

HARYANA VIDHAN SABHA

COMMITTEE ON PUBLIC UNDERTAKINGS

2022-2023

**(FOURTEENTH VIDHAN SABHA)
SIXTY NINTH REPORT**

**ON THE
REPORTS
OF THE**

**COMPTROLLER & AUDITOR GENERAL OF INDIA
ON PUBLIC SECTOR UNDERTAKINGS**

**(SOCIAL GENERAL AND ECONOMIC SECTORS
AND COMPLIANCE AUDIT OF SOCIAL,
GENERAL AND ECONOMIC SECTORS)**

FOR THE YEARS ENDED 31ST MARCH, 2019 AND 2020



(Presented to the Haryana Vidhan Sabha on 22nd March, 2023)

**HARYANA VIDHAN SABHA SECRETARIAT,
CHANDIGARH 2023**

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**COMPOSITION OF THE COMMITTEE
ON PUBLIC UNDERTAKINGS 2022-2023**

CHAIRPERSON

1. Shri Aseem Goel, M.L.A.

Members

- *2. Dr. Raghuvir Singh Kadian, M.L.A.
3. Shri Dura Ram, M.L.A.
4. Shri Pardeep Chaudhary, M.L.A.
5. Dr. Krishan Lal Middha, M.L.A.
6. Shri Mohan Lal Badoli, M.L.A.
7. Shri Sita Ram, M.L.A.
8. Shri Chiranjeev Rao, M.L.A.
9. Shri Kuldeep Vats, M.L.A.
- **10. Shri Neeraj Sharma, M.L.A.

SECRETARIAT

1. Shri R.K. Nandal, Secretary
2. Shri Naren Dutt, Joint Secretary

* Dr. Raghuvir Singh Kadian, MLA has resigned from the Membership of the Committee on Public Undertakings on 05.05.2022.

** Shri Neeraj Sharma, MLA has appointed as Member of the Committee on Public Undertaking w.e.f. 10.05.2022 for the remaining period of the year 2022-23.

INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings having been authorized by the Committee in this behalf present this 69th Report on the Reports of the Comptroller and Audit General of India as Public Sector Undertakings (Social, General and Economic Sectors and Compliance Audit of Social, General and Economic Sectors) for the years ended 31st March, 2019 relating to Haryana Vidyut Prasaran Nigam Limited (Review), Haryana Power Generation Corporation Limited, Dakshin Haryana Bijli Vitran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited, Haryana State Industrial and Infrastructure Development Corporation Limited, Haryana State Roads and Bridges Development Corporation Limited, Haryana Agro Industries Corporation Limited Haryana State Warehousing Corporation Limited and for the year ended 31st March, 2020 relating to Haryana State Industrial and Infrastructure Development Corporation Limited, Haryana Agro Industries Corporation Limited, Haryana State Warehousing Corporation Limited and Haryana Medical Services Corporation Limited

The Committee for the year 2021-22 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 Principal Accountant General (Audit), Haryana and his staff for their valuable assistance and guidance during the deliberations. The Committee are thankful to the Additional Chief Secretary to Government, Haryana, Finance Department including his representatives of the Departments/ Corporations/ Boards concerned who appeared before the Committee from time to time.

The Committee is also highly thankful and appreciates the working of the Secretary, Joint Secretary, Dealing Officer and the Staff of the Haryana Vidhan Sabha Secretariat for their unstinted, whole-hearted co-operation and assistance given in preparing this report.

Chandigarh:
The 12th March, 2023

SHRI ASEEM GOEL
CHAIRPERSON

REPORT

The Committee on Public Undertakings for the year 2022-2023 was nominated on 20th April, 2022 by the Hon'ble Speaker in pursuance of motion moved and passed by the Haryana Vidhan Sabha in its sitting held on 04th March, 2022, authorizing him to nominate the Members of the Committee on Public Undertakings for the year 2022-23.

The Committee held total **45** meetings during the year at Chandigarh and other places upto 12th March, 2023 till the finalization of the Report.

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON PUBLIC SECTOR UNDERTAKINGS (SOCIAL, GENERAL AND ECONOMIC SECTORS) FOR THE YEAR ENDED 31ST MARCH, 2019

Haryana Vidyut Parsaran Nigam Limited.

2.7.2.2 Non-utilisation of 220 kV sub-stations / lines at Sonapat and Rai

1. The 220 kV lines created to feed the 220 kV sub-station Rai remained idle since beginning due to non-construction of the sub-station. The 220 kV sub-station sector 6, Sonapat along with associated lines remained idle due to non-availability of downstream system. The company had approved (July 2009) construction of two 220 kV sub-stations at Sector 6 Sonapat and Rai. The bids for the work were invited (July 2012) and awarded (January 2014) for ₹ 48.38 crore.

Despite the land for the site of Rai sub-station not being finalised, two separate contracts for construction of two associated lines (viz. Deepalpur-Rai and Jhajji-Rai) were awarded (March 2012 and January 2014). The lines were commissioned (March 2016 and October 2017) at a cost of ₹ 42.42 crore and ₹ 17.90 crore respectively. Out of the two, only Deepalpur-Rai line is being partially utilised from March 2019. Thus, investment of ₹ 60.32 crore on construction of these lines remained unutilised till March 2019/December 2019 which put burden of ₹ 17.07 crore¹⁹ on the consumers as the Company was allowed to recover Depreciation and ROE through tariff on these idle lines. The Management stated (May 2020) that availability of land was not in its control. Thus, when the land was not available, the work should not have been awarded.

Interest free mobilisation advance of 52.31 lakh was also released (November 2014), though the site for Rai SS was not available. The advance was later adjusted after 22 months (September 2016) from the bills of the contractor for other part of the work when the work of Rai sub-station was excluded from the scope of the contractor's work which cost the Company ₹ 10.41 lakh²⁰. Since the Company had exhausted its working capital limit permitted by HERC, any further claim of interest on working capital would not have been allowed in tariff.

The 220 kV sub-station Sector 6, Sonapat, scheduled for completion in May 2015, could be commissioned only in June 2017 (payment up to June 2017. ₹ 19.23 crore) while the associated lines were commissioned in December 2016 at a cost of ₹ 4.82 crore. The sub-station and associated lines have not been put to use for 27 months and 36 months (up to December 2019), respectively due to non-availability of downstream load which had to be diverted to other sub-station owing to the delay in completion of this sub-station by the power distribution

¹⁹ (₹ 42.42 crore x 10.28 per cent x 3 years up to March 2019) + (₹ 17.90 crore x 10.28 per cent x 26 months up to December 2019)

²⁰ Calculated on ₹ 52.31 lakh for 22 months at 10.85 per cent per annum rate of interest on working capital allowed by HERC for the year 2014-15

utility. As the HERC allows Company to recover ROE on the basis of capacity commissioned irrespective of actual utilisation, state consumers have been burdened by ₹ 6.43 crore²¹ for these idle lines and sub-station. Had the Company worked in coordination with the distribution utility, the sub-station and lines could have been utilised.

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

220 kV S/stn HSIIDC Rai (AIS) was first approved vide R.No 653 dated 09.07.2009 on cost sharing basis with HSIIDC. However, considering the additional scope of future transformers, the project was re-approved with by planning wing vide R.No 826 dated 24.05.2011.

As a practice, the work for substation is awarded after finalization of land except in a rare case. In this case, land was offered by M/s HSIIDC which is a govt. department. The land offered was not finalized, as the matter was sub-judicial in Hon'ble Punjab & Haryana High Court. Therefore Up-gradation of 132kV Substation Rai to 220kV level GIS Substation was approved by CE/Planning vide memo no. R.1370/Ch-12/NCR/KNL-821 dated 17.12.2015 in place of earlier approved AIS substation. The upgradation of 132 kV HSIIDC to 220 kV HSIIDC Rai was again reviewed as the compulsory off-set of 60 Mtrs along National High Way and 100 Mtrs compulsory off set along Express Highway was required. The existing S/Stn land was all along with the National Highway No.1 as well as KMP Express Highway and the left out land was not sufficient for upgradation of existing 132 kV level to 220 kV level.

The land offered by HSIIDC for creation of 220kV HSIIDC Rai was not finalized, as the matter was sub-judicial in Hon'ble Punjab & Haryana High Court. The availability of land was sine qua non for the execution of the contract which was not in the control of any of the party to the contract. Due to non availability of land, the construction of 220 kV Substation HSIIDC Rai became impossible. Thus, the construction of 220 kV Substation HSIIDC Rai was deleted from the scope of contractor on 15.11.2016 by mutual consent without any penal consequences.

The land for 220 kV HSIID Rai has been finalized on dated 11.09.2017 and 220kV GIS Substation was approved by CE/Planning vide memo no. R.1528/Ch-49/NCR/KNL-821 dated 12.01.2018 in place of earlier upgradation approval. After finalization of GELO, tendering, the work for construction of 220 kV sub-station GIS HSIIDC Rai has now been awarded to M/s Angelique International Limited, New Delhi on 09.07.2019. The work is under progress.

The contract for construction of 220/132 Transmission Lines on turnkey basis was awarded to M/s Hythro Power Corporation Ltd., Gurgaon vide P.O. No. HDP-1858 & 1859/REC-109/Xen/S/Stn./P dated 13.03.2012 comprising of following transmission lines with date of completion as per clause no.3.3 of contract agreement was as under:-

²¹ Calculated at 10.28 per cent on ₹ 4.82 crore for 36 months and on ₹ 19.23 crore for 30 months

Sr. No	Name of Work	Contractual completion date
i	i) 220KV with 0.5 Sq." and 132KV with 0.4Sq." D/C Transmission lines on Multi-circuit towers from 400KV S/Stn. Deepalpur to proposed 220KV S/Stn. HSIIDC Rai enroute proposed 132KV S/Stn. Khewra, 220KV S/Stn. RGEN and 132KV S/Stn. HSIIDC Kundli (Approx. length Deepalpur-RGEN 8.85km, RGEN- Kundli 5.73km, Kundli-Rai 7.25km). Total length 22.07 km (approx.).	21.03.2013
	ii) LILO of one (Second) circuit of 132KV D/C line on Multi-circuit Towers mentioned at sr. no. 1 at 132KV S/Stn. HSIIDC Kundli with 0.4Sq." ACSR D/C line. Total length 5.8 km (approx.).	21.07.2012 (Commissioned on 15.04.2013)
ii	132KV S/C line on D/C towers with Panther ACSR from 220KV S/Stn. Nuna-Majra (Bahadurgarh) to 132KV S/Stn. HSIIDC Bahadurgarh Total length 3.0 km (approx.).	21.07.2012 (Commissioned on 15.01.2013)

Due to dismal progress of work against HDP-1858 & 1859 the Whole Time Directors on 10.03.2014 considered the following against contract no. HDP-1858 & 1859 and same was conveyed to M/s Hythro Power Corp. Ltd vide memo no Ch-130/HDP-1858&59/REC-109/XEN/STN./P dated 19.03.2014 -

Contract no HDP-1858 & 1859/REC-109/Xen S/Stn.(P), dated 13.03.2012 by invoking the clause 45.2 of Section Conditions of Contract (CoC) terminated and the balance/remaining work carried out from other contractor at risk and cost after calling competitive bids through open tender.

The Bank Guarantee submitted by M/s Hythro against contract no. HDP-1858 & 1859 will be got encashed to recover the mobilization advance & the interest accrued on it, Liquidated damages, anticipated recoveries for the work got carried out at risk and cost and other penalties as provided in the contract.

M/s Hythro blacklisted for a period of 3 years with immediate effect for doing further business with HVPNL.

Accordingly, the fresh tender Enquiry No. REC-128 (NIT No. 685 dated 30.06.2014) was floated with the approval of WTD through press in two parts for Construction of remaining work of 220KV with 0.5 Sq." and 132KV with 0.4Sq." D/C Transmission lines on Multi-circuit and D/C towers from 400KV S/Stn. Deepalpur to proposed 220KV S/Stn. HSIIDC Rai enroute proposed 132KV S/Stn. Khewra, 220KV S/Stn. RGEN and 132KV S/Stn. HSIIDC Kundli in Sonapat Area (Against Risk Purchase) on turnkey basis with completion period of 12 months.

The case decided in ULHPPC meeting held on 24.12.2014 and awarded to M/s RS Infraprojects Pvt. Ltd. Accordingly LOA issued to the firm vide letter dated 05.01.2015.

Considering the rapid growth in the area and ROW issues, the construction of 220/132 kV Deepalur-Khewra-RGEC –HSIIDC Kundli Rai line on M/C towers for feeding proposed 220 kV RGEC Sonipat & 220 kV HSIIDC Rai was started by HVPNL and got completed upto TL no. 27 by 29.02.2016 i.e. upto the nearest point of tentative land proposed by HSIIDC authorities for construction of 220 kV substation. The work commissioned on 01.03.2016. As the land for HSIIDC Rai substation was not finalised hence the contract was short closed accordingly.

HVPNL tried its level best for the finalisation of land for construction of 220 kV S/stn. at HSIIDC Rai but the land for 220 kV s/stn. HSIIDC Rai could not be finalised by HSIIDC. Thus, the contract awarded to M/s RS Infra Projects was short closed. Due to non-creation of proposed 220 kV S/stn. RGEC Sonipat timely by M/s ETA and non-finalisation of land for 220 kV S/stn. HSIIDC Rai 220 kV supply could not be utilised till 05.02.2019 i.e. till date of energisation of 220 kV S/stn. RGEC Sonipat (left out/ balance work after black listing of M/s ETA by HVPNL on 24.01.2018 were got executed departmentally on the risk and cost of firm). The site for construction of 220 kV S/stn. HSIIDC Rai has now been awarded on 09.08.2019 with contractual date of completion as 08.02.2021.

The period of utilisation of 132 kV supply and 220 kV supply is intimated as under.-

One ckt of 132 kV line is being used at 132 kV Khewra from the March, 2016 to till date and further extended upto 132 kV S/stn. Rai.

2nd ckt. of 132 kV line is used at 132 kV S/stn. HSIIDC Kundli from March 2016 to till date and further extended to 132 kV S/stn. Kundli as an alternate source of supply.

220 kV ckts. is being used at 220 kV S/stn. RGEC Sonipat since 05.02.2019 to feed the load of the RGEC area up till now.

Hence, 220 & 132 kV supply has been utilised for evacuation of power from 400 kV substation Deepalpur and well feed the need of that region.

As per terms of payment, 2% of contract amount as an advance payment is to be given to the firm at the time of signing of contract on receipt of invoice. The firm signed the contract on 05.02.14 and advance was given to firm in November 2014. The advance for 220 kV S/stn Rai was deducted in September 2016 from the other bills of the firm as soon as the process for deletion of scope of 220 kV HSIIDC Rai was initiated.

M/s TBEA Shenyang was awarded the Contract No. WB-70&71/G-13/Pkg -A/ XEN/WB dated 03.01.14 for Procurement of Plant, Design, Supply and installation of 220KV Sub Station Sec-6 Sonipat under Package G-13(A) on Turnkey Basis. The performance of M/s TBEA was not satisfactory. The matter was pursued with M/s TBEA for timely completion of the project from time to time. However the contractor failed to complete the work within contractual

completion period. Hence, LD@10% was levied as per terms & condition of the contract.

The down line system of 220 kV substation sector-6 Sonipat for feeding 33 kV substations namely sector-15, sector-10, sector-7, sector-13, sector-6, Bahalgarh, O.P.Jindal has been approved by planning wing HVPNL. The 33 kV substations was to be constructed by the UHBVNL i.e. distribution utility. The matter has been persued with UHBVNL in different joint coordination committee meetings of UHBVNL and HVPNL.

The Committee recommended that multiple extension to contractor/ agency for completion of work may be avoided and penalty should be imposed on contractor for seeking extension time and again and such contractor/agency may be blacklisted for future. Unless and until strict action is not taken in this case, the system will not improve. Therefore, the Committee desired that the para may be kept pending till completion of the project.

<p>2.7.2.4 <i>Creation of power evacuation lines from 800 kV high voltage direct current sub- station, Bhadson, Kurukshetra of PGCIL</i></p>
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2. The Company, approved (October 2013) construction of downstream lines consisting of Loop In Loop Out (LILO²³) of one circuit each of existing 220 kV Pehowa-Kaul and Bastara-Kaul D/C (Double Circuit) lines from 800 kV HVDC²⁴ sub-station, Bhadson, Kurukshetra to be constructed by PGCIL²⁵ having dedicated power evacuation system for HVPNL comprising of eight dedicated bays and two step down transformers²⁶ Though PGCIL completed their work in March 2017, the Company could complete evacuation lines in September 2019 after delay of 30 months.

It was observed that

The Company awarded (July 2016) the work of construction of lines after lapse of 33 months from date of approval to M/s Isolux Ingenieria S.A., Spain for T 40.32 crore to be completed in 18 months i.e., by January 2018

The Company did not take timely action against the firm despite performance of the firm being behind schedule since beginning. The contract was terminated six months after complete stoppage (April 2017) of work in October 2017 i.e , after a lapse of 14 months from the contract date

The Company took five months to assess the balance work and awarded (March 2018) the contract at the risk and cost of defaulting firm, for T 46.60 crore with contractual completion date of September 2019 The delay in termination

²³ Loop in loop out — if a new SS is inserted between two existing SSs, the transmission line for new inserted SS is called LILO or when a transmission line passing nearby to a sub-station or generating station is used to tap it, the system used is called LILO

²⁴ High Voltage Direct Current

²⁵ Power Grid Corporation of India Limited (a Government of India PSU)

²⁶ Step down transformers are used for stepping down the higher voltage level to lower voltage level for further transmission/ distribution

resulted in cost overmine of I 661²⁷ crore. Though the lines have been completed (September 2019) and energized, the risk and cost amount of T 6.96²⁸ crore (based on re-awarded value) as per contract could not be recovered till date (February 2020).

