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HARYANA VIDHAN SABHA

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2007-2008)
(ELEVENTH VIDHAN SABHA)
FIFTY-FOURTH REPORT
ON THE
REPORTS
OF THE**

**COMPTROLLER & AUDITOR GENERAL OF INDIA
FOR THE YEARS 2003-04 & 2004-05
(COMMERCIAL)**



(Presented to the House on 28th, March, 2008)

HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH
MARCH, 2008.

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**COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2007-2008)**

CHAIRPERSON

- 1 Shri Sher Singh

MEMBERS

- | | |
|----------------------------------|--------|
| *2 Shri Mange Ram Gupta | Member |
| 3 Shri Shadi Lal Batra, MLA | Member |
| 4 Shri Kharati Lal Sharma, MLA | Member |
| 5 Shri Jitender Singh Malik, MLA | Member |
| 6 Shri Randhir Singh, MLA | Member |
| 7. Shri Bhupinder Chaudhary, MLA | Member |
| 8 Dr. Shiv Shankar Bhardwaj, MLA | Member |
| 9. Shri Arjan Singh, MLA | Member |
| **10. Smt Anita Yadav, MLA | Member |

SECRETARIAT

- 1 Shri Sumit Kumar, Secretary
2 Shri Rajinder Kumar Nandal, Deputy Secretary

* Resigned from the Membership of the Committee w e f 5th September, 2007 on his appointment as Minister

** Nominated as a Member for the remaining period of 2007-08 w e f 18th October, 2007

INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings having been authorized by the Committee in this behalf present the Fifty-Fourth Report of the Committee on the Reports of the Comptroller and Auditor General of India for the Years 2003-04 (Haryana Power Generation Corporation Limited) 2004-05 Haryana Scheduled Castes Finance and Development Corporation Limited (Review), Haryana State Industrial Development Corporation Limited, Dakshin Haryana Bijli Vitran Nigam Limited, Haryana Power Generation Corporation Limited, Haryana Vidyut Prasarn Nigam Limited and Haryana Financial Corporation.

The Committee for the year 2007-08 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 and on its inspection/spot Study 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 the 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, Deputy Secretary, the dealing officer and the staff of the Haryana Vidhan Sabha for the whole hearted co-operation and unstinted assistance given in preparing the report

Dated Chandigarh :
The 29th February, 2008.

SHER SINGH
CHAIRPERSON

REPORT
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF
INDIA FOR THE YEAR 2003-2004.

Haryana Power Generation Corporation Limited

3.14 Loss due to non-commissioning of fire protection system

Failure of the Company to synchronise the installation of fire protection system with the commissioning of Unit-VI at Tau Devi Lal Thermal Power Station, Panipat resulted in loss of Rs. 80.36 lakh.

1. The Company, based on the technical specifications prepared by Tata Consulting Engineers (TCE) placed (March 1999) a purchase order on Bhartiya Caccialanza Fire System, Noida for fire protection and fire alarm system (fire protection system) for Unit-VI at Tau Devi Lal Thermal Power Station at a cost of Rs 2.03 crore. The Company could extend the scope of work to the extent of 20 per cent of the contract price. The terms and conditions of purchase order provided that the Company/TCE would supply the base drawings for preparing final design and engineering by the firm. The work was to be completed by January 2000. On completion of fire protection system, the Company was entitled to claim discount of 7.5 per cent per annum of the insurance premium.

Detailed design and drawings, which were to be supplied to the supplier up to 27 April, 1999, were actually supplied by the TCE in piecemeal during March 1999 to October 2001. The Company/TCE did not assess the requirement of material by preparing detailed drawings. The firm started the work in March 1999 on the basis of tendered drawings. Based on the final drawings, the scope of work* increased from Rs 2.03 crore to Rs 2.92 crore (44 per cent).

The firm stopped (June 2001) the work due to non release of payments beyond additional 20 per cent of the contract value. The Company commissioned the Unit-VI in September 2001 without commissioning the fire protection system. Payment of Rs 2.38 crore was made to the firm up to February 2002. The work had not been completed so far (July 2004).

Audit observed (May 2003) that

- * In the absence of penalty clause in the agreement, the Company could not penalise the TCE for delay (May 1999 to October 2001) in supply of design and drawings.
- * Though the scope of the work had increased beyond 20 per cent in October 2001, the Company enhanced the scope of work after a delay of more than two years in November 2003.
- * Due to non-commissioning of the fire protection system the entire payment of Rs 2.38 crore remained blocked since February 2002 resulting in interest loss of Rs 66.64# lakh.
- * The Company could not avail discount of Rs 13.72** lakh on insurance premium due to non-commissioning of the fire protection system.

Thus, failure of the Company to synchronise installation of fire protection system with the commissioning of unit VI resulted in loss of Rs 80.36 lakh, besides exposing the unit to the disasters of fire

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

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

The work of "Fire Fighting & Fire Alarm System for 210MW, Unit-6, TDL TPS, Panipat" was allotted to M/s Bhartiya Caccialanza Fire System LTD., Noida (M/s BCFSL) vide PO No 427/Ch-34/CE/TD/M-I/18 Vol -III dated 08.03.1999 at a lumpsum cost of Rs 2,02,87,161/- (Supply Rs. 1,81,58,914/- & ETC Rs 21,28,247/- with a contract completion period upto Jan, 2000 with the approval of TSC/TD.

The above price was based on the quantities mentioned in the technical specifications for Hydrant System HVWS System, Fire Alarm System, as well as the lumpsum price for the protection devices for the Gen T/F Station T/F, Auxiliary T/F, Main Oil Tank, Clear Oil Tank Deluge System of Zone-I, II, III & IV at (-) 4.5 Level and (+) 6 meter level spares (Start-up & essentials) etc

As per recommendations of project consultants M/s Tata Consulting Engineers (TCE), the approval for increase in cost of PO due to additional requirement to the extent of 20% was taken from (TSC). Although this additional variation of 20% was not mentioned in the Purchase order but provision for taking care of any variation was kept therein by keeping Unit price schedule for variation in quantities.

The first detailed Billing Break-up for supply amounting to Rs 1,81,58,914/- was submitted by the firm on 09.03.1999 which was commented upon by TCE on 12.04.1999 and the revised Billing Break-up which was submitted by the firm on 28.04.1999 was approved by SPC/TD on 07.05.1999 after getting recommendations from M/s TCE on 04.05.1999

M/s TCE released 29 Nos. drawings out of 50 nos to the firm on 08.02.1999 and the balance were released from May, 1999 to April, 2001. There was delay in release of balance drawings by M/s TCE due to non-submission of base drawings/layouts by M/s BHEL.

Firm applied for extension in completion period vide their letter dated 19.04.2000. On receipt of recommendations of CE/Const, Panipat, SPC/TD in its meeting held on 19.07.2000 deferred the levy of LD charges upto January, 2001 as requested by the firm. The firm was also advised to chalk out their working schedules in such a way so that the work could be completed in all aspects by January, 2001

Firm submitted the revised BBU vide their letter dated 04 05 2000 for approval. TCE recommended that as the changes in quantity is an on going process Therefore, BBU cannot be reviewed repeatedly The firm was requested vide this office memo No 9905/Ch-33/CE/TD/M-1/18/Vol-VII dated 01 06.2000 and memo No 286/Ch-62/CE/TD/M-1/18/Vol-VII dated 07 07 2000 to get the major drawings approved so that quantity of various equipments can be ascertained close to the actual requirement at site and then revised BBU will be considered for approval

As the work of Design & Engineering progressed, it was observed that the quantities taken in the Bill of Material as per tender documents/ specifications were on the lower side Firm vide their letter dated 06.12 2000 submitted the revised BBU There was an increase in BBU amount by 28% due to increase in the quantities and SPC in its meeting held on 12.01.2001 approved this variation to maintain continuity in execution of the work. SPC also recommended that an approval may be sought fro TSC as the value of the contract exceeds more than already approved 20% by TSC so that the payment could be regulated accordingly and also decided to withhold 5% value of the material over and above the quantities given in the original Bill of Material

The Firm could not complete the job till January, 2001, and again requested for extension in completion period upto 31 07 2001. On receipt of recommendations from CE/Const , Panipat, SPC/TD in its meeting held on 14.02.2001 deferred the levy of LD charges upto March, 2001 and further deferred the levy of LD charges upto 31 05 2001 in its meeting held on 12 04 2001

The 210 MW Unit-6 was put on commercial operation on 20 09 2001 and Fire Insurance Policy of Unit-6 was taken w e f 20 09 2001

The firm submitted the final revised BBU on 26 11 2001 based on The Final Design & Drawings and M/s TCE approved this BBU on 07.03 2002 As per the final quantities the value of the work as per the unit rates taken by M/s BCFSL, comes out to Rs 2,91,87,485/- (Rs. 2,60,07,493/- for supply and Rs 31,79,992/- for Erection) The increase in the value of P.O due to increase in quantities as per the revised BBU was to the tune of 44% as against 20% got approved from TSC

CE/Const. on 10 05.2002 was requested to send his recommendations for the completion of work M/s TCE and the firm were requested to review and confirm that there will be no further change in the quantities and the system will be completed in all respects with in the quantities of material incorporated in the latest revised BBU.

