 lakh. These plots could not be sold so far (January 2004) because no offer was received despite being put to auction nine times between September 2002 and October 2003.

Audit observed (October 2003) that value of the plots accepted (June 1996) as collateral security had come down from Rs 22.22 lakh to Rs 2.22 lakh in February 2002. Thus, acceptance of inflated collateral security rendered (June 2004) the recovery of Rs 1 89 crore (including interest of Rs. 1.26 crore) doubtful.

The management stated (April 2004) that the value of the property assessed was based on the market value and not on the rate fixed by the revenue authorities as per prevailing practice at that time. The reply is not tenable as management had failed to ensure a foolproof system of valuation of collateral security which had led to acceptance of collateral security at a highly inflated value.

The matter was referred to the Government in February 2004, the reply had not been received (September 2004).

In their written reply, the State Government/Corporation stated as under —

“The company was sanctioned loan of Rs 66 lakh for setting up unit in approved Industrial Area viz 41 Roz-Ka-Meo, District Gurgaon for mineral water. In view of risk perception, it was stipulated to obtain collateral security of 30% (Rs 19.80 lakh). The company got the collateral security viz. No. 42 (111.11 sq.yds) at Kot Khalsa, Amritsar assessed from Shri R.K. Chaudhary, an Engineer at Rs 20 lakh. However, as per instructions issued separately on 14.05.1996 the collateral security required assessment by the official of the Corporation also in addition to assessment by assessor Manager (Recovery) from Head Office was deputed to assess the fair market value of property. Going by downward market trend, he assessed the above property at Rs.11 lakh and verbally advised the party to offer additional collateral security to meet the shortfall. The company agreed to offer adjacent Plot No. 43 (111.11 sq.yds) at Kot Khalsa, Amritsar and as per Manager's report dated 11.06.1996 both these plots were assessed at Rs. 22.22 lakh. Title of these plots was also found clear and on compliance of terms the disbursement was started.

The issue of assessment being inflated has come up when the recovery proceedings have been started.

It is already clarified in the reply above that the property offered as collateral were assessed based on the market value prevalent at that time.

As regard the observation that the Manager assessed the value without ascertaining the market value of the property from the revenue authorities, it is submitted that there is always difference between the rates notified by the Revenue Authorities and the prevailing rates. The Corporation used to accept the market value. Subsequently the Corporation reviewed the procedure and standardised the policy of valuation of various properties in July, 2003.

The Manager who assessed the property has retired from the service of the Corporation. However, apart from departmental proceedings initiated against him, criminal complaint with the Police has also been filed.

The Corporation has already sold the primary security for Rs. 17.78 lakhs in June, 2001 and has taken over deemed possession of the Collateral Security in December, 2001. So far 12 attempts have been made to dispose off the collateral security but sale has not yet materialised.”

During oral examination the representatives of the corporation intimated that the matter would be got re-enquired from a senior level officer and after that

the matter would be taken up with the police. **The Committee recommended that the enquiry may got conducted again in this matter and the case be moved with police.**

3.18 Disbursement of loan against fake documents of collateral security.

46. The Corporation sanctioned (August 1994 and January 1996) working capital term loan (WCTL) of Rs. 7.90 lakh and additional term loan (ATL) of Rs. 13.25 lakh to Ashoka Rubber Udyog (unit) for tube manufacturing unit in village Tikri Kheva (district Faridabad). WCTL and ATL were sanctioned despite the unit having committed default in repayment of earlier loan disbursed in December 1991 to June 1992. The terms and conditions of sanctions, *inter alia*, provided that the unit would offer collateral security of land valuing Rs. 18 lakh against WCTL and additional collateral security equivalent to 100 per cent of the term loan sanctioned against ATL.