Interest bearing advance of T 4.03 crore given to the firm in October and December 2016 was recovered by encashment of Bank Guarantee (BG), however, interest of I 41.76 lakh could not be recovered as the Company did not ensure coverage of interest in BG amount.

The CERC while discussing (tariff order dated 22 February 2018) PGCIL claim for tariff in respect of PGCIL's portion of assets, refused tariff to safeguard consumers' interest (as referred in para 2.7.2.1). However, it directed that the interest and incidental expenditure²⁹ during construction period incurred by PGCIL should be borne by the Company till completion (September 2019) of the evacuation lines

The Management intimated (May 2020) that efforts are being made to recover the risk and cost amount.

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

The work for construction of following 220 kV transmission lines in Kaithal, Kurukshetra & Karnal area was awarded to M/s Isolux Ingenerate SA under PO no HDP-2139 (supply) & 2140 (erection) dated 21.07.2016 against package REC-144 on turnkey basis:-

Sl.	Description of work
i	LILO of one ckt. of 220kV D/C Pehowa-Kaul line at 800KV HVDC Bhadson with 0.5sq" ACSR conductor including replacement of existing 0.4sq" ACSR conductor for section (LILO point to 220kV S/Stn Kaul) of 220kV Pehowa-Kaul line
ii	LILO of one ckt. of 220kV D/C Bastra-Kaul line at 800KV HVDC Bhadson with 0.5sq" ACSR conductor including replacement of existing conductor for section (LILO point to 220kV S/Stn.Kaul) of 220kV Kaul-Bastra line having size 0.4sq" ACSR with its equivalent AL-59 conductor (length of LILO point to 800KV Bhadson

The firm was intimated regarding dismal progress continuously vide letter memo no. Ch-40/TC-624 dated 18.11.2016, Ch-42/TCW-624 dated 24.11.2016, Ch-6/TCW-624 dated 27.12.2016, Ch-67/TCW-624 dated 27.12.2016, Ch-98/TCW-624 dated 23.01.2017, Ch-24/TCW-624 dated 24.11.2016 and Ch-130/TCW-624 dated 07.03.2017.

The progress of the firm was not satisfactory inspite of regular pursuance.

²⁷ Re-awarded cost T 46 60 crore - T 39 99 crore cost of balance work

²⁸ Additional cost recoverable from the defaulting contractor due to execution of balance work at higher rates as claimed by the Company

²⁹ Amount has not been claimed by PGCIL from the HVPNL (April 2020)

The firm was served notice of default due to dismal progress vide memo no. Ch-88/ HDP-2139&2140/REC-144/XEN/ Projects(TL) dated 31.07 2017.

Even after default notice, the firm neither took any concrete step to execute the work nor even replied the notice The firm was served final notice vide memo no. Ch-91/HDP-2139&2140/REC-144/XEN/ Projects(TL) dated 30.08.2017.

Even after, issue of final notice, the firm did not intend to execute the work in terms of the contract agreement Hence, HVPNL invoking the contract agreement clause 45.0 "Contractors default" the firm M/s Isolux Ingenieria SA was blacklisted and contract was terminated vide memo no. Ch-97/HDP-2139&2140/REC-144/XEN/Projects(TL) dated 03.10 2017

The fresh NIT dated 20.11.2017 (REC-219) for construction of 220 kV transmission lines in Kurukshetra & Karnal area was issued.The work was awarded to M/s RS Infra vide PO no. HDP- 2310 dated 15.03.2018 at risk & cost of M/s Isolux Ingenieria SA.

Both the lines stand commissioned on 09.03.2019 & 20.09.2019 respectively.

The demand notice has been issued to M/s Isolux Ingenieria SA vide letter dated 30 04.2019 for the amount of Rs. 6.96 Cr and further final demand notice has already been served to M/s Isolux Ingenieria SA vide letter dated 30.07 2020 amounting to Rs. 11.26 Cr.

The PBG and ABG submitted by M/s Isolux amounting to Rs.4.03 cr. and Rs.4.03 cr. respectively has been encashed and further the interest on mobilization advance to be recovered from M/s Isolux amounting to Rs 0.45 crore has already been demanded in the demand notice.

However, the demand notice came back as "un-delivered". Subsequently the demand notice has been submitted to Sh.Vikram Kumar, Interim Resolution Professional (IRP) appointed by NCLT for M/s Isolux Ingenieria and construction company Pvt. Ltd. however, Sh.Vikram Kumar, IRP vide email dated 10.12.2019 informed that the matter does not relate to his office as he has been appointed IRP of M/s Isolux Corsean India not for Isolux Ingenieria SA.

As per advice of LR/HPU the demand notice has been forwarded to Embassy of Spain, New Delhi vide memo no.Ch-40/WBS-58/XEN/WB dated 14.01.2020 for further delivery to M/s Isolux, Spain

The efforts are continuously being made to recover the risk & cost amount in consultation with O/o LR/HPUs and HVPNL has not even paid IDC & IEDC to PGCIL.

Now, the communication has been made vide mail dated 29.04.2021 with the Insolvency administration of the Spain with also copy to Indian Ambassador to Spain regarding the existence of debt owned by Isolux Ingenieria SA to HVPNL. The Insolvency administration of the Spain vide mail dated 04.05.2021 informed that the credit will be reviewed in view of the presentation of the final report.

The HVPNL (conveyed by TS & Commercial wing) has not paid IDC & IEDC to PGCIL in this regard.

The status of energisation of two lines is as under:-

LILO of one ckt. of 220kV D/C Pehowa-Kaul line at 800KV HVDC Bhadson with 0 5sq" ACSR conductor

The line has been energized on dated 07.3.2019 and synchronized at 800 KV PGCIL-Bhadson on dated 09.3.2019.

LILO of one ckt. of 220kV D/C Bastra-Kaul line at 800KV HVDC Bhadson with 0.5sq" ACSR conductor :-

220kV Bhadson-Kaul line synchronized on dated 19.9.2019.

220kV Bhadson - Bastara line synchronized on dated 20.9.2019.

The PBG and ABG submitted by M/s Isolux amounting to Rs.4.03 cr. and Rs.4 03 cr respectively has been encashed and further the interest on mobilization advance to be recovered from M/s Isolux amounting to Rs.0.45 crore has already been demanded in the demand notice.

The Committee desired to place before the committee following documents:

1. **All the documents which has been supplied to Reserve Bank of India relegated to this case.**
2. **All related documents relating to complaint filed respect to HDFC Bank with Reserve Bank of India.**
3. **Detail of all previous steps taken by the department/company relating to the case.**

2.7.2.5	<i>Delay in construction of 220 kV sub-station at Roj-ka-Meo and associated lines</i>
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3. The Company approved (April 2013) creation of 220 kV Gas Insulated Sub- station at Roj-ka-Meo with associated LILO line from 220 kV sub-station Sector 72, Gurugram to Rangla Rajpur. The Company awarded separate works for sub-station (February 2014) and lines (January 2014) with scheduled completion by June 2015. However, the sub-station and lines could not be completed till date (December 2019).

It was observed that

The Company awarded (February 2014) work for construction of sub-station to M/s Isolux Ingenieria S.A , Spain at a cost of ₹ 57.35 crore with scheduled completion in June 2015. The hindrance free site could not be provided to contractor till November 2015. The performance of the firm was poor and it stopped the work in February 2017. The contract was terminated (August 2017) after a lapse of more than three years, from award

Company took 19 months in award (March 2019) of balance work at a cost of ₹ 42.50 crore at the risk and cost of M/s. Isolux Ingenieria S.A., Spain. The work is yet to be completed (December 2019).

For construction of associated lines, the Company awarded (January 2014) a contract to M/s Instalaciones Inabensa, Spain for construction of six transmission lines including the one under subject, at a cost of 106.65 crore. The contract was terminated (June 2015) after lapse of 16 months due to a dispute in opening of letter of credit and poor progress.

The balance work was awarded (August 2016) after delay 13 months to M/s Isolux Ingenieria S.A., Spain (the same firm to which the work of construction of sub-station had been awarded) at a cost of ₹ 84.50 crore.

This contract was also terminated (August 2017) as M/s Isolux did not even start the work due to their financial constraints. It was observed that the Company awarded the work to M/s Isolux without considering their liquid assets with reference to pending commitments in other countries.

The Company again took 22 months and awarded (July 2019) the balance work (including subject transmission line) at a cost of ₹ 107.90 crore which was under progress (December 2019).

Due to delay in completion of sub-station, recovery of envisaged benefits of ₹27.02 crore³⁰ were deferred.

Thus, after six years of planning approval, the said sub-station and transmission line has not been completed so far (December 2019).

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

M/s Isolux Ingenerate S.A has been awarded the work of Construction of 220kV GIS Substation Roz-ka-Meo against Contract No. WB-85,86&87/G-23/Pkg.-C/XEN/WB dated 20.02.2014 on Turnkey Basis under World Bank funded Scheme.

Original Timelines

Effective Date of Start: 28.03.2014

Completion Period: 450 days

Contractual Completion Date: 20.06.2015

The contractual completion date was also extended up to 01.04.2017 on account of late hand over of land to firm due to protest and threat of local villagers demanding escalation for cost of land acquired from them by HSIIDC.

Thereafter, M/s Isolux has been repeatedly advised to expedite the work through various correspondences, in various meetings held at head office and concerned field offices. The firm gave assurance time and again to complete the work within schedule period in various progress review meetings with HVPNL but no concrete action was taken by firm. M/s Isolux was unable to provide sufficient material, services or labour to execute and complete the facilities in the manners specified in the program furnished under GC sub clause 18.2 and persistently failed to execute the work in the terms of contract agreement.

³⁰ Worked out on ₹ 57.35 crore at the rate of 10.28 per cent for 55 months from June 2015 to December 2019.

Accordingly, the firm submitted the reply vide ref. No. HVPNL/Pkg.-23(C)/14-15/SS/198 dated 29.12.2016 against the notice, where the firm intimated that the works at aforesaid substations held up due to local hindrances and pending payments. However the facts submitted by M/s Isolux were not found feasible for acceptance for the reason that all the payments against bills had already been made and the issues related to local hindrances had already been resolved long back. All the pleas were afterthought as no such issues was raised by the firm in the meetings. However, even after making commitments at various levels for timely execution of work, the firm has failed to execute the left over works because of insufficient services and labour.

Therefore, it was decided to pursue the process regarding termination of subject cited contract. Accordingly, a notice under clause 42.2 2 of GCC of contract was served upon M/s Isolux vide memo no. Ch-73/WB-85/G-23/Pkg.-C/Vol.-IA/XEN/WB dated 21.07.2017 to make good the deficiency in the progress of work within 14 days from the date of receipt of notice. However, no reply was received from M/s Isolux.

Accordingly, a final notice of termination under clause 42.2 of GCC of contract, after vetting from LR/HPUs, served upon the firm vide memo no Ch-78/WB-85/G-23/Pkg.-C/Vol.-IA/XEN/WB dated 10 08.2017, as the Nigam left with no option except for termination of the contract and carry out the aforesaid work at risk & cost. The contract was terminated on 18 08.2017. The Board of Directors, HVPNL in meeting dated 29.08.2017 had considered and approved the execution of balance works under Package G-23C through floating of fresh Bid at the risk & cost of M/s Isolux Ingenieria S.A .

Thereafter, field offices were requested for reconciliation of works of 220kV S/Stn. Roj-ka-Meo and further a committee of HVPNL officers was also constituted vide O/o No. 441/DSO-312 dated 27 11.2017 to visit the site of under constructed 220kV GIS Substation Roz-Ka-Meo and submit the videography of completed work, left out work and material lying at site and finalization of BOQ to complete the left out and balance work. The committee submitted its report on 19.12.2017.

Meanwhile, the World Bank Loan was closed on 31.12.2017. Department of economic affairs supported the extension of loan upto 31.12.2017 subject to the condition of no further award of contracts.

Earlier the contract of G-23 (C) was funded by World Bank. Due to termination of work and closure of World bank loan, the NIT at the risk & cost of M/s Isolux Ingenieria S.A was to be floated under domestic funding considering the base document of REC.

Due to change in funding scheme from World Bank to REC, GST implementation, e-tendering implementation various changes was made in clauses of bidding documents after taking legal advice also. The said process was time consuming as the fresh NIT was to be floated with change in bidding documents from World Bank to REC funding.

Accordingly, the tender was again floated at the risk & cost of M/s Isolux under REC funding on **21.05.2018**. The due date of opening of e-tender was 04.07.2018. Only 2 no. bidders completed their bids up to 04.07.2018 as such due to lesser participation, the due date of opening was extended up to 19.07.2018. Further, only 2 no. EMDs were received in physical form up to 20.07.2018, therefore the due date of opening was again extended up to 01.08.2018. The technical part of the tender was opened on 01.08.2018. The price bids were opened on 03.01.2019. The case was considered in the High Powered Purchase Committee meeting held on dated 05.02.2019 and accordingly contract for construction of 220 kV GIS Substation HSIIDC Roz-Ka-Meo was awarded to M/s IKE JV M/s Deesan at the risk & cost of M/s Isolux. LOA was issued to firm on **20.02.2019** with contractual completion date as **13.06.2020**. The work is under progress and delayed due to ongoing COVID-19 Pandemic and is likely to be completed by 31.03.2022.

Similarly, M/s Isolux Ingenieria S.A, Spain was awarded the Contract No. WB-98&99/G-24A(Re-bid/XEN/WB dated 26.08.2016 for Procurement of Plant, Design, Supply and Installation of 220 kV & 66 kV Transmission Lines on Turnkey Basis at the risk and cost of M/s Installations Inabensa Spain in JV with M/s Inabensa Bharat, New Delhi.

Date of IFB	10.05.2016
Date of award	26.08.2016
Date of scheduled completion	02.01.2018
The contract awarded to M/s Isolux Ingenieria S.A, Spain had been terminated under clause 42.2 of GCC contract due to dismal progress and non-performance.	18.08.2017

Thereafter, the Board of Directors in meeting dated 29.08.2017 had considered and approved the execution of balance works under G-24A(Re-bid) through floating of fresh Bid at the risk & cost of M/s Isolux Ingenerate S.A.

Hence, Tender Enquiry No. REC-223 (NIT No. 930 dated 08.12.2017) was floated through e-tender against domestic funding for construction of 220 kV & 66 kV transmission line on turnkey basis in the State of Haryana against risk and cost of M/s Isolux Ingenerate.

The Agenda was placed before HPPC meeting under the chairmanship of Hon'ble Chief Minister held on dated 18.05.2018 and the negotiated offered rates were substantially higher than the estimated cost. Accordingly, the HPPC decided to drop the tender and to float the fresh tender enquiry.

The new fresh tender enquiry against REC-248 was floated on 20.08.2018 with due date of opening on 04.10.18. The same was extended twice by issuing corrigendum's due to lesser participation. Accordingly, the technical bids opened online through e-procurement portal on 30.10.2018.

After technical evaluation of bids, the price bids were opened on 27.12.18. The agenda was sent to Director, Supply & Disposal Haryana on 06.03.2019 for placement before forthcoming meeting of HPPC. Meanwhile, the Model Code of

Conduct came into force w.e.f. 10.03.2019 to 26.05.2019. Accordingly, the agenda was placed by Director, Supply & Disposal Haryana in first High Powered Purchase Committee meeting held on dated 07.06.2019 after the completion of the Model Code of Conduct.

The LOA and P O have been issued to M/s Skipper Limited, Kolkata on dated 09.07.2019.

The work is under progress and delayed due to ongoing COVID-19 Pandemic and is likely to be completed by 31.03 2022.

The Committee desired that a departmental enquiry may be conducted to ascertain whether the company was aware in August 2016 that contractor was not serious in completion of work relating to sub-station. If so, then why, the contract for construction of associated lines was awarded to the same contractor in August 2016

The Committee also desired to place before the committee a detail report of ongoing projects at the time of award of contract to the contractor.

2.2.7.6 Non- clearance of dangerous lines.

4 Central Electricity Authority (Measures Relating to Safety and Electricity Supply) Regulations, 2010, specify minimum vertical/horizontal clearances/ distance to be kept in respect of different types of transmission lines. It was observed that while no transmission line in Company's transmission zone³¹, Panchkula was identified as dangerous, 27 lines in Hisar, Transmission System (TS) zone had been declared dangerous in view of violations of statutory clearances as per Rules *ibid*. Audit noticed that though the Company issued notices to persons responsible for violations, it failed to co-ordinate with local authorities to ensure removal of such unauthorized constructions. During the last five years as many as 10 fatal and 42 non-fatal accidents³² were reported and the Company paid compensation of ₹ 43.07 lakh, which could have been minimized in addition to lives saved had compliance to relevant clearance rules been ensured. As the compensation paid formed part of transmission cost, the consumers were unjustly burdened due to non-compliance of statutory provisions by the Company.