M/s BCFSL vide their letter dated 13.05.2002 confirmed that the quantities mentioned in their final BBU are FIRM and further added that they will not ask any increase therein. Firm further agreed that any additional quantity if required will be supplied free of cost to HPGCL

The firm abandoned the site on June 13.05 2002 without completing fire protection system and not in June 2001 as mentioned in the para.

M/s TCE vide letter dated 10.10.2002 intimated that there would not be any further change in the quantities

M/s TCE vide D.O. letter dated 31.10.2002 were again requested to examine this abnormal rise in the Contract value and supply the justification for the same. M/s TCE vide letter dated 25.11.2002 furnished the reasons for increase in the quantity of material and further vide letter dated 18.03.2003 also clarified that increase in quantity is as per site requirement and in line with the Tariff Advisory Committee (TAC) requirement.

As M/s Bhartiya Caccialanza Fire System Ltd. was not coming forward to complete the pending jobs inspite of repeated reminders, a meeting was held with M/s BCFSL on 09.06.2003 to discuss and resolve the issues to its logical ends. During the meeting it was emphasized that any variation in the quantity can be allowed at the unit quoted in the price bid and the firm in the unit price schedule did not indicate the unit rates of the items for which amendment has been sought by the firm.

In view of the above facts, the amendment in the BBU was not as per terms & conditions of the contract as the unit rates indicated by the firm in BBU were on the higher side. Therefore, SPC/TD in its meeting held on 01.07.2003 decided to recommend to TSC/TD for increasing the cost of supplies from the Rs. 1,81,58,914/- to Rs. 2,60,07,493/- (Approx), cost of ETC from Rs. 21,28,247/- to Rs. 31,79,992/- (approx), authorize CE/TD to procure additional quantities through press NIT and grant of extension in completion period upto 4 months from the date of handing over the balance supplies to the firm

The firm did not start the work, therefore, a Notice was issued to the firm on 16.01.2004 requesting them to resume the work at site and commission Fire Hydrant System on top priority failing which the work shall be got executed at their risk and cost. The firm vide letter dated 25.02.2004 intimated that their erection team visited the site at TDL TPS, Panipat for commissioning of Hydrant System but found that a major part of their site store and office had been demolished and material worth Rs. 17 and 19 lacs was missing. CE/O&M, TDL TPS, Panipat vide letter dated 07.05.2004 informed to the firm that site store of the firm was under lock and key in the custody of the firm for which watchman was deputed by the firm but later on his services were withdrawn by the firm and HPGCL is not responsible for missing material.

The trial operation of Fire Hydrant System of Unit-6 was carried out on 19.05.2004 by the firm in presence of site engineers. The deficiencies, observed by the site officers were intimated to the firm vide CE/O&M letter

dated 03.06.2004. The firm vide letter dated 10.06.2004 submitted their clarifications to the deficiencies pointed out by the site officers during their Trial Operation of Hydrant System. As M/s Bhartiya Caccialanza Fire Systems Ltd (BCFSL) was not coming forward to complete the pending jobs. Therefore, accessories such as Hose pipes, Couplings & Landing valves etc. required to complete the Fire Hydrant System in critical area of Unit-6 were procured by TDL TPS at the risk and cost of the firm to make the Fire Hydrant System operative in critical areas of Unit-6.

SPC/TD in its meeting held on 08.10.2004 considered the case and decided that the firm be given time bound notice for resumption of work at site for completion of pending works of Fire Protection & Fire Alarm System of Unit-6 TDL TPS, Panipat. In response to the notice issued to the firm on 13.10.2004, the firm vide their letter dated 26.10.2004 intimated that they are not in a position to mobilize the site without getting amendment and releasing of balance money and requested to issue amendment to the Purchase Order.

The case was again put up to SPC/TD on 17.02.2005 wherein it was decided that M/s BCFSL be again asked to mobilize the site before consideration of their request on merit for release of payments/amendment in the P.O. by the competent authority. In response to this office letter dated 17.02.2005 firm vide their letter dated 01.03.2005 reiterated their stand that they are not in a position to remobilize the site without getting amendment in P.O. as well as confirmation to provide the material missing from their site store.

To resolve the issue and get the balance work completed, it was decided to call the firm for a meeting in the office of CE/TD at Panchkula to discuss the pending issues regarding completion of work. The meeting was held with the firm on 02.05.2005. During the meeting, the firm was impressed upon to mobilize the site to complete the system. Regarding missing material it was made clear that the firm is responsible for watch & ward of material lying in their site stores. Regarding amendment in the P.O. the firm was intimated that amendment in the P.O. is admissible for the items whose unit rates have been indicated by the firm in the unit price schedule of their offer and therefore, were asked to give justification for amendment in the P.O. The firm's representative sought some time to revert back on this issue.

The next meeting with the firm was held on 23.05.2005. During the meeting, the firm's representative was adamant for issue of amendment in the scope of work. However, HPGCL impressed upon to submit the status of erection of the material already supplied by them and give justifications for the unit rates in the BBU.

The firm vide their letter dated 07.06.2005 has submitted the status of material erected at site(%age wise) and value of balances work-system-wise but has not given any justification for unit rates of additional quantities.

taken in the BBU. The firm has again requested vide letter dated 14.06.2005 to correct these discrepancies in respect of the unit rates of additional items as per terms & conditions of the contract and mobilize the site and complete the system at the earliest.

As explained above, it can be observed that HPGCL has made all out efforts to get the Fire Protection & Fire Alarm System of Unit-6, TDL TPS, Panipat completed.

The reply to the observations raised by the audit are as under —

The penalty clause was initially incorporated in the consultancy contract. However, since M/s TCE represented against this clause, the same was deleted. In absence of any penalty clause for damage for defective work due to errors in design and drawings etc. in the consultancy contract, no action could be intimated against TCE officials for recommending/approving unrealistic estimates.

- * The firm had submitted revised Billing Break-up for 28% increase over and above the original contract price on 6.12.2000. This Billing Break-up was approved by the SPC/TD on 12.1.2001 to maintain the continuity in execution of the work subject to final approval by TSC. Thereafter, firm submitted another revised BBU on 26.11.2001 for 44% increase over and above the original contract price. No amendment in P.O. have been issued to the firm for enhancing the scope of work in November, 2003 as mentioned in the audit para as there were several discrepancies in the unit rates of additional items for which the firm has sought amendment.

The reply of the above points has been submitted by the concerned office i.e. C.E./Th. Design, Panchkula vide his letter memo no 2617/Ch-27/CE/TD/M-II/Audit fax dated 23.08.2005.

- * The detailed circumstances due to which the work of Fire Fighting and Fire Alarm System for 210 MW Unit-6, TDL TPS, Panipat could not be completed in time have been explained above.
- * The amount of Rs. 13.72 lakh as discount not availed on insurance premium due to non commissioning of fire protection system, given in the audit observation is not correct. The factual position is that the F.E.A discount amounting to Rs. 2.5 lakh approximately due to non commissioning of fire protection system could not be availed in first year after commissioning of Unit-6 i.e. 2001-2002 only. From 2003-2004 onwards 5% F.E.A discount has been availed by the corporation.

During the course of oral examination, the department admitted that the fire fighting project could not be put to use despite spending over Rupees 2.30 crores.