The Corporation accepted land valuing Rs. 32.65 lakh in district Amritsar, Punjab as collateral security belonging to the promoter of the unit on the basis of search reports (September 1994 and January 1996) of an advocate of Amritsar. The Corporation disbursed Rs. 11.59 lakh (WCTL: Rs. 7.50 lakh and ATL: Rs. 4.09 lakh) during November 1994 to September 1997 to the unit. Due to persistent default, the Corporation took over (December 1997) the unit under Section 29 of State Financial Corporations Act, 1951 and auctioned (February 2002) it for Rs. 4.95 lakh. During the process of balance recovery of loan, the Corporation discovered (September-2002) that land accepted as collateral security did not exist in the name of the promoter and the advocate on whose search report collateral security was accepted did not exist. The Corporation could not recover over dues from the collateral security in the absence of marketable title to the property.

The facts regarding false and fake collateral security established that the appraisal procedure of the Corporation was faulty as the documents of collateral security were not verified and inspected at the time of sanctioning the loan. Thus, sanction/release of financial assistance to the unit on the basis of fake search reports led to non-recovery of Rs. 1.25 crore (including interest of Rs. 1.03 crore) as on June 2003.

The management admitted (July 2004) that it had started (July 2003) verifying the documents submitted by the borrower in respect of primary and collateral security to avoid such frauds in future.

The matter was referred to the Government in April 2004, the reply had not been received (September 2004).

In their written reply, the State Government/Corporation stated as under —

"The unit was sanctioned original term loan of Rs 20 00 lacs as per policy and norms of the Corporation. On account of delay in implementation of the project before the unit went into production, installment of loan fell due for payment. On the request of the borrower the overdue amount was rescheduled. Subsequently the party was also sanctioned working capital loan of Rs 7.90 lacs and additional loan of Rs 13.25 lacs on its request after examining in details as the party was having good number of orders in hand and it wanted to increase its capacity. The working capital loan and additional loan was additionally secured by collateral securities as per norms of the Corporation and due procedure was followed in processing these additional credit facilities. As per the then prevailing policy of the Corporation title of documents against securities to be accepted by the Corporation were examined based on the title documents and advocates' search reports submitted by the borrowers. In this case also search report of the Advocate supported with inspection receipts, certificates of Tehsildar regarding valuation of the land and copies of jamabandis were obtained as procedure prevailing at that time. These documents were examined by the Law Officer and found to be in order therefore title was accepted by the Corporation.

The Corporation came to know in respect of fraud committed by the borrowers only at a later stage when the officer went for identification of the property. After verification it was revealed that the borrower has submitted false non encumbrance search report of non existing advocate and has availed the loan on the basis of forged documents. The Corporation has filed criminal complaint against the borrowers under Section 42 of State Financial Corporations' Act, 1951 and Recovery Certificate is also being issued.

To pre-empt such frauds in future, the Corporation has started the practice to verifying title papers submitted by the borrowers through its Law Officers who visit respective revenue and other concerned officers. Antecedents of the Advocates conducting search are also verified by the Corporation. The value of the properties accepted by the Corporation as securities is now being assessed by own staff of the Corporation."

The Committee recommended that the Committee be informed about the final outcome of the case.

Haryana Warehousing Corporation

3.19 Loss due to damage of wheat

47. The Corporation procures wheat from various mandis in the State allotted by the State Government for Central Pool under the minimum support price scheme and delivers it to Food Corporation of India (FCI). FCI issues instructions to the Corporation either to deliver stocks direct from mandis under linkage plan or to keep the same in its godowns till subsequent instructions. It is the sole responsibility of the Corporation to maintain proper health of wheat till it is delivered to FCI.

The District Manager (DM), Kaithal stored 10,435.39 MT wheat at Pundri centre during Rabi 2000 of which 5,070 MT stock was stored (April and May 2000) in open in 40 stacks. As on 30 May 2000, against the requirement of 40 polythene covers only 25 covers were available. It was only on the arrival of rain, the Manager, Pundri requested (7 June 2000) head office to supply new polythene covers for stocks stored in open, which were received (10 June 2000) at Pundri.