During exit conference, the Management stated that new buildings/ structures came up subsequent to construction of transmission lines. The Company did not have any legal power and had to depend on local authorities for removal of illegal constructions. It was observed that Management could not coordinate with local authorities effectively.

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

01 no. 66 KV transmission line 66KV BBMB – Railways CKT-I&II which was

³¹ The Company had two Transmission Zones namely Panchkula comprising Kamal, Panchkula and Rohtak circle and Hisar comprising Gurugram, Fandabad and Hisar circles

³² Four fatal and 17 non-fatal accidents in Panchkula TS zone and six fatal and 25 non-fatal accidents in Hisar TS zone

passing through dense populated area constituting no. of residential colony have been converted from overhead arrangement into underground cables which is likely to be charged by 30.04.2022.

Though, while constructing transmission lines under TS Division Faridabad, every aspects (i.e. as per rule 79 and 80 of IER-1956 which stipulate the minimum vertical and horizontal clearances) were taken into consideration essentially required to be maintained for the electricity lines and electric installation to avoid any mishap or fatal accident. Due to passage of time, residential plot holders constructed their buildings beneath or came across EHV transmission lines in an unauthorized manner in spite of distribution of public notices depicting minimum horizontal as well as vertical clearances for general awareness/attention to the owners/occupiers and general public, who have raised or extend their buildings, structures, balconies, Chajjas or boundary walls etc. after the construction of authorized electrical lines or associated electric installations at regular interval with a request to remove unauthorized const. below the line falling which criminal proceedings will be initiated against intruders under Section 188 of Indian Penal Code, 1860 as well as Section 133 of the Criminal Procedure Code 1973 besides responsible for any loss of life and property & shall be prosecuted as per law Whereas residents are continuously overlooking the presence of Danger of EHT line and still concerned office of SSEs in their respective area are continuously pursuing the matter on regular basis.

XEN TS Division, HVPNL, Palwal.

02 no. 66 KV transmission lines from 66 KV S/Stn Sector-2 Palwal to 66 KV S/Stn Palwal on S/C towers / H-pole which was passing through dense populated area constituting no. of residential colonies have already been re-aligned/converted from overhead arrangement into underground cable. Besides the above, span of 400 Mtr of 66 KV S/C Palwal – Chandhut line which is also passing through thickly populated area has also been converted from overhead arrangement into underground cable.

Though, while constructing transmission lines under TS Palwal, every aspects (i.e. as per Rule 79 and 80 of IER-1956 which stipulate the minimum vertical and horizontal clearances) were taken in to consideration essentially required to be maintained for the electricity lines and electrical installation to avoid any mishap or fatal accident Due to passage of time, residential plot holders constructed their buildings beneath or came across EHV transmission lines in an unauthorized manner in spite of distribution of public notices depicting minimum horizontal as well as vertical clearances for general awareness/attention to the owners/occupiers and general public, who have raised or extend their buildings, structures, Balconies, Chajjas or boundary walls etc after the construction of authorized electrical lines or associated electrical installations at regular interval with a request to remove unauthorized const. below the line falling which criminal proceedings will be initiated against intruders under Section 188 of Indian Penal Code, 1860 as well as Section 133 of the Criminal Procedure Code 1973 besides responsible for any loss of life and property & shall be prosecuted

as per law Whereas residents are continuously overlooking the presence of danger of EHT line and still raising the height of their houses in spite of issuance of notices & proclamation done by the concerned office of SSEs in their respective area on regular basis manner in spite of distribution of public notices depicting minimum horizontal as well as vertical clearances for general awareness/attention to the owners/occupiers and general public, who have raised or extend their buildings, structures, Balconies, Chajjas or boundary walls etc after the construction of authorized electrical lines or associated electrical installations at regular interval with a request to remove unauthorized const. below the line failing which criminal proceedings will be initiated against intruders under Section 188 of Indian Penal Code, 1860 as well as Section 133 of the Criminal Procedure Code 1973 besides responsible for any loss of life and property & shall be prosecuted as per law. Whereas residents are continuously overlooking the presence of danger of EHT line and still raising the height of their houses in spite of issuance of notices & proclamation done by the concerned office of SSEs in their respective area on regular basis

XEN /400kV S/Stn., HVPNL, Nawada.

Due to passage of time, residential plot holders constructed their buildings beneath or came across EHV transmission lines in an unauthorized manner in spite of distribution of public notices depicting minimum horizontal as well as vertical clearances for general awareness/attention to the owners/occupiers and general public, who have raised or extend their buildings, structures, balconies, Chajjas or boundary walls etc after the construction of authorized electrical lines or associated electric installations at regular interval with a request to remove unauthorized const below the line failing which criminal proceedings will be initiated against intruders under Section 188 of Indian Penal Code, 1860 as well as Section 133 of the Criminal Procedure Code 1973 besides responsible for any loss of life and property & shall be prosecuted as per law Whereas residents are continuously overlooking the presence of Danger of EHT line and still concerned office of SSEs in their respective area are continuously pursuing the matter on regular basis.

During the course of oral examination departmental representative apprised the Committee that out of 27 dangerous lines identified in Hisar zone, corrective action in respect of 10 lines are either completed or under completion stage. The Committee, therefore, desired that the department/company should submit an action plan in respect of balance 17 dangerous lines at the earliest.

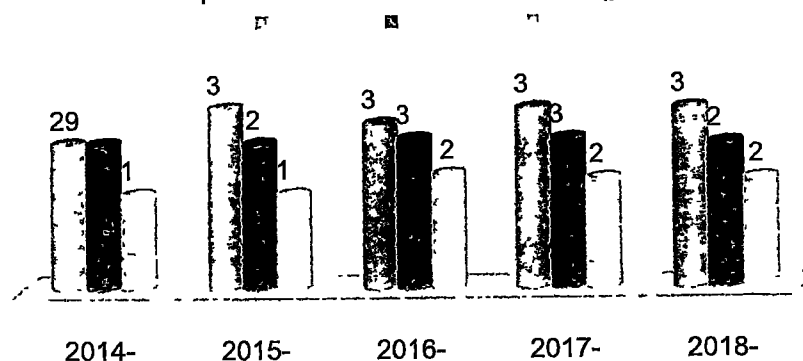
2.8 Performance of transmission system and grid management

2.8.1. High transmission cost

5. Before taking up construction of a sub-station, load growth and anticipated increase of demand in future along with permissible limits of voltage regulations are considered, so that anticipated physical and financial benefits to be derived from the sub-station could be worked out and unnecessary expenditure avoided to have minimum transmission cost.

Audit compared³³ per unit transmission cost of the Company with those of transmission utilities in neighbouring states³⁴ of Punjab and Rajasthan for last five years as below

Chart 2.6: Comparison of Transmission Cost (paise per kWh)



Source Compiled from tariff orders of respective years of concerned State Electricity Regulatory Commissions

It would be seen from the above chart that transmission cost of the Company was the highest among all three state transmission utilities. As compared to transmission costs of Punjab State Transmission Corporation Limited and Rajasthan Vidyut Prasaran Nigam Limited, the Company's transmission cost was higher by 43 to 89 per cent and zero to 24 per cent, respectively during 2014-19.

Audit observed that the company could have reduced the transmission cost by ensuring timely commissioning of sub-stations and transmission lines to minimise project cost, as delay in completion of projects result in higher cost due to cost overrun, more interest burden and administrative expenditure (Para 2.7.2.1)

³³ Comparison has been made among states located in similar geographical area and having similar demand pattern

³⁴ Transmission system of Punjab comprises 132 kV and above, Transmission system of Haryana comprises of 66 kV and above, in Rajasthan there is no 66 kV Transmission system

Controlling extra costs incurred on payment of incentive to Jhajar KT Transco Private Limited (JKTPL), laying of Optical Ground Wire (OPGW), integration of Sub-station Automation Station (SAS) and reducing repair and maintenance cost through optimum utilisation of transformers and controlling their damage rate{Para 2.8.2, 2.8.4, 2.8.5 (b) and (c)}.

Ensuring full utilisation of cheaper World Bank loan so as to reduce interest on CAPEX forming part of transmission cost (Para 2.10.2).

Installation/replacement of defective capacitor banks to avoid payment of reactive energy compensation (Para 2.8.6.2).

Passing on to consumer the benefits of Advance against Depreciation and interest already claimed through tariff in earlier years and upon their subsequent non-requirement/waiver {Para 2 11.5 (a) and (b)}.

During exit conference, the Management stated that in Rajasthan, the power consumption in Agriculture activity was lesser in comparison to that in Haryana. However, Management agreed to analyse the reasons for higher transmission cost and control the same. Reply is not acceptable as share of electricity consumption in agriculture was rather more in Rajasthan than Haryana. It was 39.65 *per cent* and 41.86 *per cent* in Rajasthan during 2015-16 and 2016-17 respectively whereas it was 27.09 *per cent* and 28.14 *per cent* in Haryana during the same period.

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

The facts of Audit Paras are not tenable after taking into consideration the following points

Calculation of Transmission Cost of HVPNL for F.Y. 2018-19 in comparison to RVPNL (Rajasthan) & PSTCL (Punjab):-

Comparison with RVPNL (Rajasthan):

It can be seen that total ARR of RVPNL for the F.Y. 2018-19 was 3092.66 Crores. However, Income from Short Term Open Access Consumers, Non-Tariff Income & adjustment of true-up for F.Y. 2016-17 amounting Rs. 619.08 Crores has been reduced from net ARR of RVPNL i.e. 3092.66 Crores while calculating the Transmission Cost of RVPNL for the F.Y. 2018-19.

If we consider above mentioned factor for calculation of Transmission Cost of RVPNL for the F. Y 2018-19, then the Transmission Cost of RVPNL is comes out approx. 38.43 Paisa/Unit (considering total energy handled as 80467 Million Units) which is higher than the Transmission Cost of HVPNL i.e. 36 Paisa/ Unit for F.Y. 2018-19.

Comparison with PSTCL (Punjab):

PSTCL is Transmission Licensee which operate and maintained Transmission Network of 132 kV & above Voltage Level; however, HVPNL operate and maintained Transmission Network of 66 kV, 132 kV & above voltage level.

It can be seen that depreciation cost of HVPNL for F.Y. 2018-19 was Rs 360.18 crores nearly equal to PSTCL depreciation cost for F.Y. 2018-19 i.e. Rs 300.29

crores despite that fact that 66 kV network is operate and maintained by HVPNL and cost of same was included in ARR of HVPNL for F.Y. 2018-19. Accordingly Transmission Cost of HVPNL was on higher side as comparison to PSTCL in F.Y. 2018-19. Further the total energy handled by PSTCL (57087 million units) is also around 14 % higher than that of HVPNL (50871 MUs)

Further, Punjab is recovering the cost of 66 kV network through its wheeling charges as approved by their commission. The comparison of wheeling charge of Haryana & Punjab, as approved by their respective Commission is tabulated as under:-

Sr. No.	Financial Year	Wheeling Charges (in Rs./ kWh)	
		Haryana	Punjab
1	2014-15	0.74	1.21
2	2015-16	0.85	1.08
3	2016-17	0.71	1.32
4	2017-18	0.84	1.42
5	2018-19	0.83	1.32

From above table, it can be clearly seen that the Wheeling Charges of Punjab is much higher than Haryana due to inclusion of 66 kV Voltage Network with DISCOM of Punjab.

As such, the Transmission Charges of HVPNL should not be compared with PSTCL.

Comparison of Interest on Term Loans & Interest on Working Capital with RVPNL & PSTCL

	HVPNL	PSTCL	RVPNL
Interest on Term Loans (in %age to Total ARR)	22.37	22.47	23.73
Interest on Working Capital (in %age to Total ARR)	17.03	26.53	29.30

From above table, it can be clearly seen that Interest on Term Loans & Interest on Working Capital of HVPNL for F.Y. 2018-19 were lesser than RVPNL & PSTCL.

Further, it pertinent to mention here that as per Section 39 of the electricity act-2003, the functions of the State Transmission Utility shall be -

- (a) to undertake transmission of electricity through intra-State transmission system;
- (b) to discharge all functions of planning and co-ordination relating to intra-State transmission system with –
 - (i) Central Transmission Utility;
 - (ii) State Governments;

- (iii) generating companies;
- (iv) Regional Power Committees;
- (v) Authority,
- (vi) licensees;
- (vii) any other person notified by the State Government in this behalf;
- (c) to ensure development of an efficient, coordinated and economical system of intra-State transmission lines for smooth flow of electricity from a generating station to the load centers;
- (d) to provide non-discriminatory open access to its transmission system for use by-
 - (i) any licensee or generating company on payment of the transmission charges ; or
 - (ii) Any consumer as and when such open access is provided by the State Commission under sub-section

Further, the relevant Sections of the HERC (Duty to Supply Electricity on request and Power of recover Expenditure) Regulations 2016 for the instant case are as under:

“ 3.4 - It shall be the responsibility of the licensee to have necessary arrangements with the respective transmission licensee(s) to ensure that the required supply at High Tension above 33 KV is made available within the timeframe specified under Regulation 4 of the Electricity Supply Code

Accordingly, it is the responsibility of the transmission utility to construct the infrastructure for the distribution licensee as per their requirement on the basis of the load growth and anticipated increase of demand in future along with limit of voltage Regulations.

It is pertinent to mention here that as per Section 181 of the Electricity Act-2003, the State Electricity Regulatory Commission has been empowered for framing the Regulations for determination of tariff of the transmission licensee.

The Haryana Electricity Regulatory Commission has framed the Regulations on Determination of Transmission Tariff from time to time by which the HVPNL has to file the aggregate revenue requirement (ARR) on year to year basis and the regulatory Commission determines the transmission tariff purely as per the terms & conditions of the Regulation prevailing at that time

However, the prudence check are also being made by the Hon'ble Commission so as to determine the transmission tariff to avoid burden on the consumers of the State.

It is further mentioned that the transmission infrastructure development in the State may vary from State to State depending upon the load growth and anticipated increase of demand in future along with limit of voltage Regulations. The Hon'ble Commission through its Regulations have earmarked the norms for parameters like high damage rate of power transformers, allowance of interest

on working capital, return of equity and depreciation for determination of transmission tariff for the State and accordingly, the transmission tariff for the State on year to year basis are being determined through the tariff order by HERC. As such, since all the parameters affecting the transmission tariff are being monitored through the Regulations as framed by Hon'ble Commission, thus para may be dropped.

Further, it would be appropriate to mention here that the specific reply to the following observations incorporated in the current para has been /are being supplied separately-

Low capacity utilization (para 8.2), high damage rate of power transformers and delay in repair of damaged transformers resulting in blockage of funds (para 8.4)

Allowance of higher interest on working capital due to inclusion of employee cost and administrative and general expenses for determining level of maintenance spares (para 10.5).

Over charging consumers due to availing ROE and depreciation in tariffs on completed assets though not utilized, advance against depreciation reserve and interest waiver on a loan not passed to them (para 7.3 & 11.5).

Poor financial management for utilizing the cheaper world bank loan fully, extra burden of interest for delayed release of funds by state government and payment of avoidable guarantee fee (paras 10.2, 10.3 and 10.4)

The Committee desired that data of both the States i.e. Rajasthan & Punjab be made available to Audit as well as to the Committee. The data of both the States alongwith Haryana State will be analysed by the Audit and the decision will be taken after the report provided by Audit to the Committee in this matter.

2.8.4 Unjustified payment of incentive

6. JKTPPL in the capacity of transmission licensee, constructed 400 kV Jhajar transmission system As per Transmission Service Agreement (TSA) approved by HERC, the Company was to pay applicable monthly unitary charges to JKTPPL along with incentive for availability of system and transmission losses. It was also stipulated that the Company might conduct tests at least once in six months to ascertain that transmission losses of each transformer were within normative loss. In case transmission losses were less than normative loss, the Company was required to pay to JKTPPL an incentive equal to ₹ 600 per kW per month to be increased by five *per cent* for every accounting year.

The Company was paying incentive for 219.903 kW every month since April 2012, on the basis of transformer losses of 2,780.097 kW certified by independent engineer in May 2012 against normative losses of 3,000 kW without getting any test conducted thereafter. The practice of paying incentive without periodic checking was not justified and was a favour to JKTPPL. For the period January 2013 to March 2019, Company paid incentive of ₹ 1.18 crore which was unjustified and increased the transmission cost

Management stated (May 2020) that facility for on-site testing of PTs losses was not available. The reply is not acceptable as payment of incentive without assessing the actual transmission losses was not justified.

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

The Audit has termed the above payment of Rs. 1.18 Crore as an irregular payment. While terming it as an irregular payment, it has relied upon Clause-21.4.1 of the TSA which reads as under: -

"The Transmission Losses of the 315 MVA, 400/220 KV and 100 MVA, 220/132 KV Transformers forming part of the system capacity shall be 530 KW and 220 KW respectively (the "Normative Loss"). The authority may in its discretion and at its own expenses, and no more than once in every 6 (six) months, conduct tests in accordance with Good Industry Practice, to ascertain that the transmission losses of each transformer are no greater than the Normative Loss. For the avoidance of doubt, it is clarified that the period of any outage, closure, suspension or reduction of System Capacity on account of the tests conducted under this clause 21.4.1 shall be deemed to be included in availability. It is further clarified that the transmission losses hereunder shall mean the aggregate of no-load losses and load losses".