The Committee feels that this is a serious lapse on the part of the department. The department should fix the responsibility of the responsible persons and also give reasons for the delay in installing this project. The Committee also feels that the work which was to be completed in 2000 was not completed upto February, 2008. The Committee is of view that it should be completed at the earliest possible time and with minimum cost so that Government should not loose much money.

The Committee would like to know the reasons of the delay and also the latest position of this project and so far how much amount has been incurred on it. The Committee recommends that the responsibility be fixed for this abnormal delay. The departmental representative agrees to enquire into it and will take suitable action.

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF
INDIA FOR THE YEAR 2004-2005Haryana Scheduled Castes Finance and Development Corporation Limited
(Review)

2.1 Disbursement of Financial Assistance.

2.1.10. Delay in sanction of loan

2. The Company did not fix any time limit for sanction and disbursement of loans under the Bank tie-up scheme while it had fixed 20 days under NSFDC scheme for processing loan applications. Justification for not-fixing time limit for sanction and disbursement was not available on record.

The Hon'ble Minister of State, Ministry of Social Justice and Empowerment, GOI while presiding over the meeting of Managing Directors of State Channelising Agencies (CAs) of Apex Corporations had, *inter-alia*, suggested (July 1999) that the CAs need to improve their working so as to meet the objective of speedy and timely disbursement of loans to the eligible beneficiaries. In ATNs (September 2000) to COPU's recommendations (January 1998), the State Government/management assured to pursue the cases rapidly with the banks.

Audit observed that district offices did not maintain complete records such as periodical return/register to monitor timely sanction and disbursement of loan. In the absence of complete records, the overall extent of delay could not be analysed in audit. However, a test-check of 285 cases in three* districts revealed that

- * the Company delayed its recommendations for loans in 185 cases (65 per cent). It took 21 to 100 days in 133 cases, 101 to 365 days in 47 cases and above 366 days in five cases against the stipulated time of 20 days fixed under NSFDC scheme;
- * the banks delayed the sanction of loan after receipt of application from the Company in 222 cases (78 per cent). The banks took 31 to 100 days in 133 cases, 101 to 365 days in 87 cases and above 366 days in two cases against the period of 30 days recommended by COPU; and
- * in 208 (73 per cent) cases, the Company took 31 to 371 days in sending cheques of margin money/subsidy to banks for onward disbursement to beneficiaries alongwith the bank loan.

There was no system to analyse delay in sanction of loans or to monitor timely disbursement thereby impacting the efficiency of the scheme. MD of the Company assured (September 2005) that suitable directions will be issued to field offices to help the beneficiaries in early completion of formalities and liaisoning with banks will also be made effective.

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

In compliance with the recommendation of COPU, the instructions were issued to the District Managers of the Corporation vide letter dated 21.7 1998 for expeditious disposal of loan cases from the banks. Record/ Register with regard to position of loan applications sponsored to banks is maintained by the field offices in order to monitor the progress of sanction and disbursement of cases by the banks. The position in this regard is regularly reviewed in meetings of District Level Review Committee (DLRC)/ District Consultative Committee/District Co-ordination (DCC) and Block Level Bankers Committee (BLBC) headed by Deputy Commissioners/Additional Deputy Commissioners and attended by Representatives of various financial institutions including District Managers of HSFDC and banks. Bankers are requested to sanction and disburse loan in the cases of corporation expeditiously. The progress is also reviewed in District Managers' meetings and necessary directions are given to District Managers to keep a close liaison with banks to expedite sanction and disbursement in corporation's cases. As regards release of subsidy and margin money in the sanctioned cases to banks some times the funds in the shape of Special Central Assistance and Share Capital are not received in time and in some cases beneficiaries do not complete the loan documents in time, which results in delay in releasing the subsidy/margin money.

During the course of oral examination the Committee observed that the Corporation was not specific to audit cases pointed out in the para. The then Managing Director had assured for early finalization of specific instructions.

The Committee desired that a copy of the instructions be furnished for the information of the Committee. The desired information was not supplied by the department till the finalization of the Report (February, 2008).

2.1.11

3. The schemes under the NSFDC are advertised in Hindi news papers for receiving loan applications from the eligible applicants. The applications are scrutinised by the respective District Managers within 20 days and got verified through respective ADCs in further 20 days. Thereafter, the cases of applicants found eligible are placed before the Loan Sanctioning Committee. The Loan Sanctioning Committee did not fix any time frame for sanction of loan. The Company sanctioned and disbursed Rs. 2.37 crore to 77 beneficiaries during 1999-2004.

Sanction and disbursement of loan took 3-24 months in 57 out of 59* cases (97 per cent) and 66 out of 76* cases (82 per cent) respectively.

The abnormal time taken in sanction and disbursement of loan hampered the upliftment of the beneficiaries. The management attributed (August 2005) the reasons for delay mainly to non-completion of loan documents by the beneficiaries. In ARCPSE meeting the MD of the Company assured to minimise the delay.

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

The NSFDC schemes are advertised in Newspapers for inviting loan applications from the eligible scheduled castes applicants. The applications so received are scrutinized by the District Managers and got verified through Additional Deputy Commissioners concerned. Thereafter, cases of eligible applicants are placed before committee having representative of NSFDC, by the District Managers, for interviewing and selection of beneficiaries. After selection of the beneficiaries necessary sanction is issued for grant of loan to the beneficiaries concerned. Simultaneously selected applicants are also advised (in writing) to complete their loan documents i.e. Agreement, surety, beneficiary's share, selection of assets, etc. within a month. After completion of loan documents and receipt of demand of funds from District Offices, proportionate share of NSFDC is demanded accordingly (because unutilized funds refunded to NSFDC attract higher rate of interest) and the composite fund including HSFDC share is transferred to the District Managers concerned for disbursement to the ultimate beneficiaries. The loan amount is released through account payee cheque to the seller of the assets by the District Managers. The selection of assets is done by the beneficiaries themselves as per their choice, however, same are to be purchased from authorized dealer. The District Managers ensure quality and purchase of requisite assets by the beneficiaries. It is worth mentioning here that as per guidelines, NSFDC funds are to be disbursed to the ultimate beneficiary within 120 days (90 days w.e.f. 01.10.2002) from the date of preparation of bank draft by NSFDC. The corporation utilised the NSFDC funds within the stipulated period. As such, the whole process normally takes 6-8 months to disburse the loan to the beneficiaries. However, some of the selected beneficiaries do not complete, before and after sanction of loan, formalities i.e. caste certificate, income certificate, arranging of promoters contribution and surety etc., which causes delay in sanction and disbursement of loan. Taking sympathetic consideration in such cases, time relaxation is given in completion of loan documents formalities as the target group belong to poor section of society. Moreover, in order to cut short the implementation period and delay in disbursement of loan, the corporation in some cases disburse composite loan out of its own funds and NSFDC share is got reimbursed later on while submitting beneficiaries-wise details of disbursement. This procedure of selection of beneficiaries and disbursement of loan has also been appreciated by NSFDC. The main reason for delay is, non completion of loan documents by the beneficiaries. However, in order to cut short the period of implementation under NSFDC Schemes, the Board of Directors in its meeting held on 16.9.2005 has resolved that the District Managers instead of routing the loan cases through Additional Deputy Commissioners would henceforth recommend the case after ascertaining the genuineness, direct to Head Office for sanction. The Board also authorized the Managing Director to implement the schemes in collaboration with NSFDC and the Board be apprised of the position later on.

The Committee desired to know as to whether the procedure adopted in September, 2005 has eliminated delays in granting loans to Scheduled Castes. The department intimated that delays have been curtailed. The Committee recommends that the department should avoid delay in granting the loans in future.

Bank Tie up Scheme

2.1.16 Salient features of the Scheme

4. Under the Bank Tie up scheme, the Company identifies BPL SC families for providing financial assistance for income generating schemes with project cost up to Rs 50,000. Subsidy equal to 50 *per cent* of the total project cost subject to a maximum of Rs 6,000 (increased to Rs. 10,000 in May 2001) along with margin money of 25 *per cent* of the total project cost at the concessional interest rate of four *per cent* is provided to the beneficiaries. The remaining cost of the project is financed by the banks at their normal rate of interest.