Audit observed (February 2004) that the rainwater and delayed supply of fumigants had damaged the wheat stock. These stocks were inspected by the Assistant Manager (Quality Control), Ambala at the instance of head office in August 2000 and technical staff of DM Kaithal in February 2001. They reported that stocks stored in open were found in atta formation and water affected. The DM, Kaithal reiterated his request for segregation and blending of stock in July 2002. The Corporation granted the permission only in August 2002. The Pundri centre delivered 9,590.05 MT stock (including 2,843.89 MT after reconditioning/segregation) to FCI between September 2000 and June 2003. The remaining stock of 845.34 MT wheat was auctioned (August 2003) at a loss of Rs 35.47 lakh.

The management while admitting the loss stated (August 2004) that the quality of stock deteriorated not due to non-availability of preservation material but due to negligence of technical staff and disciplinary action had been initiated against the concerned officials.

The reply was not tenable as the delay in providing preservation material and granting permission for segregating/blending of damaged wheat also contributed to deterioration in quality of stocks.

The matter was referred to the Government in August 2004; the reply had not been received (September 2004).

In their written reply, the State Government/Company stated as under -

"It is admitted that Haryana Warehousing Corporation procures wheat from various mandis in the State allotted by the State Govt for Central Pool under Minimum Support Price Scheme and delivers it to FCI direct from mandis under linkage plan or store and preserve in it its own godowns till subsequent direction from FCI for its delivery.

It is also confirmed that 10435.39 MTs wheat stocks was stored at SWH, Pundri during Rabi, 2000 including 5070 MTs stocks stored in open in 40 stacks. It is also correct that as per Monthly Appraisal Report for May, 2000, 25 serviceable polythene covers and 8 unserviceable polythene covers were available at SWH, Pundri upto 31.5.2000 against 40 stack in open. As observed by the audit itself, against the demand of new covers made on 7.6.2000, the supplies were made on 10.6.2000. Hence, it is vehemently denied that there was any shortage of poly covers.

Similarly there was no shortage of fumigants, as sufficient quantity of fumigants, was available at Pundri during June, 2000. Moreover, if there was any urgent requirement at SWH, Pundri, the District Manager, HWC, Kaithal would have made arrangement from within the circle as sufficient qty for Kaithal circle was always available at District Head quarter. There was no sliding down of quality as per monthly appraisal reports for the month of July & Aug. 2000 received from Manager, SWH, Pundri. Therefore, the observation of the audit that delay in the supply of preservation material resulted into sliding down/damage to the stocks is not correct.

It is confirmed that AM(QC), Ambala and DM, HWC, Kaithal had inspected these stocks in August, 2000 and February, 2001 respectively. The observations made by them are not denied but these observations show apathy of the concerned tech. staff towards the preservation of stocks for which action has already been initiated. General instructions were issued to all the Managers/Incharges on 18.8.2000 for reconditioning/segregation of stocks to avoid any quality complaint and permission for segregation and blending of stocks as sought for by DM, HWC, Kaithal in July, 2002 was granted in Aug., 2002, hence there was no delay. Consequently the sound stocks or those reconditioned/upgraded stocks were delivered to FCI except 850.865 MT which were disposed of by way of auction.

It is reiterated that the stocks did not deteriorate due to shortage of preservation material or delay in granting permission for reconditioning of stocks. Rather the stocks got deteriorated due to human error for which disciplinary action has already been initiated against the delinquent official."

The Committee observed that action was also to be taken against the Divisional Manager alongwith the Technical Assistant. He is also responsible for it. **Therefore, the Committee recommended that enquiry be conducted against the said officer and the Committee be informed about the action taken against him.**

Annexure-A

Para 2 B.7.1.3

Statement showing the amount withheld from the payment of the supplier against the cost of damage transformers within warranty period pending against the firms ending 31.3.2002.