The audit observation is hereby replied as under -

It is submitted that the transmission losses in power transformer includes no load losses and load losses.

The no-load/core losses consist of hysteresis losses and eddy current losses, both are dependent on magnetic properties of material used in construction and design of core of transformer. The no-load and load losses of power transformer are design parameters which depend on the material used for Core i.e. CRGO Silicon Stampings used for construction of power transformer.

The load losses/Copper losses are also known as variable losses of power transformer which depends upon load & winding resistance. The load on power transformer totally depends on the downstream planned network which always remains within the limit/capacity of power transformer.

According to the law of Physics, No Load Losses remain constant whereas Load Losses are variable. The variable losses (i.e. Load Losses) denoted by I^2R are dependent upon current flowing through Transformer and resistance of the winding of Transformer. Thus, following inferences can be drawn:

Current Flow in the Transformer is dependent upon the load connected to the Transformer and thus remains variable according to the load conditions. whereas;

Resistance of Winding of Transformer remains almost constant according to the design taken during the manufacturing of transformer.

Based on the above technical aspects of manufacturing and functioning of the Transformers, it can be concluded with reasonable certainty that the losses of transformers remain almost constant during its life.

In the present case, as per TSA, the concessionaire was required to install 2x315 MVA, 400/220 KV + 2x100 MVA 220/132 KV transformers at 400 KV S/stn Kabulpur and 2x315 MVA, 400/220 KV + 2x100 MVA 220/132 KV transformers at 400 KV S/stn Deepalpur. Before installation of these transformers the no load losses & load losses were measured and certified by the Independent Engineer at factory premises. The Transformer Losses measured at factory premises against the normative losses (as per TSA) before supply at site, are tabulated as under: -

Transformer S. No.	Normative Losses as per TSA (KW)	No-Load Losses (KW)	Load Losses (KW)	Losses measured at factory premises (KW)
400/220/33kV, 315 MVA Auto T/F				
T09935/1 at Kabulpur (ICT-1)	530	80 806	410 333	491 139
T09935/2 at Dipalpur (ICT-1)	530	78 388	408.200	486 588
T09935/3 at Dipalpur (ICT-2)	530	78 507	414 730	493 237
T09935/4 at Kabulpur (ICT-2)	530	80 612	413 790	494.402
220/132kV, 100 MVA Auto T/F				
T09934/1 at Kabulpur (ICT-3)	220	24 515	176.220	200 735
T09934/2 at Dipalpur (ICT-3)	220	25 406	178.500	203 906
T09934/3 at Kabulpur (ICT-4)	220	26 201	179.220	205 421
T09934/4 at Dipalpur (ICT-4)	220	26 319	178 350	204 669
Total	3000			2780.097
Difference	219.903			

Further the clause 21.4.1 also provides that the transmission losses shall mean the aggregate of no load losses and load losses. The audit, while objecting to the incentive being paid to the Concessionaire has not taken into consideration the amount saved by the State in terms of saving of electricity which would tentatively work out as under. -

Saving of Electricity (Units) 219 903 (KW) x 24 (hrs) x (30) days

= 158330 KWH per month

Saving of Electricity (Amount) 158330 KWH x Rs. 4.82 per unit (Ref. HPPC) = Rs 7,63,150 per month

As against the above saving of Rs. 7.63 Lakh per month, HVPNL has paid an incentive of approximate Rs. 1,31,942/- per month

(Rs. 600x219.903)

The very purpose of having **Incentive/ Penalty Clause 21.4.1** in respect of transformer losses in the TSA, appears to have mooted with the prospective of discouraging the Concessionaire from designing a low-quality transformer, simultaneously, encouraging him to opt for best design and engineering of transformer.

It is needless to state that similar incentive/penalty mechanism based on the design parameters of transformer is in existence under the Contracts for procurement of Transformers as well as Turnkey Contracts on PAN India basis whereby the comparative position of the Suppliers/Contractor is determined after loading the cost impact of Transformer Losses based on normative basis (which is called "Capitalization of Losses" in ordinary parlance). The formulae for Capitalization of Losses takes into consideration the usage of transformer over a period of 25 years (approx.)

Clause 21.4.1 as referred to in audit para (reproduced above) does not mandatorily require but only suggests that authority may conduct tests on transformers to ascertain that the losses of each transformer are no greater than the normative loss. It further puts the following conditions:

The cost shall be borne by HVPNL.

The tests shall be conducted in accordance with Good Industry Practice

The entire period of outage, closure, suspension or reduction of system capacity shall be deemed to be included in availability.

The Good Industry Practice for conducting the tests for ascertaining the losses of transformer is Laboratory/Factory Testing. A reference in this context was made to Central Power Research Institute (CPRI), Bhopal. The CPRI, Bhopal vide its email dated 24.09.2018 has confirmed that it does not have any ON-SITE facility to measure the losses of transformers installed on the project.

Exercising the option for conducting laboratory/factory test for determination of losses of the transformers is not a viable option due to the considerations of Associated Costs and System Availability.

HVPNL does not possess any in-house facility for conducting the on-site testing of the transformers for ascertaining the losses.

It is worthwhile to mention here that HVPNL adopted the Model Transmission Service Agreement (TSA) formulated by the Planning Commission of India for the said project which was subsequently approved by the Haryana Electricity Regulatory Commission (HERC) vide letter no. 3465/HERC/PPP/Tariff/2010 dated 18.01.2010.

From the position as explained above, the following summary position may be derived.

The incentive/ penalty mechanism based on Losses of Transformers is in vogue since time immemorial in case of procurement of Transformer/ Turnkey contracts. The only difference remains that in the present case, the incentive on account of lesser losses is being paid on monthly basis instead of its capitalization done at the initial stage.

The cost of electricity saved by virtue of optimum quality transformer (having lesser Transformer Losses) is much higher as compared to the incentive granted to the Concessionaire.

The clause of granting incentive is part and parcel of the TSA which was

formulated and finalized by the Planning Commission of India and was subsequently approved by HERC. Therefore, HVPNL was obligated to award the Concession strictly in accordance with the TSA without introducing any change on its own as it was a GoI sponsored project wherein Viability Gap Funding (VGF) of the order of Rs. 76.40 crore was provided by the GoI.

Detail of incentives amounting Rs. 1.17 Crore from January, 2013 to March, 2019 is enclosed.

The Committee desired that testing of energy loss ~~may~~ be conducted and a report in this regard be submitted to the Committee at the earliest. The Committee also desired that the matter be taken up with the Government of India for necessary guidance/solution in this regard. The Committee further recommended that the information regarding payment of incentive be collected from five to seven States.

2.8.6.2 Non-provision of capacitors

7. As per Indian Electricity grid code and state grid code, the capacitors should be provided in low voltage systems to avoid the drawal/injection of Reactive Power beyond specified range. The transmission utility has to pay for reactive power when voltage at the metering point is below 97 *per cent* and gets paid when voltage is above 103 *per cent*. Audit noticed that there was consistent shortfall in number of capacitors installed *vis-à-vis* their requirement during 2014-19 as depicted below

Table 2.7: Details of defective capacitors and reactive energy compensation paid/received

Year	Capacitors required to be installed (Mvar ⁴²)	Capacitors installed (Mvar)	Shortfall (Mvar)	Defective Capacitors at year end (Mvar)	Reactive energy compensation received (₹ in crore)	Reactive energy compensation paid (₹ in crore)
(1)	(2)	(3)	(4)=2-3	(5)	(6)	(7)
2014-15	728 594	132 856	595 738	286 95	14 88	17 16
2015-16	887 246	243 83	643 416	361 46	19 63	13 92
2016-17	806 446	56 6	749 846	350 229	19 70	16 86
2017-18	856 246	139 06	717 186	393 395	22 50	17 59
2018-19	1,009 530	87 647	921 883	383 943	21 63	29 90
Total					98.34	95.43

Source: Information provided by the Company.

It was noticed

- The deficiency of capacitors increased from 595.738 Mvar in 2014-15 to 921.883 Mvar in 2018-19. In addition, the defective capacitors increased

⁴² Mvar-Mega Volt Ampere (Reactive)

almost consistently during above period and capacitors with 383.943 Mvar capacities (7.68 *per cent* of installed capacitors (4,999.485 Mvar) were lying defective as on 31 March 2019

- Despite HERC directives (March 2015, May 2017 and October 2018) to the Company to expedite replacement of defective capacitor banks, large number of capacitors were yet to be replaced.
- The cost of shortfall of capacitors as well as replacement of defective capacitors was only ₹ 31.57⁴³ crore. Had the Company invested ₹ 31.57 crore, it could have avoided the payment of reactive energy compensation of ₹ 95.43 crore during 2014-19 and thus could have reduced the transmission cost.

During exit conference, the Management agreed and stated that the efforts are being made to provide adequate numbers of capacitors and replace the defective capacitors on priority

The Indian Electricity Grid code, 2009 speaks about the reactive support in the state that the Regional Entities except Generating Stations are expected to provide local VAR compensation/generation such that they do not draw VARs from the EHV grid, particularly under low-voltage condition. To discourage VAR draws by Regional Entities except Generating Stations, VAR exchanges with ISTS shall be priced as follows

The Regional Entity except Generating Stations pays for VAR drawl when voltage at the metering point is below 97%

- I. The Regional Entity except Generating Stations gets paid for VAR return when voltage is below 97%
- II. The Regional Entity except Generating Stations gets paid for VAR drawl when voltage is above 103%
- III. The Regional Entity except Generating Stations pays for VAR return when voltage is above 103%.

⁴³ Calculated on the basis of per Mvar rate as per contract awarded by the Company in December 2019

In this respect, table as shown below depicts year wise reactive energy compensation paid and received by HVPNL from intrastate and interstate transmission network during FY 2014-15 to FY 2018-19 -

F.Y	PGCIL-NRLDC		Punjab		Himachal Pradesh		Uttar Pradesh		Total Inter State		Discoms (Intra-State)	
	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)
A	B	C	D	E	F	G	H	I	J	K	L	M
2014-15	1,325.07	21.39	17.03	3.71	41.43	30.47	-	-	1,383.53	55.57	1,488.41	1,716.48
2015-16	1,821.16	92.36	21.66	0.01	69.13	40.12	-	-	1,911.96	132.49	1,962.55	1,392.32
2016-17	1,432.09	84.72	17.71	1.32	75.01	7.09	-	-	1,524.81	93.12	1,970.29	1,686.21
2017-18	1,378.26	-	13.83	1.70	5.79	19.62	-	-	1,397.87	21.31	2,250.21	1,758.71
2018-19	470.08	-	0.06	-	5.45	25.36	-	-	475.60	25.36	2,162.95	2,989.94
Total	6,426.66	198.47	70.30	6.73	196.82	122.66	-	-	6,693.77	327.85	9,834.41	9,543.66

From the above table it may be seen that the energy charges paid by HVPNL as shown by Audit (i.e 98.34 crore) seemingly accounts for the **intra-state Reactive energy compensation received by the HVPNL**, and energy charges received by HVPNL as shown by Audit (i.e. 95.43 crore) seemingly accounts for the **intra-state Reactive energy compensation paid by the HVPNL**.

The Indian Electricity Grid code, 2009 speaks about the reactive support in the state that the Regional Entities except Generating Stations

are expected to provide local VAR compensation/generation such that they do not draw VARs from the EHV grid, particularly under low-voltage condition.

To discourage VAR draws by Regional Entities except Generating Stations, VAR exchanges with ISTS shall be priced as follows.

The Regional Entity except Generating Stations pays for VAR drawl when voltage at the metering point is below 97%

<p>III. The Regional Entity except Generating Stations gets paid for VAR return when voltage is below 97%.</p> <p>IV. The Regional Entity except Generating Stations gets paid for VAR drawl when voltage is above 103%</p> <p>III. The Regional Entity except Generating Stations pays for VAR return when voltage is above 103%.</p> <p>In this respect, table as shown below depicts year wise reactive energy compensation paid and received by HVPNL from intrastate and interstate transmission network during FY 2014-15 to FY 2018-19.-</p>													
F.Y	PGCIL-NRLDC		Punjab		Himachal Pradesh		Uttar Pradesh		Total Inter State		Discoms (Intra-State)		
	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Receivable (in Lacs)	Payable (in Lacs)	Payable (in Lacs)
A	B	C	D	E	F	G	H	I	J	K	L	M	
2014-15	1,325.07	21.39	17.03	3.71	41.43	30.47	-	-	1,383.53	55.57	1,488.41	1,716.48	
2015-16	1,821.16	92.36	21.66	0.01	69.13	40.12	-	-	1,911.96	132.49	1,962.55	1,392.32	
2016-17	1,432.09	84.72	17.71	1.32	75.01	7.09	-	-	1,524.91	93.12	1,970.29	1,686.21	
2017-18	1,378.26	-	13.83	1.70	5.79	19.62	-	-	1,397.97	21.31	2,250.21	1,758.71	
2018-19	470.08	-	0.06		5.45	25.36	-	-	475.60	25.36	2,162.95	2,989.94	
Total	6,426.66	198.47	70.30	6.73	196.82	122.66	-	-	6,693.77	327.85	9,834.41	9,543.66	

From the above table it may be seen that the energy charges paid by HVPNL as shown by Audit (i.e. 98.34 crore) seemingly accounts for the **intra-state Reactive energy compensation received by the HVPNL**, and energy charges received by HVPNL as shown by Audit (i.e. 95.43 crore) seemingly accounts for the **intra-state Reactive energy compensation paid by the HVPNL**.

It may also be seen from the above table that in respect of Reactive energy compensation, **HVPNL is on receivable side** in case of intra state

reactive energy pool (Column L & M) and also **on the receivable side** in case of interstate reactive energy pool (Column J & K) for the FY 2014-15 to FY 2018-19.

As far as defective capacitor banks are concerned, the efforts are being made by HVPNL to replace the defective capacitor banks on priority. The HVPNL has recently placed order for procurement of additional 47 Nos of capacitor banks having total capacity of 342.468 MVAR capacity (16*10.872MVAR & 31*5.436MVAR) at 33kV level.

Further, it would be appropriate to mention here that system study for capacitor requirement in Northern Region is being conducted by NRPC

(Northern Region Power Committee) for all the constituents of Northern Region through CPRI and recommendations of the study will be implemented accordingly.

In addition to the above, it is submitted as under -

Details of defective capacitors and reactive energy compensation paid/received						
Year	Capacitors to be added during the year (MVAR)	Capacitors Installed (MVAR)	Shortfall (MVAR)	Defective Capacitors at year end (Mvar)	Reactive energy compensation received (in crore)	Reactive energy compensation paid (in crore)
2019-20	1389.75	1203.13	186.62	670.26	36.116	37.427
2020-21	1389.75	1524.39	-134.64	687.82	35.312	18.07

(i) During the year 2019-20 & 2020-21 a total of 1203 13 Mvar & 1524.39 Mvar capacitor banks have been installed. An increase of 1372% in

(ii) addition/ installation of new capacitor banks from 2018-19 to 2019-20.

(iii) As far as defective capacitor banks are concerned, HVPNL has procured 47 Nos of capacitor banks having total capacity of 342.468 MVAR capacity

(iv) (16*10.872MVAR & 31*5.436MVAR) at 33kV level and the same has reached in stores for restoration of defective capacitor banks. Apart from the above, a total of 65 no. 11kV Automatic Capacitor Banks having total capacity of 302.696 MVAR (41*3.4 MVAR & 24*6.804) are under planning stage for procurement.

- | | |
|-------|--|
| (v) | It is evident from the above mentioned table that the shortfall/deficiency of Capacitor bank has been decreased from 921.883 Mvar in |
| (vi) | March 2018-19 to -134.64 Mvar in March 2020-21. During the year 2019-20 & 2020-21, a total amount of 71.42 Crores has been received in |
| (vii) | lieu of Reactive compensation.
Keeping in view of the above, it is submitted that the Haryana is taking all the measures to restore the defective capacitors. |

The Committee recommended that a report indicating detailed time schedule for repair/replacement of defective capacitors be submitted to the Committee and directions for timely replacement of defective capacitors to all the officers/officials concerned on behalf of the Committee be issued under intimation to the Committee.

2.10.5 <i>Loss due to release of interest free advance and non-observance of BG terms</i>

8. The Company awarded contracts for construction of 220 kV Gas Insulated Substation at Roj-ka-Meo (February 2014) to M/s Isolux Ingenieria S.A., Spain and subsequently the work of construction of lines was also awarded to it in August 2016.

- (3) In disregard to BG terms, payment was released in firm's account with Central Bank of India instead of one with HDFC bank (BG issuing bank) Subsequently, when the Company raised (18 August 2017) claim (₹ 1.12 crore) for BG encashment at the time of termination of contract, HDFC bank dishonored the same citing that the Company had released advance in firm's account with other bank Had the Company complied with BG conditions at the time of releasing advance, loss of ₹ 1 12 crore could have been avoided The Management stated (May 2020) that the conditions to release advance were not chronological. The reply is not acceptable because civil works could not have been started in the absence of hindrance free site and release of third installment without availability of site was a favour to the contractor
- (4) For associated line work, interest free advance equal to 10 per cent of the contract value was to be paid against the BG in contractor's account with the BG issuing bank. In disregard to the BG terms, the Company released (October and December 2016) advance payment of ₹ 8 45 crore in firm's account with Central Bank of India, instead of BG issuing bank (HDFC bank). When, upon termination of contract, the Company lodged (18 August 2017) claim with HDFC bank for BG encashment, HDFC bank declined citing non-compliance with the BG conditions.