Due to inadequate receipt of share capital from State Government/GOI and deficient recovery performance, the Company reduced the proportion of margin money from 25 to 10 *per cent* of the project cost from April 2003.

Audit observed that in six districts during 2003-04 and in all the districts during 2004-05, the Company disbursed margin money of Rs. 1 71 crore to 6,609 beneficiaries at the reduced rate of 10 *per cent* of the total project cost. The margin money at the rate of 25 *per cent* works out to Rs. 4 27 crore. The deficit of Rs. 2.56 crore was financed by banks at higher rates of interest, minimum being 10.25 *per cent* per annum as compared to four *per cent* chargeable by the Company. Thus, reduction of margin money not only saddled the beneficiaries with additional liability of interest on bank loan, but the role of the Company in economic upliftment of SC community was also diluted to that extent. In ARCPSE meeting, MD of the Company assured that the issue will be re-examined after the improvement in financial position.

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

Keeping in view the inflow and out flow of funds i.e. receipt of share capital, recoveries from loanees and repayment of NSFDC etc., the Board of Directors of the Corporation vide agenda item No.8/149 in its meeting, held on 7.2.02 had decided to reduce the rate of margin money loan from 25% to 10% under bankable schemes w.e.f. 1.4.2003.

The Corporation had disbursed Rs.303 57 lac (Rs.173 61 lac to 5610) beneficiaries during 2003-04 and Rs.129 69 lac to 4881 beneficiaries) during 2004-05 @ 10% of the project cost as margin money loan to 10491 beneficiaries during the years 2003-04 and 2004-05. An amount of Rs.64.24 lac was received as share capital for disbursement of margin money during the year 2003-04 and 2004-05. Had the corporation not taken the decision to

reduce the rate of margin money loan from 25% to 10% of the project cost an approximate amount of Rs 758.25 lac was required to disburse margin money @ 25% out of share capital to 10491 beneficiaries, which was not available with the corporation. Moreover, the number of beneficiaries would have been reduced to 4196. It is worth mentioning here that the corporation has recovered highest ever amount of Rs.888.81 crores during the last two years. With this adjustment, the corporation has not only been able to assist comparatively large number of beneficiaries but also discharge its liability i.e. repayment of NSFDC term loan and disbursement of margin money with available funds i.e. receipt of share capital and recoveries during the period under reference. Moreover, Govt. of India in its revised scheme for assistance (share capital) to State Scheduled Castes Development Corporation (SCDCs) circulated vide letter dated 27.11.1998 has left the cost norms of projects/schemes to the State Govt. and SCDCs. It has further been stipulated that central share equity shall be released subject to the ability of SCDC to raise additional resources from financial institutional including banks

As such, after careful consideration of all aspects i.e. inflow of funds in the shape of share capital and recovery etc. as well as outflow of funds in the shape of repayment to NSFDC and disbursement of margin money loan to beneficiaries, etc., the Board of Directors of the corporation (which is the competent body to watch the interest and functioning of the corporation) has rightly taken the decision to reduce the rate of margin money in order to enable the corporation to raise its ability to mobilize additional resources from banks, etc. to assist large number of beneficiaries

The Committee recommends that the provisions should be made to cover more and more Scheduled Castes persons in getting loan by making the schemes more attractive to provide more facilities.

2.1.18 Rejection of applications

5. Audit observed that out of 1,09,971 applications sponsored to banks during 1999-2004, 35,817 (32.57 *per cent*) applications were rejected by the banks. Four* out of six district offices did not maintain records of rejected applications. Scrutiny of 137 rejected applications (Sirsa and Karnal districts) revealed that rejection was mainly due to default by applicant/family member in repayment of earlier bank loan sponsored by DRDA/Cooperative societies (35.8 *per cent*), non completion of formalities (11.7 *per cent*), non-availability of space/infrastructure for projects (9.5 *per cent*) etc.

This reveals lack of coordination with DRDA/Banks/Cooperative societies to ascertain credit worthiness and antecedents of applicants, improper examination of economic viability and improper scrutiny of the applications as per laid down criteria by the field offices before recommending the cases to banks

The management stated (August 2005) that DMs had been directed to remove these deficiencies.

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

The record of rejected loan applications is maintained by the field offices. The applicant is required to submit "No Dues Certificate" on the Loan Application Form itself from Co-operative Societies/DRDA bank in order to ascertain previous benefit of subsidy/loan availed from other financial institutions. As per feed back from District Managers, banks sometimes reject the loan applications on flimsy grounds and are reluctant to furnish "No Dues Certificate". However, District Managers vide letter dated 22.8.2005 have again been directed to sponsor the loan applications to banks only after obtaining "No Dues Certificate" from banks/ DRDA/Co-operative banks and ascertaining the genuineness of the applicants and viability of projects.

During the course of oral examination, the Committee feels that the proper record was not maintained by the department to know the grounds of rejection of applications. The department assured the Committee to supply the desired information but the department fails to do so till the finalization of the Report (February, 2008).

2.1.21 Disbursement of subsidy to ineligible beneficiaries

6. The Ministry of Rural Areas and Employment, Department of Rural Employment and Poverty Alleviation, GOI in consultation with Planning Commission finalised (April 1997) a schedule for identifying B.PL SC families in rural areas by adopting multiple criteria instead of single criterion of annual family income. The State Government conducted (1997-98) a BPL census wherein families owning land of more than two hectares or pucca house or TV or refrigerator, etc. were excluded from the BPL lists. As per directions of GOI (November 1998) the Company was to render assistance to BPL families fulfilling above criteria. Audit observed that out of 794 cases (Rs 70.54 lakh) in 428 cases (Rs 35.61 lakh) the subsidy was disbursed to ineligible beneficiaries as follows:

- * In 281 cases the Company disbursed subsidy of Rs 19.79 lakh during 1999-2004. Out of these, 232 (82.56 *per cent*) beneficiaries having received subsidy of Rs. 16.32 lakh were not eligible
- * In 513 cases in five* districts, the Company disbursed subsidy of Rs. 50.75 lakh during 1999-2004. Out of these, 196 beneficiaries having received subsidy of Rs.19.29 lakh were owning pucca house and hence were not eligible for subsidy.

The high incidence of disbursement of subsidy to ineligible beneficiaries not only deprived the eligible beneficiaries from the benefit but also the very purpose of the scheme was defeated

The management stated (August 2005) that though the names of a number of SC persons did not appear in the BPL survey lists, they were living below poverty line. The reply was not acceptable as the Company failed to demonstrate their eligibility through any proof/record regarding fulfilment of conditions of multiple criteria.

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

To identify the beneficiaries, the survey regarding families living below poverty line conducted by DRDA is taken into consideration by field staff to ascertain the eligibility of applicants in rural areas. No such, survey has been conducted in urban areas. In addition, while reviewing progress in the meeting, held on 9.2.1994, District Managers of the corporation pointed out that a number of scheduled caste persons approach them for financial assistance for various income generating activities but their names do not appear in the survey list, though, they were living below the poverty line. The Corporation, therefore, decided to entertain the loan applications of those scheduled castes also, who are living below the poverty line but their names do not appear in the survey list conducted by DRDAs.

During the course of oral examination, the Committee observed that the BPL Survey was not conducted properly and the needy persons are not getting the subsidies. Therefore, the Committee recommends that the department should take necessary action to see the genuineness of BPL lists/cases.

2.1.24 Construction of Dwelling-cum-shed scheme

7. As per guidelines issued by GOI for SCA, the State Governments have full flexibility in utilizing SCA subject to the condition that it should be utilized in conjunction with special component plan and other resources from corporations, financial institutions, etc. These guidelines emphasised (October 2000 and July 2003) that SCA must be used mainly for assisting SC families living below the poverty line for bridging the critical gaps between availability and requirement of finance. The State Government in deviation to these guidelines approved (October 2001) a scheme for the construction of Dwelling-cum-shed to be financed from subsidy and loan if the beneficiary so desired. State Government relaxed the mandatory condition of obtaining loan alongwith subsidy.

Under the scheme, subsidy at the rate of Rs. 10,000 was to be provided to BPL SC persons having a plot of minimum 75 sq. yard for construction of Dwelling-cum-shed both for living and starting own business.