Sr. No.	Name of the Firm	Amount	Back Guarantee
1.	M/s. UET Roorkee	288211	150000
2	M/s Transtech Meerut	104121	300000
3	M/s Bharat Panchkula	—	150000
4	M/s Dharma Panchkula	—	150000
5.	M/s Ardisons Associate Mohali	170000	150000
6	M/s Hindustan Panchkula	76000	210000
7	M/s. ABC T/F Noida	—	300000
8.	M/s Rakson T/F Mohali	—	150000
9	M/s. R.K Industries, Bareilly	157319	300000
10	M/s J K T/F Jammu	—	300000
11.	M/s Emco Wire Jammu	24011	150000
12.	M/s Amson Mohali	146955	150000
13.	M/s Mahashakti Bathinda	82012	150000
14	M/s. Jay Bee Panchkula -	—	300000
15.	M/s. SPL, Panchkula	990335	200000
16.	M/s. Gee's Jammu	100000	150000
17	M/s. Usha T/F Sahibabad	140000	150000
18.	M/s Oriental T/F Jammu	556870	150000
19	M/s Swaraj Electrical	32499	150000
20	M/s Tawi T/F Jammu	—	—
21	M/s Hillstron Dehradun	150000	150000
22	M/s Lardums, Haridwar	50000	150000
23	M/s. A Powertech Meerut	10000	150000
24	M/s Hitech Jammu	80731	150000
25.	M/s. Vaishno Meerut	49647	—
Total		3208711	4160000

Sr. AO/Stores & Workshops,
UHBVNL, Dhulkote

Annexure-B**Para 2 B.7.1.3**

Statement showing the amount recovered as interest charges for delay in the repair of damage transformers within warranty period in respect of HVPNL.
(Prior to 1.7.99)

Sr. No.	Name of the Firm	Amount
1.	M/s Elecom T/F Sahibabad	0
2.	M/s. Kahan Saharanpur	92632
3	M/s Electro India Meerut	95148
4	M/s Unilec Chandigarh	343822
5.	M/s Shubra Ballbgharh	1350
6	M/s Technical Associate, Sangrur	5765
7	M/s Jayco Electrical Meerut	40347
8	M/s Transtech Electrical Meerut	198869
9	M/s Usha T/F Sahibabad	182015
10.	M/s United Transformers Roorke	18073
11	M/s Hindustan Panchkula	0
12	M/s ABC Noida	479007
13	M/s Amson T/F Mohali	328309
14	M/s. Aar Bee Industries, Panchkula	0
15.	M/s Jay Bee Industries, Panchkula	340497
16.	M/s. Bharat Panchkula	8104
17	M/s. Modern transformers	63960
Total		2197878

**Sr. AO/Stores & Workshops,
UHBVNL, Dhulkote**

Annexure-C**Para 2 B.7.1.3**

Statement showing the amount withheld from the bills / payments of the suppliers against the warranty period transformers lying with firms / no due certificate in respect of the following firms by HVPNL. (Prior to 1.7.99)

Sr. No.	Name of the Firm	Amount
1	M/s Elecom T/F Sahibabad	21304
2	M/s Kahan Saharanpur	405330
3	M/s Electro India Meerut	136880
4	M/s Unilec Chandigarh	193618
5	M/s Shubra Ballbgarh	64192
6	M/s Technical Associate, Sangrur	5235
7	M/s Jayco Electrical Meerut	32725
8	M/s. Transtech Electrical Meerut	530437
9	M/s. Usha T/F Sahibabad	137885
10	M/s United Transformers Roorke	320435
11	M/s Hindustan Panchkula	225782
12	M/s ABC Noida	312078
13	M/s Amson T/F Mohali	71556
14	M/s Aar Bee Industries, Panchkula	521899
15	M/s Jay Bee Industries, Panchkula	327713
16	M/s Bharat Panchkula	499603
17	M/s Modern transformers	89239
Total		3895911