Thus, due to non-compliance of the BG terms, the Company suffered loss of ₹ 9.57 crore (₹ 8 45 crore + ₹ 1.12 crore). Audit further noticed that both the cases of non- encashment of BGs were related to the same contractor.

The Management admitted (May 2020) that the BG terms could not be adhered to inadvertently and further stated that ₹ 34 68 lakh only was recoverable from the contractor after adjusting the dues in respect of various contracts. The reply is not acceptable as Management has not considered the risk and cost amount of ₹ 31.32 crore recoverable from the contractor for which there is no financial cover available with Company

In this regard it is stated as under:-

As regards the Observation of the Audit that civil works could not have been started in the absence of hindrance free site and release of third installment without availability of site was a favour to the contractor, the Audit may kindly refer to reply given in para above.

The bank guarantee submitted by the firm at the time of release of installment equivalent to 2% of the contract value Was issued by the HDFC bank with a stipulation to deposit the amount in firm account No. 0572031000200 maintained by HDFC bank limited, Vatika Atrium, Block-A Khasra No 1742/1/2/1743 Village-Wazirabad, Sector-53, Gurgaon. The firm however has desired the payment of advance against bank guarantee in its invoice submitted in its account with Central bank of India.

Earlier there was no SOP issued by the department on the acceptance & lodging of claim in respect Or Dank guarantee(s) received from the contractor, which has now been circulated by CAO office vide O/O no. 14597 Sr.AO/C&P dated 22.10.2020. Since the bank guarantee was not put up for acceptance specifically and the copy of bank guarantee was also not placed in the file as the same was kept in safe custody by the official, therefore the condition to release the payment into firm account maintained with the HDFC as mentioned in the ABG was skipped and the payment was released into bank account of firm maintained with Central Bank of India as desired by the firm in its invoice. The firm has also never denied the receipt of payment.

At one stage due to delays/defaults by M S Isolux Ingenieria, FVPNL terminate the contract and decided to encash the Bank Guarantee(s) of the firm (ABG & PBG) against the various contracts. For this purpose the necessary claims were filed with the banker HDFC bank initially refused to honor the claim on the grounds that advance was not released by HVPNL to the firm in accordance with the terms of ABG as extended by them to HVPNL. Even without payment not made to HDFC, the Advance Bank Guarantee (s) was extended

A civil writ petition has been filed with Delhi High court against the Bank and contractor for encashment of Bank Guarantee

In this regard it is stated as under :-

In this connection, it is submitted that M/S Isolux Ingenieria firm was eligible for Interest free advance Equal to value to 10% of contract value to be paid progressively in three installments against submission of advance bank guarantee of 10 % of value of contract value issued by the bank in favour of HVPNL as per terms & condition of awarded Contracts. The ISOLUX ingenieria Spain has submitted the Advance Bank Guarantee (s) for Rs 8 45 crore issued by HDFC bank for advance against LOA no. WB-98/G-24/A.

As per the terms & condition of bank guarantee issued by HDFC Bank, advance against bank guarantee was to be released in the firm account maintained with HDFC bank. The firm however has desired the payment or advance against bank guarantee in its invoice submitted in its account with CBI

Earlier there was no SOP issued by the department on the acceptance & lodging of claim in respect of bank guarantee(s) received from the contractor, which has now been circulated by CAO office vide O/O no. 1459 Sr.AO/C&P dated 22.10.2020. Since the bank guarantee was not put up for acceptance specifically and the copy of bank guarantee was also not placed in the file as the same Was kept in safe custody by the official, therefore the condition to release the instalments due in October & December, 2016 into firm account maintained

with the HDFC as mentioned in the ABG(s) was skipped and the payment was released into bank account of firm maintained with Central Bank of India as desired by the firm in its invoice. The firm has also never denied the receipt of payment.

At one stage due to delays/defaults by M.S Isolux Ingeneria, HVPNL terminate the contract and decided to encash the Bank Guarantee(s) of the firm (ABG&PBG). against the various contracts. For this purpose the necessary Claims were filed with the banker. HDFC bank initially refused to honor the claim on the grounds that advance was not released by HVPNL to the firm in accordance with the terms of ABG as extended by them to HVPNL. Even without payment not made to HDFC, the Advance Bank Guarantee (s) was extended.

A civil writ petition has been filed with Delhi High court against the Bank and contractor for encashment of Bank Guarantee.

Since the claim has been denied by HDFC bank on the flimsy ground and as such HVPNL has filed a court case in the matter against HDFC bank and the firm. The PAG/Audit vide its letter No. RAO/CW-XII/Performance Audit/HVPNL/Pki/2014-19/reply to PA dated 29/05/ against the same Para has desired to intimate the total amount other than risk purchase cost as available with HVPNL recoverable from the firm M/s Isolux against various contracts awarded to it by HVPNL Accordingly, HVPNL vide Memo. No. 681/Sr.AO/C&P dated 09.06.2020 has supplied the figure of Rs. 34,68,414/- recoverable from firm other than risk purchase cost which has been tabulated below:-

Contract No.	Currency	Amount Payable / (Receivable) to M/s. ISOLUX after adjustment of encashed PBG, ABG, non-encashed ABG, interest on Advance upto termination date, interest on LD deferred upto termination date, GST/ service tax on LD, TS recoveries, MRC of un-billed Transformer (as intimated by resp. TS wings)	Remarks
WB-55, 56, 57 /G-18A	INR	5,86,23,162	
WB-85, 86, 87 /G-23C	INR	3,80,62,203	Including amount after conversion of USD 149971 into INR @ 64.0518
WB-92, 93/G-10A	INR	2,72,27,988	
WB-98,99/G-24A	INR	-10,87,67,872	
HDP-2139, 2140/ REC- 144	INR	-1,15,03,895	
HDP-2156, 2157/ REC-155	INR	-71,10,000	
Total (INR)		-34,68,414	

The above indicates that after making full adjustments as per present, an amount of Rs. 34,68,414 /- is receivable from the firm. Above figures include Retention amount of Rs. 2.69 Crore as a security to cover service tax liability (case notice dated 8.4.2019 from Dir. Gen / GST Intelligence, Gurugram) in respect of liquidated damages due before 01.7.2017. If case against notice dated 8.4.2019 from Dir. Gen./ GST Intelligence, Gurugram on service tax liability, for which M/s S Mehtani & CA as consultant stand engaged as per approval of MD, HVPNL is decided in favour of HVPNL, above mentioned retention amount or part thereof may not be required, which may accordingly change the above mentioned figure and may even make net figure as payable to the firm if outcome of the case results into nil requirement of retention money, but its outcome is not known at present.

However upon recalculation of security deposit against service tax and revised recovery intimated by XEN/TS, Panipat, the revised position was intimated to PAG/Audit, Haryana vide memo no. 1493/Sr.AO/C&P dated 29-10-2020 is as under-

Contract No.	Currency	Amount Payable / (Receivable) to M/s. ISOLUX after adjustment of encashed PBG, ABG, non-encashed ABG, interest on Advance upto termination date, interest on LD deferred upto termination date, GST/ service tax on LD, TS recoveries, MRC of un-billed Transformer (as intimated by resp. TS wings)	Remarks
WB-55, 56, 57 /G-18A	INR	8,70,79,854	
WB-85, 86, 87 /G-23C	INR	4,68,09,139	Including amount after conversion of USD 149971 into INR @ 64.0518
WB-92, 93 /G-10A	INR	3,35,90,931	
WB-98,99 /G-24A	INR	-10,87,67,872	
HDP-2139, 2140/ REC- 144	INR	-1,15,03,895	
HDP-2156, 2157/ REC-155	INR	-71,10,000	
Total (INR)		4,00,98,157	

From the above, it can be construed that an amount of approx. Rs 4 Crore is payable to the firm even after adjustment of Rs. 9.57 crore towards non-encashment of amount of Advance Bank Guarantee (ABG)

Moreover, PAG/Audit in HM No, RAOCW-XI/Performance Audit/RAO/CW-XI/Performance Audit/HVPNL/PKL/2014-19/HM-34 dated 05 08.2019 mentioned that HVPNI took 24 months in re-awarding the work at risk and cost. Resultantly, the company could not place the work with word bank funding and had to award the remaining work on 9 July 2019 with REC funding vide purchase order No 9417/REC 248 amounting to Rs 109 96 Crore to M/S Skeeper limited Kolkata. The terms of REC funded projects were entirely different (for which the different set of bidding documents were used) as such the recovery of risk purchase amount is not legally possible. As such, the recovery of risk purchase amount has various legal aspects and is to be dealt separately which is also the opinion of PAG/Audit as they have also desired to intimate the amount receivable/payable other and cost purchase vide memo No RAO/CW-XIII/Performance Audit/HVPNL/PKL/2014-19/reply to PA dated 29 05.2020

During the oral examination, the Committee observed that the Bullet/Part 3 and 4 relate to the non-encashment of bank guarantee's amounting to Rs. 9.57 Crore (Rs. 8.45 Crore+1.12 Crore) due to non-observance of the BG terms. Therefore, the Committee recommended that a latest report regarding non-encashment of B.G.'s alongwith risk and cost apportionment be submitted to the Committee at the earliest. Hence, the Bullet/Part 3 and 4 in this regard be kept pending.

Haryana Power Generation Corporation Limited

3.1 *Avoidable expenditure*

The Company paid ₹ 27.29 crore as compensation for short lifting of coal during 2016-17, as it did not initiate timely action for reduction of Annual Contracted Quantity of coal with Coal India Limited in line with the revised operational requirement of its Panipat Thermal Power Station.

9. Haryana Power Generation Corporation Limited (Company) had long term Coal Supply Agreements (CSAs) with three subsidiary companies of Coal India Limited (CIL) for a total Annual Contracted Quantity (ACQ) of 66 lakh Tonne¹ to meet out the coal requirements of eight units (1,360 MW capacity) of its Panipat Thermal Power Station (PTPS). As per terms and conditions of the CSAs, the purchaser was liable to pay compensation for short lifting of coal, if in any year the level of lifting fell below 90 *per cent* of the ACQ.

The Company, as per decision taken (9 December 2015) by the State Government, phased out Units 1 to 4 (440 MW capacity) of PTPS with effect from 9 December 2015 as these units had outlived their useful commercial lives. These units were not getting schedule² due to their high generation costs and were finally closed by January 2016. The closure of the units entailed lesser requirement of coal. Consequently, the Company should have taken simultaneous action to reduce its ACQ to avoid payment of compensation for short lifting of coal in terms of the CSA.

Audit observed that the Company did not assess the requirement of coal in wake of the reduction in plant capacity and initiate proactive measure for reduction of ACQ. It was only on 24 June 2016, when CIL unilaterally decided to reduce ACQ of PTPS from 66 lakh Tonnes to 44.65 lakh Tonne as also change the quantity to be supplied by Central Coalfields Limited (CCL) and Bharat Coking Coal Limited (BCCL). The Company, in a meeting with CIL, emphasised (29 July 2016) that ACQ of CCL for PTPS be kept intact and, in lieu, the ACQ of BCCL be reduced correspondingly. In the meantime, CCL and BCCL requested (July-August 2016) the Company for execution of side agreements for reduced ACQ as decided by CIL in June 2016.

The Company decided (9 September 2016) to sign side agreement with BCCL for reduced quantity of 22.65 lakh Tonne after obtaining approval from State Government which was received (6 January 2017). The side agreement was executed (18 January 2017) with BCCL for reduced ACQ of 22.65 lakh Tonne. The CIL further rationalised (March 2017) the coal sources of PTPS and additional side agreements with CCL (for reduced ACQ of 26.65 lakh Tonne) and BCCL (for further reduced ACQ of 15.00 lakh Tonne) were signed on 30

¹ Bharat Coking Coal Limited (BCCL) 33.50 lakh Tonne, Central Coalfields Limited (CCL) 29.50 lakh Tonne and Western Coalfields Limited (WCL) 3.00 lakh Tonne

² Merchant order prepared by DISCOMs for purchase of power on basis of cost

March 2017 and 12 May 2017 respectively effective from 1 April 2017. Thus, full benefit of reduced ACQ, in the form of lesser compensation, could be availed from 2017-18 onwards.

The Company paid ₹ 58.07 crore to BCCL on account of compensation for short lifting of coal for financial year 2016-17. Had the Company taken up the matter proactively with CIL for reduction of ACQ immediately after de-commissioning of its units in December 2015 and signed the side agreements w.e.f. 1 April 2016 to the required level of 15 lakh Tonne, the compensation payment of ₹ 27.29 crore³ for short lifting in 2016-17 could have been avoided.

The Government stated (June 2019) that approval of Central Electricity Authority regarding phasing out of old units was pre-requisite and the contracted quantity of coal could have been reduced thereafter.

The reply is not acceptable as the State Government, in December 2015, decided to phase out units 1 to 4 of PTPS after Central Electricity Authority's recommendation of September 2015. Besides, Central Electricity Authority's approval of April 2016 was only for deletion of capacity of retiring units from installed capacity of the country which did not prevent the Company to take up revision of ACQ with CIL. It could be seen that the Company failed to secure its interest with prompt initiatives, and depended entirely on initiatives of the CIL. Due to this inactive approach, revision of the required quantity could not take place during the year 2016-17, resulting in payment of penalty to the benefit of CIL.

It is recommended that responsibility may be fixed for the delayed action of the Company in the matter.

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

The reply to the observation of Audit is linked with the planning of State Government at that time for setting up new units at PTPS, Panipat in place of old units of 4x110 MW capacity. Therefore following facts are submitted for kind consideration:-

In 2013, approval was accorded by the State Govt. for setting up 2 new units each of 250 / 300 MW capacity by HPGCL at PTPS and for simultaneous phasing out 4x100 MW Units-1 to 4 of PTPS, Panipat.

It is a known fact that coal market in India is monopolistic and it is sold through subsidiaries of Coal India Limited (CIL). Coal demand has normally outstripped the supplies. Therefore, arrangement of coal linkage for any new thermal plant / unit has always remained a major challenge in the country.

Accordingly for new proposed units at PTPS, it was planned to utilize the existing coal linkage of Units-1 to 4 of PTPS, Panipat. Therefore, Ministry of

³ ₹ 58.07 crore (compensation for short lifting actually paid to BCCL for 2016-17 with ACQ of 22.00 lakh MT) – ₹ 30.78 crore (compensation which would have been paid had the ACQ been reduced to 15.00 lakh MT)

Power (MoP) was requested vide letter dated 27.06.2013 to consider and recommend to Ministry of Coal (MoC) for transfer of existing coal linkage of Units-1 to 4 to proposed new units upon phasing out of these units within next 4-5 years. Matter in this regard was also taken up with Central Electricity Authority (CEA), however, CEA desired to review the proposal for setting up of 2 X / 300 MW units and asked to get the feasibility carried out for accommodating a Super Critical unit. Detailed Feasibility study in this regard was got carried out and it emerged that Super Critical Unit of 660 / 800 MW capacity can be accommodated at PTPS.

At that time, MoC did not have any policy of linkage transfer from old to new units. Therefore vigorous pursuits were started with CEA, MoP & MoC in April 2014 for formulation of a policy for transfer of coal linkage from old to new units which finally resulted in a meeting of Standing Linkage Committee (SLC) of MoC on 27.06.2014 (minutes issued on 24.07.2014), wherein the following was decided –

- (i) *LoA / linkage granted to the old plant shall be automatically transferred to the new plant of nearest supercritical capacity*
- (ii) *If the capacity of the new supercritical plant is higher than the old plant, additional coal may be accorded priority subject to the availability of coal on the best effort basis from CIL*
- (iii) *At least 50% of capacity of the old units for setting up of new supercritical plant has to be retired (illustration for setting up of a new supercritical plant of 1000 MW capacity, atleast 500 MW capacity of old plant has to be retired) Old plants can be clubbed together to achieve this minimum benchmark of 50% of proposed-supercritical capacity*
- (iv) *This policy shall be applicable to pre-New Coal Distribution Policy (NCDP) plants in public sector only, which have already been granted long term linkages / LoAs.*
- (v) *Automatic transfer of LoA as explained above shall be permissible only when the new plant is set up within the State in which the old plant was located and the old plant is actually scrapped. The old plant shall continue to operate till the CoD of new plant."*

5. In view of above, Board of Directors of HPGCL in its meeting held on 05.08.2014 approved to set up a Supercritical Unit of 660 / 800 MW capacity at PTPS, Panipat by way of phasing out 4x110 MW Units-1 to 4.

6. On 22.09.2014, CEA was requested to recommend for formal confirmation of above decision of SLC from MoC. CEA recommended to MoP for transfer of existing coal linkage of Units-1 to 4 of PTPS, Panipat and 3-units of FTPS, Faridabad to new Supercritical Unit proposed at PTPS, Panipat. Subsequently MoP, vide OM dated 14/16.10.2014 further recommended to MoC for transfer of coal linkage of 30.35 Lac TPA (21.35 Lac TPA of PTPS, Panipat and 9 Lac TPA of FTPS, Faridabad) for proposed supercritical unit. Consequently, MoC vide letter dated 23.04.2015 approved

the transfer of existing coal linkage of Units-1 to 4 for the proposed new Supercritical Unit to be set up at PTPS, Panipat and it also directed CIL to take further necessary action in the matter under intimation to the Ministry.