During 2002-04, the Company disbursed subsidy of Rs. 30.17 lakh to 308 beneficiaries. These beneficiaries had not availed any loan from other source in conjunction with the subsidy as per GOI guidelines thereby defeating the objective of income generation through a mix of institutional finance and subsidy to enable the beneficiaries to cross the poverty line. This indicated misutilisation of SCA.

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

A Committee under the Chairmanship of Finance Minister, Haryana consisting of Minister of State for Health, Minister of State for Social Welfare and Minister of State for Education to consider the initiatives to be taken by Welfare of Scheduled Castes and Backward Classes Department, Haryana. The committee in its meeting, held on 18.10.01 decided to implement certain schemes including the scheme for subsidy for construction of dwelling-cum-shed for the persons belonging to scheduled castes, as under :-

“The Department has proposed that from the HSFDC, Rs. 1,00,000/- may be given as subsidy to any persons belonging to the SCs living below the poverty line, who has a plot measuring 75 Sq.Ys. and above for the construction of dwelling-cum-shed. This subsidy amount will be provided by HSFDC which will also provide additional funds for taking up economic and income generating activities from its existing-schemes, if the beneficiaries, so desire. It was brought to the notice of the committee that a similar scheme is being implemented by the Department of Welfare of Scheduled Castes and Backward Classes with the limited funds as only Rs. 70.00 lacs are provided under which 700 beneficiaries can be covered. The committee approved the proposal for covering 1000 beneficiaries at a cost of Rs. one crore.

The directions in regard to implement the scheme were received from the Govt. vide letter No. 8-1/2001/28181, dated 12.12.01. In compliance, with the above directions, the scheme for subsidy for the construction of dwelling-cum-shed for the persons belonging to scheduled castes was formulated accordingly and the same was approved by the Govt. vide letter No. P-1/2002/3531, dated 3.4.2002, for providing subsidy amounting to Rs. 1.00 crore to 1000 scheduled castes beneficiaries. The Corporation has provided subsidy amounting to Rs. 34.40 lakhs to 344 Scheduled Castes persons for Construction of Dwelling-cum-Shed on the recommendation of District Level Selection Committee headed by Deputy Commissioner.

As regards providing financial assistance for income generating schemes to the beneficiaries assisted under the scheme, as per feed back, the beneficiaries do not come forward to avail the financial assistance. However, District Managers have been advised to motivate the beneficiaries to avail the financial assistance under existing schemes of the corporation.

It is worth mentioning here that Scheme for subsidy for construction of Dwelling-cum-Shed for the persons belonging to Scheduled Castes with financial assistance from State Govt. has been revised for providing subsidy @ 50,000/- to Scheduled Castes persons. The expenditure on the (subsidy) on the Construction of Dwelling-cum-Shed will be met out Grant In Aid from the State Govt.

The revised Scheme has been approved by the Board of Directors of the Corporation vide Agenda Item No. 9/160 in its 160th meeting held on 29 12 05 and same has also been approved by the Hon'ble Chief Minister, Haryana and concurrence of Finance Department is being obtained.

The Committee recommends that the Budget under the Scheme of construction of dwelling cum shed be increased as the cost have gone very high.

Haryana State Industrial Development Corporation Limited

3.1 Doubtful recovery of loan

Sanction and disbursement of loan without safeguarding its interest put the recovery of Company's dues of Rs. 9.13 crore at stake.

8. The State Government directed (12 March 2003) the Company to advance working capital loan upto rupees seven crore to Naraingarh Sugar Mills Limited (unit) to bail it out from financial crisis. The unit was not eligible for loan as it had already defaulted in repayment of earlier loan. The State Government also directed the Company to formulate detailed terms and conditions of the loan agreement adequately safeguarding its interest. In case the loan was not recovered from the unit it was adjustable against the dues payable by the Company to the Government on annual basis.

The Company sanctioned (14 March 2003) a corporate loan of rupees seven crore to the unit. The terms and conditions of sanction, *inter-alia*, provided that the loan shall be:

- * repayable in two years in eight equal quarterly instalments;
- * guaranteed by personal guarantees of unit's promoters,
- * secured by first party *pari-passu* charge with other loans from term lending institutions on fixed assets, and
- * charged on collateral-security already mortgaged to the Company for earlier loans.

The Company released (17 March-7 May 2003) rupees seven crore without ensuring compliance of the stipulated terms and conditions of sanction. The unit was in default since inception (April 2003) and requested (11 July 2003) for rescheduling the recovery from December 2005 and waiver of some of the conditions *ibid*. The Company declined (21 August 2003) the request of the unit and directed to comply with the terms and conditions within 15 days. The unit did not respond and the Company issued (15 January 2004) a recovery notice under Public Moneys (Recovery of dues) Act, 1979. The Company, without taking the approval of the State Government, adjusted (March 2004) Rs. 3.52 crore (term loan: Rs. 2.63 crore and interest Rs. 0.89 crore) due for payment by the unit in their books against the dues payable by the Company to the State Government.

As the Company had not taken adequate safeguards before disbursement of the loan, it had to reverse the adjustment entry from the books. The unit neither paid interest nor any instalment of principal. As of March 2005, the default amount accumulated to Rs. 9.13 crore (principal Rs. 7 crore and interest Rs. 2.13 crore).

for which the Company had no security (primary or collateral)

Thus, sanction of loan and disbursement thereof, without compliance of the terms & conditions led to doubtful recovery of Rs. 9.13 crore

The management stated (April 2005) that the loan was disbursed with the condition that two *per cent* higher rate of interest would be charged till the compliance of the pending terms and conditions. Reply is not tenable as the Company should have safeguarded its interest through enforcing the terms & conditions as directed by the State Government prior to disbursement of the loan.

The matter was referred to the Government in March 2005, the reply had not been received (August 2005).

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

Matter of record As desired by the State Govt. the terms and conditions safeguarding the interest of HSIDC were formulated which were approved by the BOD of HSIDC and were accepted by the promoters

The Corporation got the legal documentation done prior to release of the loan. The Corporation also secured personal guarantee of S/Sh. B. S. Kang, S.B. Mahen, Romesh Chand Sud; Arvinder Thakur, Inder Kumar and Vijay Mahen as per terms and conditions of sanction letter. Further, personal guarantee of Shri Lakhwinder Singh, owner of collateral security was also obtained. The Corporation got charge extended on the following collateral securities mortgaged to the Corporation against earlier loans availed by the company:-

1. SCF No. 4, Sector – 18, Chandigarh
2. House No.2226, Sector – 15 C, Chandigarh

The charge on house owned by Shri Ravi Chand Sud and Sh. Romesh Chand Sud was not extended since one of the owners S/Sh. Ravi Chand Sud was not agreeable to the same and had already requested for releasing this property since the loans against which this property was mortgaged earlier had already been repaid. The Corporation, is however, insisted upon the company to either get the charge extended on this property or give an alternate collateral security in lieu of this property. HSIDC already had pari-passu charge on the assets of the company against its earlier loans.

The matter of non-compliance of conditions was earlier brought to the notice of BOD at the time of disbursement of loan which approved disbursement to be made to NSML with a condition that 2% higher rate of interest will be charged till the compliance of pending terms and conditions as done in other similar cases to pressurize the promoters to comply with the pending conditions.

IDBIs (July, 2005) gave its consent to extend first pari-passu charge on the fixed assets of the NSML against the corporate loan of Rs. 7.00 crore

subject to the condition that HSIDC give reciprocal charge on collateral security mortgaged/to be mortgaged. The consent of HSIDC has already been conveyed to IDBI after seeking the approval of BOD in September, 2005.

It is accepted that NSML has been in default in payment of Corporate Loan from April, 2003 onwards. It requested that the moratorium period for payment of principal in its existing term loan cases may be increased by two years since the Corporate loan of Rs. 700 crore was to be repaid within two years. MD approved the same being within his delegated powers but none of the conditions as approved by the Board were waived.