Sr AO/Stores & Workshops,
UHBVNL, Dhulkote

Annexure-9

Statement showing physical targets and achievements for erection and augmentation of sub-stations and lines during five years up to 2003-04

(Referred to in paragraph 2.2.6)

Year	Number of sub-stations (New)	Number of Sub-stations (Augmentation)	Addition in transformer capacity (MVA)	Laying of transmission line (Circuit kms)
1999-2000				
Tragets	11	21	809	549
Achievements	6	31	777	186
Percentage of Shortfall	45	-	4	66
2000-01				
Tragets	4	38	702	414
Achievements	2	22	266	124
Percentage of Shortfall	50	42	62	70
2001-02				
Tragets	8	44	902	446
Achievements	8	14	447	160
Percentage of Shortfall	-	68	50	64
2002-03				
Tragets	28	25	1,357	973
Achievements	11	37	907	146
Percentage of Shortfall	61	-	33	85
2003-04				
Tragets	36	39	2,468	1,322
Achievements	23	26	1,500	502
Percentage of Shortfall	36	33	39	62

Annexure-A**Para No. 2.2.6**

Detail of number of substations and length of lines at the end of various Plan periods.

Plan ending on	IV Plan 31 3 74	V Plan 31 3 79	VI Plan 31 3 85	VII Plan 31 3 90	VIII Plan 31 3 97	IX Plan 31 3 2002	Present 29 2 2002
Number of Substations							
220 KV	-	-	3	8	15	18	24
132 KV	16	26	40	51	71	79	96
66 KV	22	28	44	52	67	77	85
Line length (Ckt km)							
220 KV	-	-	292	595	762	1257	1757
132 KV	917	1205	1649	1879	1817	1907	2406
66 KV	756	841	1255	1466	1467	1546	1719

Annexure-'B'**Para No. 2.2.6.****Haryana Vidyut Prasaran Nigam Limited**

Subject Monthly performance review of Transmission Works for the month of January 2004

The subject cited item was considered by the Board of Directors in its meeting held on 26 ? 2004 and resolved as under —

"The Board of Directors noted with appreciation the achievements made towards strengthening of transmission and sub-transmission system. Chairman, acknowledged the fact that during the current financial year 35 new grid substations had already been commissioned, which was the highest record achieved so far in the State. By the end of the current financial year, the achievement may cross the figure of 40

Director/Technical informed the Board that the construction work on 220 KV sub-station Palli, 132 KV substation Murthal, Israna, Madhosinghana, Behl, Tosham and 66 KV substations Sector-3 Panchkula, Yara, Sector-44 Gurgaon and Sector 23-A Gurgaon was being taken up on priority so as to complete these works positively before the coming summer season. The construction work on new 220 KV substations Safidon, Jind and Sector 52-A Gurgaon had also been taken up by the respective turnkey contractor.

MD, UHBVN referred to certain important works, which require urgent attention. Specific reference was made to construction of 132 KV Sagga-Amin line and augmentation of 132 KV substation Malikpur. Director/Technical clarified that 132 KV Sagga-Amin line had already been targeted to be completed by October 2004 as per the meeting held in January 2004. Efforts would be made to further expedite the work. Regarding augmentation of Malikpur substation, procurement of additional land is involved and this exercise would also be expedited.

MD, DHBVN referred to certain transmission constraints in Gurgaon and Bhiwani areas. Director/Technical clarified that Bhiwani problem would be taken care of before the summer season with the commissioning of 132 KV substations Behl and Tosham. Regarding Gurgaon, 100 MVA transformer purchased from BBMB had already been put on capital maintenance and it would be installed at Badshahpur within next two months. Meanwhile, civil works tenders are being processed through short-term tender inquiry. It was proposed to commission Sector-44 Gurgaon and augment Sector 23-A Gurgaon by March end or early April. MD, DHBVN proposed augmentation of 66 KV Dundahera, which would be looked into.