7. Meanwhile, State Government, vide letter dated 08.04.2015, conveyed administrative sanction in principle for setting up a Supercritical Unit of 660/800 MW capacity instead of two units of 250/300 MW capacity by way of phasing out 4x110 MW Units-1 to 4 at PTPS, Panipat. It was also decided that Units-1 to 4 shall continue to operate till the commercial operation of new supercritical unit as per the policy framed by SLC of MoC.

8. Subsequently, action was initiated to engage a Project Consultant and EPC contractor for the proposed 800 MW Supercritical Unit at PTPS, Panipat.

9. A meeting was held on 09.12.2015 under the chairmanship of Hon'ble Chief Minister of Haryana, wherein following was decided:-

- i) To retire Units-1 to 4 of PTPS, Panipat from installed capacity of HPGCL.
- ii) The coal linkage of Units-1 to 4 after phasing out at present has been transferred by Central Govt. for supercritical Unit-9 at PTPS, Panipat. But at present another policy for transfer of such linkage to other power stations of corporations / more efficient power stations is under finalization with the Govt. of India. It was agreed in-principle that after approval of above policy, adjustment of surplus coal linkage be first made at other working stations of HPGCL and thereafter the balance coal linkage be temporarily transferred through Expression of Interest (EoI) to other more efficient pit head stations run by NTPC / other public / private sector entrepreneurs.

The above decisions clearly reflect the intention of State Government at that point of time for not surrendering any surplus coal linkage on account of phasing out of old units of PTPS and directions were rather issued on how to deal with the surplus linkage till commissioning of new supercritical unit at PTPS.

10. In compliance to the above decision of the State Govt., HPGCL vide letter dated 12.01.2016 requested CEA, New Delhi to accord necessary approval for phasing out of 4x110 MW units at PTPS, Panipat. In response, CEA vide letter dated 12.04.2016 approved the deletion of 4x110 MW Units-1 to 4 of PTPS, Panipat from the National Installed Capacity of the country w.e.f. 09.12.2015. Thereafter, the notification for phasing out Units-1 to 4 of PTPS, Panipat was issued by HPGCL on 29.04.2016 with a copy to the Chairman of CIL, Kolkata.

11. In the normal course, CIL reduces coal linkage of any plant upon phasing out of old units, only after issuance of notification by CEA for their deletion from the National Installed Capacity of the country.

12. In response, CIL vide letter dated 24.06.2016 conveyed (to BCCL, CCL & WCL) about reduction of coal linkage (ACQ) of PTPS from 66 Lac MT to 44.65 Lac MT. CIL specifically mentioned in this letter that SLC in its meeting held on 12.03.2015 had recommended that MoP's inputs should be taken into account while deciding on the reduction in ACQ or otherwise but they did not receive inputs of MoP/CEA, despite written requests to CEA & MoC. However, linkage was reduced by CIL in line with Fuel Supply Agreement, without waiting for the requisite inputs of MoP.

13. At that point of time (July 2016), main motto of HPGCL was to retain coal linkage of 4x110 MW units of PTPS, Panipat and to ensure its transfer to the proposed Supercritical Unit at PTPS since arrangement of coal linkage for any new thermal plant / unit in the country was a major challenge. Therefore, HPGCL and State Government had made all out exhaustive efforts with CEA, MoP & MoC (described at S.No. 3, 4 & 6 above) for framing a new policy for transfer of linkage of decommissioned units to new proposed unit in the State.

14. The above communication of CIL (at S No. 11) regarding reduction in ACQ was received on 13.07.2016 and immediately thereafter, an urgent meeting was arranged with CMD of CIL at Kolkata on 29.07.2016. A high level delegation of HPGCL headed by MD/HPGCL, Director/Technical, Chief Engineer/Fuel and OSD (Technical) attended meeting with CMD/CIL and Director Marketing/CIL. HPGCL explained in the meeting that SLC(LT) in its meeting held on 23.12.2014 had already recommended to transfer the coal linkage of 4x110 MW units of PTPS, Panipat to new upcoming supercritical unit of 800 MW capacity at PTPS and the decision in this regard was conveyed to CIL by MoC vide notification dated 23.04.2015. Therefore reduction of coal linkage of PTPS by CIL was contrary to the directions of MoC.

After listening to the plea of HPGCL, CMD/CIL agreed in principle that linkage of PTPS should not have been reduced but assured to provide a comfort letter to HPGCL that the linkage thus reduced due to decommissioning of old units will be restored to the original level as and when new Super Critical Unit is commissioned and the additional requirement of coal consequent upon additional capacity of the new plant, shall also be provided as per the extant policy. Minutes of above meeting sent to CIL.

15. Meantime, based on the CIL letter dated 24.06.2016, CCL and BCCL vide letter dated 14.07.2016 and 16.08.2016 respectively, requested HPGCL to sign side agreements for reduced coal linkage.

16. Keeping in view the unilateral reduction of coal linkage of PTPS by CIL without any assurance for its transfer to new proposed unit and to optimize the available sources of coal, Board of Directors of HPGCL in its meeting held on 09.09.2016 decided the following:-

ACQ of 29.5 Lac MT from CCL for PTPS be retained, CCL coal being most suitable as RGTPP, Hisar is surviving on CCL coal.

To permanently surrender ECL coal of 7.28 Lac MT (ACQ) being most expensive and economically unviable

To consider reduction in ACQ of BCCL by 14.07 Lac MT in order to achieve overall reduction of 21.35 Lac MT due to de-commissioning of 4x110 MW units of PTPS.

HPGCL will pursue matter with CIL to provide comfort letter to HPGCL that ACQ of PTPS will be restored to original level as and when supercritical unit is commissioned at PTPS, Panipat

HPGCL will pursue matter with MoC/Sub-Group for reduction of aggregated ACQ as per point ii. & iii above without affecting the ACQ of CCL linkage.

As pursuation with MoC/CIL/Sub-Group will take considerable time, therefore, in order to avoid payment of compensation to BCCL, HPGCL should consider to sign side agreement with BCCL for reduced quantity of 22.65 Lac ACQ.

17. It was also directed by the Board of Directors of HPGCL to inform the State Government of above proposals. Accordingly, same was put up to the Hon'ble Chief Minister of Haryana on 15.09.2016, which was approved on 06.01.2017. File was received back on 16.01.2017 and accordingly side agreement was signed with BCCL on 18.01.2017 for 22.65 Lac MT linkage

18. Meanwhile, CIL vide letter dated 18.11.2016 informed that linkage restoration request of HPGCL to the original level upon commissioning of new supercritical unit, would be dealt as per the Policy on transfer of linkage in case of scrapping of old units by replacing them with new plants, as decided in the SLC (LT) meeting held on 27.06.2014 by MoC/MoP. It was also informed by CIL that the request of HPGCL for keeping the aggregated ACQ of CCL intact by way of reducing the ACQ of BCCL & ECL is under examination. Thus the requisite comfort letter, assured by CIL in the meeting held on 29.07.2016 at Kolkata, was finally issued on 18.11.2016 (received on 05.12.2016) due to persistent efforts of top management of HPGCL at personal level.

19. Immediately after signing of side agreement with BCCL on 18.01.2017, vigorous pursuations were started with CIL to convene a meeting to discuss other possibilities for transfer of coal linkages from BCCL & ECL to other nearest sources of coal. Letters in this regard dated 18.01.2017, 23.01.2017 & 31.01.2017 to Director Marketing / CIL and dated 14.02.2017 to the Joint Secretary/MoC were written. Finally, the meeting was held on 20.03.2017 at CIL(HQ), Kolkata which was attended by Director/Technical and CE/Fuel of HPGCL. After deliberations, coal linkages of PTPS were amended as under by CIL:-

Existing Capacity of PTPS (MW)	Configuration of Units	Coal Company	Reduced ACQ intimated by CIL on 24.06.2016 (Lac MT)	Revised ACQ agreed after meeting on 20.03.2017 (Lac MT)
920	2x210 + 2x250	BCCL	22.65	15.00
		CCL	19.00	26.65
		WCL	3.00	3.00
		Total	44.65	44.65

Accordingly, side agreements with CCL and BCCL for revised quantities were signed on 30.03 2017 and 12.05 2017.

It also needs to be kept in mind that Indian coal market is monopolistic, with CIL being the governing body of all its subsidiaries and coal demand outstrips supplies.

Arranging coal linkage for any new coal based plant is a major challenge in the country, which is substantiated by the fact that many plants in the country have been declared stressed assets on this account.

However, the detailed reply given above, is briefly summarized for convenience as under:-

In 2013, State Government planned to phase out old units of 4x110 MW capacity of PTPS, Panipat and to set up 2 new units of 250 / 300 MW capacity at PTPS, by utilizing the coal linkage of decommissioned units. The capacity of new unit was however later revised to 800 MW in line with the directions of CEA

However at that time (2014) there was no policy of coal linkage transfer from old decommissioned units to new unit. It took almost 2-years in framing of such a policy as a result of persistent follow up by HPGCL and State Govt. with MoP, CEA & MoC. Finally, on 23.04.2015, MoC approved the transfer of existing coal linkage of Units-1 to 4 for the proposed new Supercritical Unit at Panipat and directed CIL to take further necessary action in the matter.

On 09.12.2015, the Govt. of Haryana decided to phase out Units-1 to 4 of PTPS as MoC had already directed CIL to transfer linkage of old units to new unit. The intention of State Government at that point of time was not to surrender any surplus coal linkage on account of phasing out of old units of PTPS and directions were rather issued on how to deal with the surplus linkage till commissioning of new supercritical unit at PTPS.

Thereafter consequent upon request of HPGCL on 12.01.2016, CEA on 12.04.2016 approved deletion of 4x110 MW units of PTPS from National Installed Capacity of the country w.e.f. 09 12.2015 and notification in this regard was issued by HPGCL on 29.04 2016.

Accordingly CIL, vide letter dated 24 06.2016 (received on 13.07.2016) unilaterally reduced the linkage of PTPS instead of transferring the linkage to new unit as directed by MoC.

A high level delegation headed by MD/HPGCL rushed to CIL(HQ), Kolkata and held exhaustive deliberations with CMD/CIL and Director Marketing/CIL on 29.7.2016, after which CIL assured to give a comfort letter to HPGCL on the issue of linkage restoration.

Thereafter, BoD of HPGCL deliberated on the entire issue on 09 09.2016 and decided to continuously pursue CIL for the assured comfort letter and sign the side agreement with BCCL, after apprising the Haryana Govt.

On 15.09.2016, a detailed note in this regard was put up to the Hon'ble Chief Minister of Haryana which was approved on 06.01.2017. The file was received back on 16.01.2017 and the side agreement was signed with BCCL on 18.01.2017.

On the same day i.e. 18.1.2017, Director Marketing/CIL was intimated about signing of the side agreement with BCCL for 22.65 Lac MT linkage as decided by CIL and he was requested to convene a meeting to discuss other possibilities for transfer of coal linkages from BCCL & ECL to other nearest sources of coal. This was followed by reminders on 23.01.2017 & 31.01.2017. In the absence of any response, matter was also pursued with Joint Secretary/MoC on 14.2.2017.

With persistent efforts, the desired meeting was held on 20.03.2017 at CIL(HQ), Kolkata wherein CIL finally agreed to further reduce the linkage of BCCL to 15.00 Lac MT. Minutes of this meeting were issued by CIL on 20.03.2017, followed by formal letter issued on 23/24.03.2017.

It is thus clear that had HPGCL signed the side agreement with BCCL immediately after initial notification by CIL on 24.06.2016, it could have jeopardized the efforts of HPGCL in transferring the coal linkage of old units of PTPS to the proposed new unit and CIL would have never agreed for further reduction of BCCL linkage to 15.00 Lac MT.

Thus regular and hard pursual of HPGCL management with CIL, finally resulted in achieving the following major objectives:-

- (a) Comfort letter was issued by CIL on 18.11.2016 regarding coal linkage for new unit.
- (b) BCCL linkage was reduced from 22.65 Lac MT to 15.00 Lac MT, which would subsequently yield recurring benefits to HPGCL.

It may kindly be seen from above that main objective of HPGCL at that point of time was to secure coal linkage for new proposed unit at PTPS which was the most challenging task. Accordingly, all out sincere and spirited efforts were made by HPGCL and the State Govt. in getting formulated a new policy of coal linkage transfer by persistent follow up with CEA, MoP, MoC & CIL. But after issuance of notification of phasing out of old units, CIL instead, unilaterally reduced ACQ of PTPS without taking into cognizance the directions issued by MoC for transfer of coal linkage to new proposed unit. After hectic deliberations between the top managements of HPGCL & CIL at Kolkata on 29.07.2016, HPGCL secured a verbal assurance from CIL to provide a comfort letter to HPGCL regarding coal linkage for new proposed unit. Written confirmation in this regard was however issued by CIL on 18.11.2016 (received on 05.12.2016). Subsequent persistent efforts of HPGCL also resulted in further reduction of ACQ of BCCL from 22.65 Lac MT to 15.00 Lac MT, having consequential future benefits.

In view of above, it may be seen that the observation of Audit does not hold good, as all efforts of HPGCL and the State Govt. at that point of time were directed to secure coal linkage for the new proposed unit.

The Committee desired that record relating to correspondence between Government and Management of the factors/inputs provided by the Corporation to State Government be made available to the Committee. The Committee also desired that a committee ~~may~~ be constituted consisting of any Officer (Secretary Level) of the Department and Sr. Dy. Accountant General from Audit to examine in this regard and submit a report within 15 days.

Dakshin Haryana Bijli Vitran Nigam Limited

3.5 Loss due to non-revision of Security Deposit of consumers

The Company had to suffer a loss of ₹ 72.50 lakh due to not maintaining security deposit in line with HERC regulations.

10. Haryana Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2014¹² provide that at the beginning of a financial year, the licensee (i.e., DISCOM) would review the consumption pattern of consumer from April to March of previous year for adequacy of security deposit (Advance Consumption Deposit - ACD) and the customer would be required to maintain a sum equivalent to their average payment¹³ for the period of two billing cycles.

Audit observed the following at Operation Circle, Sirsa of Dakshin Haryana Bijli Vitran Nigam Limited (Company):

- (i) A large supply consumer¹⁴ was granted (February 2013) connection with connected load of 1,100 395 kW which was extended (October 2013) to 1,797.159 kW. The Company got deposited total ACD of ₹ 13.49 lakh for this connection, however, as per HERC Regulations, 2014, the ACD was required to be revised as on 1 April 2014 on the basis of actual bills paid during previous financial year which worked out to ₹ 57.49 lakh. The consumer defaulted in payment of dues from December 2014 and the Company disconnected the connection on 30 January 2015. By that time, defaulting amount had increased to ₹ 134.07 lakh and after adjusting the available ACD of ₹ 13.49 lakh, the unpaid amount worked out to ₹ 120.58 lakh.
- (ii) Similarly, another large supply consumer¹⁵ was granted connection in June 1992 with connected load of 822 766 kW, which was extended (September 2012) to 1,119.301 kW. The Company was having total ACD of ₹ 20.35 lakh which was worked out in December 2013 but collected in installments up to November 2014. However, as per HERC regulations 2014, the ACD was required to be revised on 1 April 2014 on the basis of actual bills paid during previous financial year which worked out to ₹ 48.85 lakh. The consumer defaulted in payment of dues from December 2014 and the Company disconnected the connection on 30 January 2015. By that time, total dues had increased to ₹ 50.24 lakh and after adjusting the available ACD of ₹ 20.35 lakh, the total unpaid amount worked out to ₹ 29.89 lakh.

To recover its unpaid electricity charges of ₹ 150.47 lakh (₹ 120.58 lakh and ₹ 29.89 lakh), the Company issued (4 March 2015) notices to the concerned surety's of the respective connections. The surety's however moved (March

¹² Notified on 8 January 2014.

¹³ Average payment shall be equal to average of actual bills paid in the last financial year

¹⁴ Consumer Account No. AHHT-0001

¹⁵ Consumer Account No. DRHT-0003

2015) the Court praying for restraining the Company from taking coercive action against them and transferring the outstanding defaulted amount of electricity charges to their account, which was granted (July 2015). The surety's also became defaulters from January 2017 and November 2017 and they were also disconnected by the Company in January 2018. Since then, no action has been initiated by the Company for recovery of its dues in terms of Sales Manual (Instruction No. 7.3) which prescribes recovery of dues as arrears of land revenue under Haryana Electrical Undertakings (Dues Recovery) Act, 1970

Audit observed that though the Company was required to maintain an ACD of ₹ 106.34 lakh (₹ 57.49 lakh and ₹ 48.85 lakh) from both the consumers during 2014-15 on the basis of consumption pattern of the year 2013-14, the Company had ACD of only ₹ 33.84 lakh (₹ 13.49 lakh and ₹ 20.35 lakh). It did not obtain the additional ACD of ₹ 72.50 lakh (₹ 106.34 lakh - ₹ 33.84 lakh) from the consumers as per HERC regulations. Had the Company revised the ACD in April 2014 as per HERC regulations, the non-recovery could have been reduced to the extent of ₹ 72.50 lakh

The Management stated (August 2019) that the ACD of consumers was already under revision as per old instructions and new regulations were notified in January 2014 but circulated on 1 April 2014 by SE/Commercial. Then, it was presumed that the next revision would be on 1 April 2015. Further, keeping in view the large number of consumers, it was not easy to revise/update the ACD of every consumer, but now, the ACD is being automatically revised by the billing system.