According to Memo dated 12.03.2003 received from the State Govt based on which the financial assistance was given to the company. HSIDC was to make earnest efforts to recover the loan. However, the amount if not recovered in spite of best efforts by the Corporation, was adjustable against dues payable by HSIDC to Government on an annual basis against Govt charges. Accordingly, HSIDC adjusted the defaulted amount in the month of March, 2004. The Corporation decided to reverse the entry because the BOD was of the view that the Corporation had not exhausted its means for recovery of dues from the promoters/company as yet and directed that vigorous effort may firstly be made to recover this amount through enforcement of RCs already issued.

As explained earlier, the Corporation had taken safe guards like personal guarantees of the promoters/ directors/guarantors and extension of charge on the existing collateral securities. The company was given 6 month's time to arrange pari-passu charge on primary security from other term lenders which the company was unable to arrange. IDBI has now consented to extend pari-passu first charge on primary assets against corporate loan of Rs. 700 lac subject to HSIDC giving reciprocal pari-passu charge on the collateral securities mortgaged/offered by the company against this loan. The consent of HSIDC has already been conveyed to IDBI after seeking the approval of BOD in September, 2005. The charge on the Collateral security, House No.847, Sector – 8-C, Chandigarh owned by S/Shri Ravi Chand Sud and Romesh Chand Sud was not extended since one of the owner's Sh. Ravi Chand Sud was not agreeable for the same. The company has offered another property of equivalent value at Kharar near Chandigarh for which it has been asked to furnish complete documents.

Rs. 16.19 lac received on 15.03.2005 from the company has been adjusted towards interest. The Corporation had taken over the two properties mortgaged U/s 29 of SFC's Act and permission for take over of the unit U/s 29 of SFC's Act and permission was sought from the State Govt for take over of primary security against the default committed by the company in repayment of its dues. An auction notice was published in newspapers for

sale of one of the take over property i.e. House No.2226, Sector 15-C, Chandigarh. The, auction was, however, postponed as the company gave a request under Corporation's scheme of extension in currency by 5 years alongwith post dated cheques of Rs 225 lac which have since been realised.

As explained above the Corporation had taken Safe guards while sanctioning Corporate Loan of Rs 7 00 crore. Due to vigorous efforts made by the Corporation IDBI has given its consent to cede pari- passu first charge on the primary assets of the company (assets having value of Rs. 42 crore approximately) thus securing the Corporate Loan of Rs.700 lac. Also the company has deposited an amount of Rs. 225 lac. This amount has been adjusted towards interest outstanding against Corporate loan. Further, the account has been restructured by extending the currency by five years with the approval of Board in September, 2005. The Corporation is further pressurising the company to comply with the remaining conditions i.e. providing of additional collateral security and furnishing of personal guarantee of owner of collateral security already mortgaged i.e. SCF No. 4, Sector 18, Chandigarh.

During the course of oral examination, the Committee feels that the loan was disbursed without compliance of terms and conditions of the sanction order. The department also admitted that the terms and conditions were not fulfilled before the disbursement of loan.

The Committee feels that it is a serious lapse on the part of the department and would like to know the reasons of this lapse.

The Committee also recommends that such like lapse be avoided in future.

Dakshin Haryana Bijli Vitran Nigam Limited.

3.3 Extra expenditure

9. Acceptance of delayed supply of 1,73,502 single-phase electronic meters resulted in extra expenditure of Rs. 2.98 crore as compared to lower prevailing market rate for similar type of meters.

On the basis of tenders finalised on 12 October 2002, the Company placed (29 November 2002) purchase orders on six * firms for the supply of 5,02,000 single-phase electronic meters at a negotiated rate of Rs.600 per meter (inclusive of meter cupboards (MCBs) at Rs. 130 each) As per delivery schedule, 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 equal monthly lots. As such, the firms were to supply the meters in four equal lots during March - June 2003. According to terms and conditions of the purchase orders, the Company had the right to refuse the supplies in case of failure to execute supplies within the contractual delivery period.

Audit noticed (December 2003) that all firms except one * failed to execute the supplies in equal monthly lots as specified in the purchase orders. Out of first three lots of 1,25,500 meters each due in March, April and May 2003 respectively, 1,73,502 meters were not received within the stipulated period. Out of the balance order, 2,50,989 meters were received in time and supply of 77 ,509 meters was not received While accepting the delayed supplies of 1,73,502 meters at Rs. 470 per meter (Rs. 600 less cost of MCB: Rs. 130), the Company did not ascertain the prevalent market price as one firm 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 finalised by HPSEB.

The Company was under no contractual obligation to accept delayed supply at higher rate and the acceptance of delayed supply of 1,73,502 single-phase electronic meters by the Company at Rs. 470 per meter resulted in avoidable extra expenditure of Rs. 2.98 crore as compared to the lower prevailing market rate of Rs 298 per meter

The management stated (May 2005) that the supplies were accepted within overall delivery period. It further stated that the meters purchased had additional tamper proof features unlike the meters of HPSEB The reply is not tenable because

* Elymer International Pvt Ltd , Fardabad, Genus Overseas Electronics Limited, Jaipur, HPL Socomec Pvt Ltd , New Delhi, HSC Hotline Switchgear & Control, Delhi, K C Mercantile Ltd , Jaipur and Omni Agate Systems Pvt Ltd , Chennai

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 were of similar specifications relating to tamper proof features.

The matter was referred to the Government in January 2005; the reply had not been received (August 2005)

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

It is submitted that the meters against all the P.Os were accepted by the DHBVN strictly as per contractual delivery schedule of the P.Os and no meter after the expiry of delivery schedule i.e 18.6.03 was accepted by the Nigam. It is fact that firms were required to supply the entire ordered quantity upto 18.6.03 in four equal monthly lots. The lotwise delayed supply (but within the overall contractual delivery period) were accepted with levy of penalty as per terms & conditions of the contract/P.O. Acceptance of meter within the delivery schedule was an obligation under the terms and conditions of the contract (i.e. with penalty clause) and no meter after expiry of the contractual delivery period i.e 18.6.03 was accepted by the Nigam from any firm against this tender enquiry. The same is evident from the fact that one firm M/s K. C. Mercantile, Jaipur was authorized to dispatch/deliver 25,000 No. meters to DHBVN Stores, against 4th lot for which inspection was got carried out from third party inspection agency very well within the over all contractual delivery period i.e. before-18.6-2003 and the report was satisfactory but the firm could deliver only 7491 No. Single Phase Meters to Nigam Stores upto valid contractual delivery period (18.6.2003) and the balance quantity 17509 No. meters which the firm could not deliver upto 18.6.2003 were not accepted by the Nigam after expiry of delivery period.

So far as the meters under purchase by Himachal Pradesh State Electricity Board(HPSEB) and cancellation of order by Punjab State Electricity Board, it is intimated that meters under purchase by HPSEB/PSEB were of different technical specification from these being purchased by the DHBVN. The meters under purchase by DHBVN were with stringent technical specification having more anti- temper feature than HPSEB/PSEB to curb the theft of energy from dishonest/unscrupulous consumers. The main anti-temper feature provided by DHBVN was single wire system i.e. . *"The meter shall register energy even the load is not terminated back to the meter and instead current is drawn through a local earth under the conditions.-*

(a) *When phase and neutral are connected correctly.*

(b) (i) *When phase and neutral wires connected are interchanged at input terminal.*

- (ii) when only phase is available either in neutral or phase terminal and earth loading has been done. In such circumstances only minimum starting current of 24mp. should be drawn and in other conditions as per relevant ISS. '*

From the above, it is clear that no meter was accepted by the Nigam after expiry of contractual delivery period and the entire quantity was accepted very well as per terms & conditions of the Contract/Purchase Order So no extra expenditure was made/allowed by DHBVN in accepting the meters

STATEMENT REGARDING REPLY TO THE PARAS No. 3.3 ON THE REPORT OF C & AG OF INDIA FOR THE YEAR ENDING 31.3.2005.