Director/Technical also apprised the Board regarding slippage in procurement of 132 KV and 66 KV transformers, which have badly affected the commissioning schedules of the new substations/augmentations. Efforts are being made to expedite the procurement process so as to make good for the slippage to the extent possible.

MD, HPGC confirmed that we had already directed for removing the stone crushers, which were coming in the way of completion of 66 KV link line for WYC Stage-II

Director/Technical informed the Board of Directors about the reduction in transmission losses on account of strengthening of the transmission system. The transmission losses in the current year were lower by 1.5% to 2% corresponding to the previous year. It was further informed that with the reduction of transmission losses, that was a saving of nearly Rs. 75 crore per year to Utilities."

Further action in the matter may be taken accordingly and compliance be reported to this office on or before 18.3.2004, please

sd/-
Supdt./Meeting
for Company Secretary,
HVPNL, Panchkula

Annexure- 'C'

Para No. 2.2.6

Voltage	New Substations				Augmentations			
	Target	W/O Target	Total	Comm	Target	W/O Target	Total	Comm
220	9	0	9	9	15	1	16	13
132	34	1	36	30	58	19	77	89
66	26	0	26	18	39	20	50	50
Total	09	1	71	57	112	40	152	132

year	Targets				Achievements			
	Audit Flg		As per Low		Audit Flg		Actual	
	New	Aug	New	Aug	New	Aug	New	Aug.
1999-2000	11	21	11	21	6	31	6	32
2000-2001	4	38	1	33	2	22	2	22
2001-2002	8	44	7	22	8	14	8	13
2002-2003	28	25	37	23	11	37	11	37
2003-2004	36	39	13	13	11	18	23	23
2004-2005	NA	NA	NA	NA	NA	NA	7	5
Total	87	167	69	112			57	132
			181				189	

Works not appearing in the List of works 1 40

Grand Total 70 152

222

ANNEXURE-V

Para No 2 2 21

KOOL BREWERIES LTD

A-61 OKHLA INDUSTRIAL AREA PHASE-II
NEW DELHI-110020 (INDIA)
TEL 26389299, 26385143, 26385247, 26386450
FAX 91-11-26383549
E-mail koolbrew @ vsnl com

KBL/BJ/HSIDC/04/50

March 17, 2004

Sr Manager (Equity)
The Haryana State Industrial Development
Corporation Ltd
C-13-14-, Sector 6, Panchkula Haryana

Reg : **START OF PRODUCTION**

Dear Sir,

This has reference to your letter No. HSIDC EQUITY : 04/846 dated 15-3-2004. The point-wise reply is as under —

1. The project is expected to be commissioned in April 2004
2. We shall submit a proposal to buyback equity after we stabilize operations, which shall take approx six months

Hoping for a favourable action.

Thanking you,

Yours faithfully,

For Kool Breweries Ltd.

sd/-

DAMANJIT SINGH

Chairman & Managing Director

Annexure-H

Para No 3.10

U H.B VN

From

The Managing Director,
UHBVN, Panchkula

To

The Chief Engineer (OP)
UHBVN, Panchkula

Memo No Ch- /Conf-1212

Dated —

Sub :— Report of C&AG of India for the year 2003-04 (Commercial)-Govt of
Haryana-Para No 3.10 & 3.11

Refer your office memo No Ch-112/CE/(OP)WO/F-487 dated 28-3-06

The desired information is as under —

- | | | |
|---|--------------------------|---|
| 1 | Sh H.C Arora, AEE (Retd) | Keeping in view the retirement of the office the competent authority has decided not to initiate action against the retiree |
| 2 | Sh Raj Pal, AE | A Show Cause Notice stands issued to the officer vide this office memo No. Ch-4/Conf-1210 dt. 11-1-05 and his case stands submitted to competent authority for decision which are yet awaited However office will be informed on finalisation the case of the officer |

Under Secretary/HR-I,
for M D UHBVN, Panchkula

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