The reply is not acceptable because HERC Regulations, 2014 (notified on 8 January 2014) had superseded the Regulations of 2005 and were applicable from the notification date itself and not from the circulation of the same by SE/Commercial. Further, the Company should have revised the ACD of large supply consumer manually to safeguard its financial interests.

The matter was referred (June 2019) to the Government; their reply was awaited (August 2020)

It is recommended that the Management should evolve such a system so that ACD of each consumer is revised at its due time and fix the responsibility of the concerned officials/officers for non-revision of ACD.

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

The audit has raised an observation that company had suffered a loss of Rs. 72.50 Lacs due to non-maintaining security deposit in line with HERC regulations. While going through the facts of the observations, XEN 'OP' City Division, DHBVN Sirsa has submitted the reply vide his office memo no. 6817 dated 04.06.2021 which is as under:

The connection of M/s Subhash Guar Gum bearing a/c no. AHHT-0001 having connected load 1100.395 KW was released on 19.02.2013. The new connection of M/s Subhash Guar Gum was released by providing 11 KV Subash Guar Gum Independent feeder and the load of M/s Sumit Cotton was also shifted on this

feeder as both of them had shared the cost of this feeder. The load of the consumer was extended in October-2013 to 1798 KW (1997 KVA) from 1100.395 KW and consumer deposited the total ACD of Rs. 13.49 Lacs.

During the course of audit, Audit pointed-out that the ACD was required to be revised on 01.04.2014 on the basis of actual bills paid during previous financial year, as per HERC Regulations, 2014. But it is submitted that the revised ACD of M/s Subhash Guar Gum was not charged/ revised due to block-period data was not available being a new connection released on 19.02.2013 and the consumer has also extended his load from 1100.395 KW to 1798 KW, during October-2013.

The connection of M/s Sumit Cotton Industry bearing a/c no. DRHT-0003 having connected load 822.766 KW was released on 08.06.1992. The load of the consumer was extended in September-2012 to 1120 KW (1244 KVA) from 822.766 KW and consumer deposited the total ACD of Rs. 20.35 Lacs.

During the course of audit, Audit pointed-out that the ACD was required to be revised on 01.04.2014 on the basis of actual bills paid during previous financial year, as per HERC Regulations, 2014. But it is submitted that the revised ACD of M/s Sumit Cotton Industry, was charged as per directions of HERC circulated vide Sales Circular No. D-33/2006 for the block year 2011-12 which has been recovered in installments from December-2013 to November-2014.

The revised ACD for FY 2013-14 of M/s Sumit Cotton Industry, was not charged because the installments of previous revised ACD of block year 2011-12, was being regularly paid by the consumer upto November-2014.

In view of position explained above, both connections i.e. M/s Subhash Guar Gum & M/s Sumit Cotton Industry were permanently disconnected by the Department on 30.01.2015 due to the non-payment of electricity dues amounting to Rs. 150.47 Lacs i.e. Rs. 120.58 Lacs & Rs. 29.89 Lacs, respectively.

Now, this defaulting amount was transferred to the surety's holder accounts of both the concerned connections which is as under:-

"The defaulting amount of M/s Subhash Guar Gum of Rs. 120.58 Lacs was transferred in his surety holder's i.e. M/s Shankar Cotgin Industry and the defaulting amount of M/s Sumit Cotton Industry, of Rs. 29.89 Lacs was transferred in his surety holder's i.e. M/s Ganga Cotton Mill."

Shankar Cotgin Industry & M/s Ganga Cotton Mill approached to the Hon'ble Civil Court Sirsa vide Civil Suit No 225/2015 & 228/2015, respectively. At initial stage, no relief was granted by the Hon'ble Civil Court Sirsa to both the surety holders. But later on, Hon'ble Civil Court, Sirsa issued an Interim Order to deposit the 40% of the disputed amount/ amount transferred in M/s Ganga Cotton Mill account. But instead of depositing the 40% amount, M/s Ganga Cotton Mill approached to the Hon'ble Punjab & Haryana High Court, Chandigarh and filed Civil Revision No. 2146 of 2015 against interim order passed by Hon'ble Civil Court, Sirsa to deposit the 40% disputed amount and obtained a stay order against the orders of Hon'ble Civil Court Sirsa on 26.03.2015.

Based upon the Hon'ble High Court Orders, the Hon'ble Civil Court Sirsa also granted stay on disputed amount/ amount transferred in the account of M/s Shankar Cotgin Industry and the next date of hearing is 06.12.2021, for arguments.

Later on, both surety holders firms i.e. M/s Shankar Cotgin Industry & M/s Ganga Cotton Mill were also became defaulters for their current energy bills.

Accordingly the electricity supply of M/s Shankar Cotgin Industry was permanently disconnected vide PDCO No. 9585670434 effected on 15.01.2018 on the basis of pending electricity dues amounting to Rs. 191.98 Lacs (Rs. 71.40 Lacs as current electricity dues & Rs. 120.58 Lacs for surety of M/s Subhash Guar Gum). The electricity supply of M/s Ganga Cotton Mill was also permanently disconnected vide PDCO No. 765628008 effected on 26.08.2019 on the basis of pending electricity dues amounting to Rs. 45.46 Lacs (Rs. 15.57 Lacs as current electricity dues & Rs. 29.89 Lacs for surety of M/s Sumit Cotton Industry).

Later on, the Civil Suit filed by M/s Ganga Cotton Mill V/S DHBVN was dismissed on 26.08.2019 by the Hon'ble Civil Court. After dismissal of case by Hon'ble Civil Court, Sirsa, M/s Ganga Cotton Mill filed an Appeal before Hon'ble District & Session Court, Sirsa against the said orders and the next date of hearing is 15.11.2021 for arguments.

It is further added that after dismissal of Civil Suit filed by M/s Ganga Cotton Mill, SDO 'OP' Industrial Area, DHBVN Sirsa has issued 3 no. notices for recovery through Land Revenue under Haryana Electrical Undertakings (Dues Recovery) Act, 1970 to the ibid firm as per SMI No 7.3 i.e. vide his office memo no. 5309/CA dated 31.12.2020 (1st notice), 654/CA dated 26.02.2021 (2nd notice) & 1289/CA dated 12.04.2021 (3rd notice) After that case was sent to the office of XEN 'OP' City Division, DHBVN Sirsa vide SDO 'OP' Industrial Area S/Divn., DHBVN Sirsa office memo no. 1409/CA dated 26.04.2021. After that XEN 'OP' City Division, DHBVN Sirsa issued a final notice to M/s Ganga Cotton Mill vide his office memo no 6657/MR-13/C dated 31.05.2021.

However, now Nigam Management has updated the billing system as per HERC Regulations & various instructions of DHBVN issued from time-to-time so that the revised ACD/ any other charges be charged in consumers account, at its due time.

The Committee desired that the department should seek clarification regarding date of applicability of HERC regulation and if the same was applicable from 1st April, 2014, then, responsibility of the defaulting officer/ officials be fixed.

Uttar Haryana Bijli Vitran Nigam Limited

3.6 *Infructuous expenditure on unmanned sub-stations*

The Company incurred avoidable expenditure of ₹ 11.14 crore on construction of unmanned sub-stations and their subsequent conversion into conventional ones.

11. On the proposal of its field offices, the Company approved (January 2007 - March 2009) creation of unmanned sub-stations without conducting any techno- economic study and constructed 15 Nos. 33 kV unmanned sub-stations at a total cost of ₹ 34.46 crore between August 2008 and April 2012. These sub-stations were to be linked to a remote controlled monitoring station using general packet radio service¹⁶ routers. The configuration software would automatically carry out ON/OFF operations, upload the event/data and send message to the concerned field staff in case of call out by means of Short Messaging Service (SMS), voice call, e-mail etc.

The Company noted (March 2017) a general problem in the field offices to up-keep and maintain these sub-stations and difficulty to diagnose/repair any fault in the sub-station due to lack of expertise in the field offices. The Company, therefore, decided (October 2017) to convert six of these unmanned sub-stations into conventional type and awarded (May 2018) a work order at a cost of ₹ 6.22 crore. We observed that one unmanned sub-station was costlier by ₹ 41 lakh in comparison to conventional type at the time of their construction.

Thus, due to commissioning of unmanned sub-stations without conducting any techno-economic study, the Company had to incur an avoidable expenditure of ₹ 11.14 crore¹⁷.

The Management stated (December 2019) that earnest efforts were made to assimilate the new technology for creating robust electrical network within the State. However, due to non-availability of replacement for defective equipments in local market, original equipment manufacturer asking for more time and rates, annual maintenance contract related issues and frequent trippings and breakdowns, the Company decided to shift the functioning of unmanned sub-stations into conventional mode.

The reply is not acceptable as before going for the new technology, the Company could have done a feasibility study and the issues of replacement for defective equipments etc could have been anticipated and addressed through suitable provisions in the contract with original equipment manufacturer. Moreover, the Company could have commissioned one unmanned sub-station

¹⁶ It is a cost effective packet oriented wireless data communication service which provides higher data transfer speed than fixed telecommunication networks. It provides instant connection and immediate data transfer. It also provides internet applications over mobile.

¹⁷ ₹ 6.22 crore on conversion of six unmanned SSs into conventional type SSs and ₹ 4.92 crore @ ₹ 41 lakh for 12 sub-stations (out of 15, three SSs were transferred to DHBVNL) being extra cost as an automatic SS as compared to conventional SS in 2009-10.

on pilot basis instead of commissioning 15 sub-stations in one go.

The matter was referred (July 2019) to the Government; their reply was awaited (August 2020).

It is recommended that the Company may fix responsibility for commissioning of 15 sub-stations in one go instead of on a pilot basis.

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

It may be noted that earnest efforts were made by the Utility to assimilate the new technology into the distribution system for creating robust electrical network within the state. Such efforts not only help in capacity building but also have long term gains in term of reduction in employee cost. In line to the above, Utility planned to create Unmanned Sub-stations.

It is pertinent to mention here that due to space constraints Unmanned 33 kV Sub-station was constructed in Pandav Nagar, Delhi with 1x 10 MVA, 33/11 KV T/F by NDPL. The area occupied was approximately 20m x 21 m. On the same pattern, with lesser space requirement, 33 kV Unmanned Sub-station was proposed at Bal Bhawan, Rohtak. In addition to saving in cost due to less land requirement, recurring cost was also less as operational staff was not required for in Unmanned Sub-station. So, the overall expenditure of the Unmanned Sub-station is lesser than the conventional Sub-station.

Initially, it was proposed to operate the Unmanned Sub-station through GSM system. The matter was deliberated that although GSM data communication and remote control system involves less investment but has difficulty of slow speed, dependency on operators. After that, Optical Fibre System was also proposed for data communication and remote control but due to laying of OFC cable from Unmanned Sub-station to controller place, Remote Terminal Unit, SCADA system and OFC to electrical signal converter involves the extra cost of approximately Rs. 1.10 crore at that time. Finally, GPRS system was proposed and implemented for Unmanned Sub-stations.

The work of 33 kV Sub-stations were awarded in 4 different bids in regular time interval, initially only one no. Sub-station was awarded against Bid No. B- 85. Nigam planned to adopt latest technologies in the conventional type Sub-stations to make the system more reliable. The Unmanned Sub-stations were also the part of up gradation of latest technology in the existing power system. This technology is used to monitor the Sub-stations by remote and further commands can be given to these Sub-stations through GPRS routers without posting manpower in the Sub-stations.

It is pertinent to mention here that all the Unmanned Sub-stations were not commissioned in one go. The very first Unmanned Sub-station was commissioned on dated 08.08.2008 and others Unmanned Sub-stations were energized subsequently as detailed below:-

Sr. No.	Bid No.	Name of Substation	Date of completion/ commissioning	Total Capacity as per W. O. (in MVA)	Total existing Capacity as on date (in MVA)
1	Bid No B- 85 PDC 257 to 258 dated 04 07 2007	Bal Bhawan Near Police Line, Rohtak	08 08 2008	1x8	1x12.5
2	Bid No B- 114 PDC 293 to 296 Dated 23 06 2008	KDB KURUKSHETRA	27 08 2009	1x10	10+8
3		SECTOR-4 KURUKSHETRA	13 08 2009	1x8	10+8
4	Bid No B- 162 PDC 356 to 357 Dated 25 05 2009	Soodpur	20 04 2012	1x10	10+6 3/8
5		Belarkha	15 12 2012	1x10	2x10
6		Kharai	15 12 2012	1x10	1x10
7		Officer Colony Rohtak	04 11 2011	1x10	2x10
8		Khanpur Mahila Maha Vidyalia Khanpur	02 11 2015	1x10	1x10

It may be noted that earnest efforts were made by the Utility to assimilate the new technology into the distribution system for creating robust electrical network within the state. Such efforts not only help in capacity building but also have long term gains in term of reduction in employee cost. In line to the above, Utility planned to create Unmanned Sub-stations.

It is pertinent to mention here that due to space constraints Unmanned 33 kV Sub-station was constructed in Pandav Nagar, Delhi with 1x 10 MVA, 33/11 KV T/F by NDPL. The area occupied was approximately 20m x 21 m. On the same pattern, with lesser space requirement, 33 kV Unmanned Sub-station was proposed at Bal Bhawan, Rohtak. In addition to saving in cost due to less land requirement, recurring cost was also less as operational staff was not required for in Unmanned Sub-station. So, the overall expenditure of the Unmanned Sub-station is lesser than the conventional Sub-station.

Initially, it was proposed to operate the Unmanned Sub-station through GSM system. The matter was deliberated that although GSM data communication and remote control system involves less investment but has difficulty of slow speed, dependency on operators. After that, Optical Fibre System was also proposed for data communication and remote control but due to laying of OFC cable from Unmanned Sub-station to controller place, Remote Terminal Unit, SCADA system and OFC to electrical signal converter involves the extra cost of approximately Rs. 1 10 crore at that time. Finally, GPRS system was proposed and implemented for Unmanned Sub-stations.

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7		Officer Colony Rohtak	04 11 2011	1x10	2x10
8		Khanpur Mahila Maha Vidyalaya Khanpur	02 11 2015	1x10	1x10
9		Bhusthala	20 04 2012	2x10	2x10
10		Adhon	20 04 2012	2x10	2x10
11		Badhana	15 12 2012	1x8	1x10
12		Sector-12 Kamal	27 11 2010	1x8	2x12.5
13		BIDKYAR LAKE,	17 05 2010	1x10	1x10
14	Bid No B- 203 PDC 375 to 376 dated 17.07 2009	SIRTA ROAD,	03 05 2010	1x10	1x10
15		CHANDANA GATE, KAITHAL	17 05 2010	1x10	2x10

All the Unmanned Sub-stations functioned during mandatory O&M period with communication issues. After O&M period, the response of the firms was not prompt and the type of faults were also beyond the knowledge of operation staff. Moreover, after Sub-stations were handed over to the utility, it was observed that when any equipment of Unmanned Sub-station got defective, this equipment were not available in local market and the OEM (Original Equipment Manufacturer) were asking for significantly longer time duration and high rates for supplying such equipment. Subsequently, Nigam also made a counter offer to the contracting firm to provide AMC along with

supply of material, but they didn't turn up due to cost affordability of OEM as one of the major reasons for non-participation.

One of the main reason is failure of GPRS communication system due to poor services of TSP (Telephone Service Provider) and this made the circumstances more worst which results dissatisfaction among consumers and revenue loss to Nigam due to lengthy breakdown of system.

It is important to note here that due to augmentation of Sub-station capacity to meet the increasing load, protection facility of the Sub-station got affected and resulted in frequent tripping and faults in protection systems. In such scenario, the power supply conditions in feeding areas got aggravated and consequently the contracting firms were asked to resolve such issue. The contracting companies resolved the minor issues regarding functioning of Unmanned Sub-station but passed the duration pertaining to warranty period of the allied equipment.

Further, consultation was sought from BRPL (BSES Rajdhani Power Limited) for providing possible solutions of the issues faced in the functioning of these Sub-stations. BRPL has suggested different solutions and recommended to shift Sub-station into convention mode of working.

All possible efforts were made to run the Unmanned system as the prime motto of Nigam is consumer satisfaction by providing better services to consumers but the failure of communication system in Unmanned Sub-stations was beyond the control of Discom

Therefore, in consideration to the lead time sought by OEM, price affordability of equipment, protection defaults due to system augmentation, frequent tripping and breakdown, AMC related issues, failure of communication system and their immediate impact on the power supply condition in feeding area, Utility decided to shift the functioning of Unmanned Sub-stations into conventional mode. This will not only help the utility to optimize the asset utilization but also help the utility in serving the increasing demand of the consumers and thereby realizing revenue to recover cost of such asset. Thus, in view of the above, it can be inferred that utility has not only avoided the change of asset getting redundant but also utilize the same.

Nigam always trying to adopt new technologies in the betterment of electrical system with advanced technology, the construction of 15 Unmanned Sub-stations was one of the project taken by the Nigam. It is worthwhile to mention here that Nigam has also not made any redundant asset as such no official is responsible.