Name of item :- Single Electronic Meters with MCB

Sr No	P.O No & Date	Name of firm	Qty ordered (in Nos)	Total cost	Lotwise quantity	Delivery schedule Due Date of delivery	With in delivery schedule	Qty. received Delayed delivery beyond lotwise schedule	Qty. balance (in Nos.) Not supplied/ accepted	Penalty recoverable	Pellalty recovered Balance	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13
1	DH-146 dt 29 11 02	M/s Elymer International Fardabad	1 00 Lac	Rs 6 00 Crores	25000 25000 25000 25000	5 03 03 5 04 03 5 05 03 5 06 03 (Extended up to 10 6 03)	Nil Nil 25000 25000	25000 25000 NIL Nil	Nil Nil Nil Nil	Rs 2,29,800.00	Rs 2,29, 800. 00	Nil
2	DH-147 dt 29 11 02	M/s Genus Overseas Electronics, Jaipur	1 00 Lac	Rs 6 00 Crores	25000 25000 25000 25000	5 03 03 5 04 03 5 05 03 5 06 03 (extended up to 18 6 03)	Nil Nil 10000 25000	25000 25000 15000 Nil	Nil Nil Nil Nil	Rs. 14,79,520 76	Rs 14,79,520 76	Nil
3	DH-148 dt 29 11 02	M/s Hotline & Switchgear, Delhi	2000 Nos	Rs 12 00 Lacs	500 500 500 500	5 03 03 5 04 03 5 05 03 5 06 03 (Extended up to 10 6 03)	Nil Nil Nil 500	500 500 500 Nil	Nil Nil Nil Nil	Rs 18000 00	Rs 18000 00	Nil

4	DH-149	M/s HPL dt.29.11.02 Socomec, Gurgaon	1 00 Lac	Rs 6 00 Crores	25000 25000 25500 24500	5 03 03 5 04 03 5 05 03 5 06 03	Nil 25000 Nil 24500	25000 Nil 25500 Nil	Nil Nil Nil Nil	Rs 603006 00	Rs 603006 00	Nil
5	DH-150	M/s K C dt.29.11.02 Mercantile, Japur	1 00 Lac	Rs 6 00 Crores	25000 25000 25000 25000	5 03 03 5 04 03 5 05 03 5 06 03	Nil Nil 10000 7491	25000 25000 15000 Nil	Nil Nil Nil 17509	Rs 1624500 00	Rs.1624500 00	Nil
					(Extended upto 18 6 03)							
6	DH-151	M/s Omniagate dt.29.11.02 System Chennai	1 00 Lac	Rs 6.00 Crores	25000 25000 25000 25000	5 03 03 5 04 03 5 05 03 5 06 03	Nil Nil Nil Nil	25000 13360 Nil Nil	Nil 11640 25000 25000	Rs 1150800 00	Rs.1150800 00	Nil
					(Extended up to 10 6 03)							
Total			5.02 lacs		1,52,491 Nos.			2,70,360 Nos.	79,149 Nos.	Rs.51,05,626.76	Rs 51,05,626 76	Nil

The Committee recommends that the meters and boards should be purchased separately from the manufacture to have competitive price in future.

3.4 Loss of revenue

Undercharging penalty for theft of energy in violation of sale instructions resulted in revenue loss of Rs. 72.15 lakh.

10. The sales instructions (27 October, 1998) of Haryana Vidyut Prasaran Nigam Ltd. provided that in case of theft of energy by HT industrial consumers, penalty would be assessed for preceding six months, if the actual period of theft could not be determined. The tariff leviable was two and three times of the normal tariff for the first and second/subsequent default respectively.

The Metering and Protection staff (M&P) of the Company checked (29 October 2003) the premises of Mayor International with sanctioned load of 440 KW under Industrial Area, Gurgaon. The consumer was found indulging in theft of energy. Audit noticed (February 2005) that the penalty for the preceding six months in terms of Company's instructions worked out to Rs. 30.04 lakh, but the Company charged (31 October 2003) penalty of only Rs. 4.97 lakh for 11 days on the plea that all the seals were intact on 18 October 2003 when meter reading was taken.

During the subsequent inspection on 10 June 2004, the M&P staff again detected theft. This time also, the Company charged only Rs. 5.31 lakh from the consumer for 23 days against chargeable penalty of Rs. 52.39 lakh for preceding six months on the same plea that the seals were intact on 18 May 2004 at the time of taking reading. Charging of penalty for less than six months on the plea that the seals were intact at the time of monthly meter reading is not tenable as the period of theft could not be determined due to non-availability of tamper data. The capacity of the meter to record tamper information had exhausted in 1997 and old data had not been washed thereafter to enable the meter to record the latest data. In the absence of actual duration of theft, assessment should have been made for the last six months.

Thus, against the recoverable penalty of Rs. 82.43 lakh, the Company recovered Rs. 10.28 lakh, which resulted in loss of Rs. 72.15 lakh.

The matter was referred to the Government and the Company in May 2005; their replies had not been received (August 2005).

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

The premises of M/s Mayur International A/c No.DLS-41 having sanctioned load of 440 KW with CD as 500 KVA was checked by the M&P staff on dated 29.10.2003 & found two Nos seals missing. Due to missing of seals, the CT/PT chamber was openable, as such the case was treated as a case of theft of electricity. Since the reading of the HT industrial consumers are being taken by the SDO through CMRI, the missing of seals can not

remain undetected while taking the monthly reading Accordingly the period for which the assessment was to be made cannot go beyond the date of previous reading. As such the penalty to the extent of Rs 4,96,833/- was charged for 11 days i.e from 18.10.2003 (date of previous reading) to 29.10.2003 date of checking. The amount so charged was deposited by the consumer vide RO-4 No. 28/1589, dated 31.10.2003.

The premises/ connection of the consumer was again checked by the M&P staff on dated 10.6.2004 and one no seal having Sr No. A-32605 was found broken Since only one no seal was provided on the CT/PT chamber on front side and the same was found broken, the CT/PT chamber became openable Accordingly, a theft case was made out and a sum of Rs 5,30,742/- was charged to the consumer from the date of previous reading i.e. 18.5.2004 to the date of checking i.e. 10.6.2004 and the same was deposited by the consumer vide BA-16 No. 201/2238, dated 23.6.2004. As already explained in the forgoing para, the monthly readings of all HT connections are being taken by the SDO (Op) and the defect noticed by the M&P at the time of checking i.e. breaking of seals cannot remain undetected while taking the reading. The penalty cannot be charged beyond the date of previous reading The audit itself has agreed that as per instructions penalty is to be charged for the actual period of theft and in case the actual period of theft cannot be ascertained, it should be charged for a period of proceeding six months.

Since in both the cases, the period of theft was ascertained and penalty was charged for the ascertained period, the observations of audit that the penalty should have been charged for the six months is not in order

Information regarding assessment made in theft detected during 04.2000 to 31.03.05 in respect of HT consumers as desired by COPU in its meeting held on 15.10.07 (Para 3.4 of C&AG Report of India for the year 2004-05 (Commercial))

Name of Circle	Financial Year	Details of Theft detected and amount charged					
		(Amount in lacs)				Total	
		Charged for six months		Charged for less than six months			
		Nos.	Amount	Nos.	Amount	Nos.	Amount
2	3	4	5	6	7	8	9
Fardabad	2000-01	1	21.83			1	21.83
	2001-02					0	0
	2002-03					0	0
	2003-04					0	0
	2004-05					0	0
Total		1	21.83	0	0	1	21.83

1	2	3	4	5	6	7	8	9
2	Gurgaon	2000-01	1	41.77	1	1.91	2	43.68
		2001-02	1	4.44			1	4.44
		2002-03	4	9.36			4	9.36
		2003-04	4	8.88	1	4.97	5	13.85
		2004-05	1	17.2	1	5.31	2	22.51
		Total	11	81.65	3	12.19	14	93.84
3	Narnaul	2000-01					0	0
		2001-02	1	18.14			1	18.14
		2002-03					0	0
		2003-04					0	0
		2004-05					0	0
		Total	1	18.14	0	0	1	18.14
4	Bhiwani	2000-01					0	0
		2001-02					0	0
		2002-03	4	68.09			4	68.09
		2003-04	4	42.08			4	42.08
		2004-05	1	9.40			1	9.40
		Total	9	119.57	0	0	9	119.57
5	Hisar	2000-01					0	0
		2001-02	4	7.36	1	15.79	5	23.15
		2002-03	4	23.51	2	11.22	6	34.73
		2003-04	5	30.22	3	13.20	8	43.42
		2004-05	4	43.06			4	43.06
		Total	17	104.15	6	40.21	23	144.36
6	Sirsa	2000-01					0	0
		2001-02					0	0
		2002-03					0	0
		2003-04					0	0
		2004-05					0	0
		Total	0	0	0	0	0	0
7	DHBVN as whole	2000-01	2	63.6	1	1.91	3	65.51
		2001-02	6	29.94	1	15.79	7	45.73
		2002-03	12	100.96	2	11.22	14	112.18
		2003-04	13	81.18	4	18.17	17	99.35
		2004-05	6	69.66	1	5.31	7	74.97
		Total	39	345.34	9	52.40	48	397.74

During the course of oral examination, the Committee feels that the Department has incurred loss of revenue as a result of under charging penalty. The Department has charged the penalty for less than six months in this case. The certificate given by the officer was after occurring of first theft.

The Committee would like to know why the department is not realistic while imposing the penalty.

The Committee is of the view that there should be realistic approach while imposing the penalty.

Haryana Financial Corporation

3.13 Disbursement of loan without complying with laid down procedure

11. Sanction of loan against deficient security and release of loan without obtaining no objection certificate from Pollution Control Board, led to non recovery of Rs. 1.08 crore.

The Corporation sanctioned (November 1995) a term loan of Rs. 1.18 crore (Rs. 7.22 lakh for building and Rs. 1.11 crore for plant and machinery) to Stallion Duplex Pvt. Ltd. (unit) for setting up a craft and duplex board manufacturing unit at village Chirao More district Karnal on the land acquired on lease from its sister concern. The unit was also to procure plant and machinery from the same concern.

As per the policy, the Corporation was to obtain a minimum collateral security of 30 per cent of the term loan where the units were located outside the recognised industrial areas and municipal limits. The Corporation did not insist for collateral security on the plea that unit had mortgaged existing land (valuing Rs. 40.06 lakh) and building as primary security. The Corporation sanctioned the loan with the stipulation that the unit would obtain no objection certificate (NOC) from the Pollution Control Board (PCB) in due course. The Corporation disbursed Rs. 97.48 lakh during March 1996 - November 1997 without any survey of mortgaged land. The unit did not obtain NOC from PCB and never started commercial production due to non receipt of Government's approval and dispute among the directors.

The unit was irregular in repayment and committed default since October 2000. So, the Corporation took (4 December 2003) deemed possession of the unit under Section 29 of the State Financial Corporations Act, 1951. Physical possession of the unit could not be taken as the unit had no independent access and it was located on the rear side of its sister unit with a common gate. The Corporation assessed (January 2004) the value of mortgaged security at Rs. 73.52 lakh against the accepted value of Rs. 1.80 crore after providing depreciation at the rate of 20 per cent per annum on the plant and machinery. The Corporation could not dispose of the assets as the unit was not having independent access and there was no demarcation of the leased land accepted as security.

Thus, the irregularities, committed ab-initio in sanction of loan by accepting leasehold land without ensuring clear demarcation and independent access as security and release of loan without NOC from PCB, led to non recovery of Rs. 1.08 crore (Principal: Rs.45.08 lakh and Interest: Rs. 62.64 lakh).

The management stated (March 2005) that obtaining of NOC from PCB was not a pre-condition to disbursement, leasehold primary security was taken for which lease deed was duly registered and efforts are being made to ensure independent passage to the unit so that physical possession could be taken. The reply is not tenable as the Corporation failed to make NOC from PCB a pre-condition for releasing the loan. Further acceptance of leasehold land not having independent passage as security by deviating from its laid down procedure had led to failure of the Corporation to take physical possession of the unit.

The matter was referred to the Government in January 2005; the reply had not been received (August 2005).

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

The unit was located outside municipal limits, the company was required to furnish collateral security equivalent to 30% of the loan amount. The company had taken land and building on 99 years lease from its associate concern namely Messrs Kamal Card Board Industries. The company proposed to construct some additional building and to instal plant and machinery. The company had approached the Corporation for financial assistance against additional building and proposed plant & machinery. As the land and existing building were not being financed by the Corporation, they were proposed to be mortgaged to the Corporation as collateral security. The assessed value of the land and existing building was Rs.40.06 lakh approximately. Against the sanctioned term loan of Rs.118.00 lakh, the requirement of collateral security was Rs. 35.40 lakh. Thus, the value of primary land and existing building was sufficient to cover 30% of the sanctioned loan and was hence accepted towards collateral security.

Regarding terms and conditions it has been stated that no objection certificate was to be obtained from the State Pollution Control Board. In this regard it is clarified that as per the sanction letter the company was required to submit NOC from the Pollution Control Board in due course. In other words, it was not a pre-disbursement condition. At the time of execution of loan documents, the Corporation had made provision in the mortgage deed to this effect. Since it was not a pre-condition and the company had undertaken the implementation of the project, the question of withholding disbursement of the loan was uncalled for. The Corporation continuously kept to follow up with the party to obtain the no objection certificate from Water Pollution Control Board and the party did inform from time to time that it would be made available shortly. Out of the sanctioned loan of Rs.118.00 lacs, the corporation disbursed only Rs. 97.48 lacs and because of delay in implementation and non-furnishing of the required NOC from the Water Pollution Control Board, a sum of Rs.20.52 lacs was finally cancelled. The Corporation had already made a policy in 1994 that in order to ensure speedy implementation of the project, the practice of obtaining sanction of working capital limits, permission from Pollution Control Board, copy of permanent SSI registration and sanction of power load etc. should not be insisted upon. It was decided in 1994 that disbursement of the sanctioned amount shall be made on the basis of security and capital and the same procedure was followed in this case (circular No.982). It is further mentioned that the Corporation while appraising the project had made provision for Effluent Treatment Plant in the scheme and therefore, there was no likelihood of permission from Water Pollution Control Board not being made available to

the company At a later date it came to the notice that the project could not start because of dispute amongst the directors and the unit was sealed by the State Pollution Control Board without assigning any reason. The company's letter dated SD/HFC/31/307, dated 8.1.1999 and letter No. 27 8 2000 make this point very clear. Thus the reason for failure of the unit can not be attributed to non-compliance of terms and conditions which otherwise also not a condition to be complied before disbursement of loan

As regards the other observations that the Corporation accepted security without clear demarcation and passage it is clarified that in this case the primary security was in the shape of lessee rights of land measuring 31 K 3 M together with ownership rights of the same land in the name of M/s Karnal Card Board. The lease deed was duly registered and title was properly examined. The ownership rights of the same land of M/s Karnal Card Board Inds were also found in order and were mortgaged to the Corporation. The property mortgaged clearly indicates the khasra numbers. The Corporation also obtained supplementary lease deed for the same property in which the terms and conditions as stipulated by the Corporation, were got incorporated and the title documents of the property are with the Corporation. It is further, clarified that in this case, the same Karnal Card Board Inds gave another piece of land to M/s Ravindra Paper Mills, it was also financed by the Corporation and there also the ownership rights have been mortgaged to the Corporation. M/s Ravindra Paper Mills Inds has adjusted its loan account but the title documents are still available with the Corporation At present some difficulty is being experienced in approaching the unit of M/s Stallion Duplex (P.) Ltd because the entry road passes through the unit of M/s Ravindra Paper Mills (P.) Ltd. The Corporation is making effort to ensure that independent passage to the unit is available so that physical possession of the unit could be taken. So at this stage it will be pre-mature to conclude that in the absence of clear demarcation the recovery of dues in this case is not forthcoming It is worth mentioning here that the promoters of this company namely M/s Stallion Duplex (P.) Ltd. have paid substantial amount to the Corporation towards the recovery. The details are as under :

(Rs.in lacs)

Amount Repaid	
Principal	52.44
Misc.	0.10
Interest	77.25
<hr/>	
Total	129.79
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The Corporation has already given notice to the promoters/guarantors that if they fail to repay the dues of the Corporation, recovery would be made under the Haryana Public Money (Recovery of Dues) Act, 1979.

During the course of oral examination, the Committee recommends that the department should supply the details of settlement of dues with the unit. The department furnished the desired report to the Committee and on examination of the said report, it was found that against recoverable amount of Rs. 97.52 lacs, the settlement was done by receiving Rs. 93.44 lacs.

The Committee feels that had the department taken precautions while disbursing the loan this loss could have avoided.

The Committee also strongly recommends that the department should take precautionary measures in future while granting the loans.



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