The Committee recommended that departmental enquiry be conducted by constituting a committee of senior officers. The detailed report in this regard be submitted to the Committee within 15 days. In addition, the Committee also recommended that the procedural lapses pointed out in the para not be repeated in future while taking decision whether to discontinue unmanned sub-station.

3.7 Inadequacy of Automatic Power Factor Capacitors

12. The Company had to bear reactive energy charges of ₹ 59.83 crore due to inadequacy of functional Automatic Power Factor Capacitors.

An Automatic Power Factor Capacitor (APFC) is an electrical device which improves power factor¹⁸ by regulating current flow and voltage. The Indian Electricity Grid Code seeks the participants in the system to

plan, develop, maintain and operate the power system in the most secure, reliable, economic and efficient manner. The Company appointed (December 2013) a consultant firm to carry out survey of all its 183 nos.

33 kV Sub-Stations (SSs) to identify the defects in existing APFCs. The consultant report showed that capacitor bank at only 17 SSs were functioning successfully. The Company floated (September 2014) tender for repair/replacement of APFCs. However, due to non-participation of bidders the same could not materialise.

Thereafter, the Company conducted another survey (July 2018) on the working of APFCs in 309 nos. SSs through its own Metering and Protection office. This study showed that APFCs in only 67 SSs (21.68 *per cent*) were functional, while in remaining 242 SSs (78.32 *per cent*) were damaged.

Audit noticed that even after two surveys, the Company did not take any action for repair of defective APFCs (March 2019). Due to inadequate functioning APFCs, the Company had to bear reactive energy¹⁹ charges of ₹ 59.83 crore during 2014-15 to 2018-19 which could have been avoided if the Company had taken action to install adequate APFCs and repair the damaged ones.

The Company stated (December 2019) that it had made mandatory to install APFCs in all newly created/augmented sub-stations from 2009-10. All non-operational APFCs are being made operational for

which a NIT for procurement of new APFCs panels and repair of non-functional APFCs has been floated in March 2020.

The reply, does not explain continuing with faulty and non-functional APFCs reported in both the surveys, and lack of prompt action on the survey report which led to the incidence of reactive energy charges of ₹ 59.83 crore during 2014-15 to 2018-19.

The matter was referred (July 2019) to the Government, their reply was awaited (August 2020).

¹⁸ The power factor of an AC electrical power system is defined as the ratio of the real power absorbed by the load to the apparent power flowing in the circuit

¹⁹ It is the power present in the power supply which does not do any useful work but simply moves back and forth in the power system lines

It is recommended that the Company may take action to install adequate APFCs and repair the damaged ones to avoid payment of reactive energy charges.

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

To know the status of working of installed capacitors on the 33 kV Sub-stations and to get the requirement of installation of new capacitor banks on the existing 33 kV Sub-stations where capacitor banks were not provided, Nigam has appointed a consultancy firm in December 2013 to carry out the survey of all the Sub-stations to identify the defects in the existing APFC to ascertain the scope of work and bill of material to make these APFC system functional. Accordingly on the basis of report submitted by the consulting firm, NIT was floated by UHBVN for repair/replacement of APFCs installed at 151 no Sub-stations (Sub-stations of Jind Circle were excluded from the scope) in the month of September 2014, however due to the non-participation of the bidders the same could not be finalized.

It has been decided that fresh survey be got carried out to get the updated status of capacitor banks and the same has been done through M&P wing in July 2018 regarding working of APFCs of 309 No. Sub-stations. As the report submitted by the M&P Wing, they recorded only the nature of defects in APFCs and did not mention the complete details pertaining to Bill of Material, which is basic requirement for issuing NIT, requisite communication was made further with M&P wing to provide the necessary detail. The matter was taken up with M&P wing to give full details so that the suitable action with regard to installation of APFC could be taken accordingly.

Further, it is pertinent to mention here that UHBVN is equally concerned about the functioning of APFCs in 33 kV Sub-stations, therefore, UHBVN from FY 2009-10 has made mandatory to install APFC in all the newly created/ augmented Sub-stations. On the basis of data supplied by M&P wing, NIT has been floated on 16.11.2019 with completion schedule of 9 months. The following scope of work has been taken to ensure that the APFCs being repaired/ newly installed are remain functional to achieve the objective of the installation of APFC in the system: -

"Supply of material, erection, testing & commissioning of new 263 No. 11 kV Automatic Power Factor Corrector (APFC) Panels and repair & maintenance of existing 214 No. 11 kV Automatic Power Factor Corrector (APFC) Panels/ Automatic Capacitor Banks (Structure mounted) on turnkey basis with Annual Maintenance Contract (AMC) for a period of 04 years (including 01 year warranty + 03 years AMC) at 357 No. 33 kV Sub-stations under the jurisdiction of UHBVN".

The NIT has been finalized and awarded to M/s Shreem Electric works, Maharashtra vide Work Order No. PDC- 944, PDC- 945 & PDC- 946/ CE PD&C/ SE P&D/ XEN DD- III/ B- 630/ 2021 dated 05.02.2021.

The foot survey of the work completed by the firm and work is under progress and likely to be completed by 31.03.2022.

In respect of reactive energy charges, it is submitted that reactive charges are not only paid to HVPN but also received from HVPN. The detail of reactive charges received for the period FY 2018-19 to 2020-21. It is worthwhile to mention here that the net reactive energy charges received is Rs. 5.06 Crore during FY 2018-19 to 2020-21. After installation of new capacitor banks and rectification of existing capacitors, Nigam will save reactive energy charges and also recover the reactive charges already paid.

During the course of oral examination, the Committee was not satisfied with the reply of the department/Corporation and recommended to constitute an enquiry committee of senior officers to enquire into the matter as to why corrective action could not be taken from 2014 to 2018 despite the fact that the matter was in the knowledge of the department/corporation. The enquiry report be submitted to the committee within 15 days.

Haryana State Industrial and Infrastructure Development Corporation Limited

5.1 *Hiring of Public Relation Agency at higher rates*

The Company ignored the technically qualified bidder having maximum scores for appointment as PR agency and awarded the work to another bidder in re-tendering which resulted in extra expenditure of ₹ 1.09 crore.

13. Haryana State Industrial and Infrastructure Development Corporation Limited (Company) decided (April 2017) to appoint a Public Relation (PR) Agency, in order to ensure its outreach to stakeholders and make them aware of policies and reforms in the State. The scope of work included creative development and deployment of PR/marketing/campaign across all media. The e-tender for hiring of PR agency, for a period of one year, was uploaded in May 2017. The PR agency was to be selected through Quality and Cost Based Selection system¹. The bid ranking was to be done on the basis of combined score obtained after giving weightage of 70 and 30 *per cent* for technical and financial scores respectively, to the qualified bids.

Four PR agencies submitted bids online which were opened (16 June 2017) and the presentations were made. Two bidders (Firm A² and Firm B³) were declared qualified for opening of their financial bids which were opened on 21 June 2017. Firm A achieved maximum score (80.4 points) in the evaluation process and quoted annual fee of ₹ 0.55 crore against the quote of ₹ 2.30 crore of Firm B with score of 71.6 points. The Company, however, instead of awarding the contract to Firm A, considering its financial bid abnormally low, decided (June 2017) to go for re-tendering on the apprehension that the firm might not be able to provide necessary services.

In the re-tendering held in July 2017 with similar selection criteria, same two bidders (Firm A and Firm B) were declared qualified for opening of their financial bids, out of eight bids received. The financial bids of these two qualified bidders were opened (20 September 2017). This time, Firm A quoted annual fee of ₹ 2.24 crore and firm B ₹ 2.83 crore. Firm B, having highest score, was awarded (22 September 2017) the work at annual fee of ₹ 2.83 crore for a period of one year which was later (March 2018) extended till 31 March 2019. However, the contract was terminated on 11 October 2018 citing financial crunch in the Company. The Company had made payment of ₹ 1.35 crore for the period October 2017 to March 2018 to PR agency. The agency has not submitted the bills for the period from April 2018 to September 2018 till date (January 2020).

¹ Under Quality and Cost Based Selection system, a bid's technical proposal scores and financial proposal scores weighted and then summed to produce the final results.

² M/s Vermillion Communications Private Limited, New Delhi.

³ M/s Mode Advertising & Marketing Private Limited, New Delhi.

Audit observed that the apprehension of the Company that Firm A would not be able to provide necessary services was unjustified, as the Company itself had assessed the Firm A as technically qualified in the first tender. Thereafter, the work was awarded (after re-tendering) to Firm B at higher annual fee of ₹ 2.83 crore.

Thus, the imprudent decision of the Company to award the work to Firm B at higher rates resulted in avoidable expenditure of ₹ 1.09 crore⁴.

The Management stated (May 2019) that the gap of financial bid was very large. Further, it had been clearly mentioned in the tender document that as per our estimate, the cost would be about ₹ 2.41 crore. Accordingly, bidding was cancelled and fresh tender was initiated. The reply is not tenable as in first tender, Firm A had qualified technical evaluation process and had maximum score in overall evaluation. Moreover, the Company always had the right to replace the resource staff or terminate the contract in case of deficiency in services at any stage.

The matter was referred (March 2019) to the Government, their reply was awaited (August 2020).

It is recommended that the management may consider fixing responsibility for ignoring the lowest bidder on unjustified ground.

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

The Quality Cost Basis System (QCBS) was adopted for selecting of the PR Agency. Since it acknowledges both the technical competence of the Agency and the Price.

Matter of Record. Vide orders of the then MD on 22.08.2007, it was found that the gap of financial bid was very large, therefore, it was found prudent to re-start the entire process. (Non-responsive bid.)

It is informed that as explained in Serial No.2 above, the entire process undertaken afresh. In this, the method of QCBS was to be followed. During the process, in technical score M/s. Mode given technical score was 73.6 and M/s. Vermillion Communication (P) Ltd. was given technical score 57.6. After the financial bids were opened, the combined score was 89.4 and 77.6 for M/s Mode & M/s Vermillion respectively.

Needless to say, it had been clearly mentioned in the tender document that as per our estimate, the cost would be about 2.41 Crore. On this ground and it was with this thought process that the bidding was cancelled and the fresh one initiated.

As already explained in Serial No. 3 above, it is again on the basis of QCBS the

⁴ ₹ 1.35 crore (total payment) – 0.26 crore (Proportionate payment) The calculation has been made on the basis that if contract had been awarded to Firm A for ₹ 0.55 crore then proportionate payment released could have been ₹ 0.26 crore (₹1.35 crore/ ₹ 2.83 crore X ₹ 0.55 crore) up to March 2018.

selection was made. During the re-bidding on the basis of combined score, M/s. Mode was selected. The combined technical of financial score awarded is as under:

Sr No.	Name	Tech.	Fin.	Total
1	Mode	73.6	15.8	89.4
2	Vermillion	57.6	20	77.6

The Committee recommended that departmental level enquiry be conducted by constituting a committee and report in this regard be submitted to the Committee within 15 days. Further, it may be ensured that senior officers than the officers who were involved in preparation of terms and conditions of the tenders may be nominated in enquiry committee. The Committee further desired that the procedural lapses pointed out in the para be considered.

5.3 *Loss due to allotment of non-encumbrance free site*

The Company failed to provide encumbrance free site to the allottee within prescribed time frame which resulted in deferment of payment schedule leading to loss of interest of ₹ 45.96 crore.

14. Haryana State Industrial and Infrastructure Development Corporation Limited (Company) decided (November 2016) to monetise its land holdings and identified a land parcel (17.18 acres) at Udyog Vihar, Gurugram for sale on free hold basis. After revising the terms of payments and exclusion of certain area, the Company invited (December 2017) bids for e-auction of 11.76 acres of land (including an office building which was on lease to two tenants). As per Clause 2.3 of bid documents, the site was clear and free from all encumbrances. The plot was allotted to the successful bidder (Allottee) at an offer of ₹ 1,496 crore for the plot and a Regular Letter of Allotment (RLA) was issued (9 March 2018) on deposit of ₹ 149.60 crore (10 per cent of bid value). For taking possession of the plot, the allottee was required to deposit another ₹ 224.40 crore (to make 25 per cent of bid value) within 30 days (by 8 April 2018) of issue of RLA, ₹ 374 crore within 60 days and balance ₹ 748 crore within 90 days of issuance of RLA.

The Company though offered (December 2017) the site as free from all encumbrances, but the building having two tenants and mobile tower on the land, were not vacant. Notices to vacate the premises were issued to the tenants on 1 September 2017 only, though the Company decided to sell this land in November 2016 itself.

Since the building on the land was not vacant, the Company initially extended the due date for deposit of first instalment from 8 April 2018 to 30 April 2018. The allottee apprehending non-removal of encumbrances moved (26 April 2018) the High Court of Punjab and Haryana for extension in payment time and deposited (1 May 2018) ₹ 224.40 crore (after adjusting ₹ 149.60 crore deposited earlier) with the High Court. The High Court ordered (31 May 2018) the Company to remove all the encumbrances and issue the revised RLA. Accordingly, the Company issued the revised RLA on 3 July 2018 with revised payment schedule. The Company received the payment in shape of first instalment amount of ₹ 224.40 crore on 30 July 2018 and second instalment of ₹ 383.23 crore on 1 January 2019. The allottee again requested (January 2019) the Company to provide the encumbrance free site as it was still not clear and there were still some issues relating to allotting of parking slot, underground water tank, sewerage lines, demarcation points which were not as per zoning plan. The Company, however, served (March 2019) a notice to the allottee for balance payment upon which the allottee again moved (April 2019) the High Court. The High Court directed (May 2019) the Company for revision of schedule of RLA commencing from 26 March 2019. Allottee therefore, deposited the balance payment of ₹ 723.81 crore after deducting TDS of ₹ 14.96 crore on 19 June 2019 in lump sum against the balance 50 per cent payment on taking the possession of the land.

Audit observed that the revision of schedule of RLA resulted in deferment of payment schedule of allottee by 113 to 354 days. Had the Company received payments as per original RLA, it could have saved interest of ₹ 45.96¹¹ crore paid on its borrowings as the Company has obtained various loans for its operations. Company should have initiated process for vacation of land well in advance so that clear and encumbrance free site could have been provided to the Allottee as per bid document to avoid any loss.

The Government stated (November 2019) that the allottee has been raising different issues at different times and did not approach the Company for taking over possession of land pre-supposing that the land was not free from encumbrances. The reply is not acceptable as the Company could not provide the encumbrance free land to the allottee till March 2019 upon which the High Court directed the Company for revision of schedule of the RLA commencing from 26 March 2019.

It is recommended that the Company should keep its saleable area free from all encumbrances before they are put to auction/allotment in order to avoid litigation and loss of interest in deferment of payment schedules.

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

Matter of record.

However, it may be mentioned that the Corporation had been working out various modalities to monetize the site.

The Corporation had floated the scheme in December 2017 whereas the tenants in the HSIIDC Office building (being a part of the site to be put to auction) were issued notices of vacation of premises on 01.09.2017 itself and again on 16.11.2017 well before time.

Further, it is apt to mention that both the tenants were Public Sector Undertakings and were issued vacation notices on 01.09.2017, 16.11.2017 & 19.04.2018 alongwith regular follow ups for vacation of the premises.

Right of the allottee for physical possession arose only after depositing of the requisite payment(s) and submitting the Bank Guarantee(s).

The tenants in the HSIIDC Office building were the 02 Govt. Undertakings and they were also issued the vacation notices.

Allottee would have become eligible for physical possession after deposit of payment of Rs.748 Crore (including the 25% amount towards cost of site deposited earlier) and submission of bank guarantee only.

The Hon'ble Court vide its orders dated 31.5.2018 directed the Corporation that the Cellular Tower or any other structure that might exist on the site be removed so as to rid the site of any encumbrances and the allottee be handed over the

¹¹ Calculated at the rate of 7.90 per cent on delayed realization of ₹ 224.40 crore for 113 days (from 8 April 2018 to 30 July 2018), ₹ 374 crore for 238 days (from 8 May 2018 to 1 January 2019), ₹ 187 crore for 354 days (from 1 July 2018 to 19 June 2019) and ₹ 187 crore for 170 days (from 1 January 2019 to 19 June 2019)

possession and the fresh letter of allotment be issued effective from the date of issue. The Corporation issued a Fresh RLA on 03.07.2018 after removal of the encumbrances pointed out at that time.

As per terms of allotment of fresh RLA dated 03.7.2018, issued in reference to orders of Hon'ble Punjab and Haryana High Court, allottee was required to deposit 15% (i.e Rs.224 40 crore) towards cost of site within 30 days and additional 25% (i.e Rs.374 crore) within 60 days of issue of RLA in order to become eligible for possession of site.

Allottee raised the issue for removal of the fresh set of encumbrances relating to parking slot, water tank, sewage line and unauthorized vendor

The encumbrance relating to parking slot, where it had been clarified time & again that the same did not fall within the area of the site and no such issue of unauthorized vendor

The Corporation vide letter dated 26 3 2019 informed the allottee of outstanding dues towards cost of the site.

The allottee in lieu of making payment moved to Hon'ble High Court in CWP-10037 of 2019 on 10 04.2019 for quashing the RLA dated 03 7 2018 and letter dated 26.3 2019 on the pretext that the encumbrance free offer of possession has been made in March 2019.

The Corporation, provided a fresh zoning plan was vide letter dated 05.03.2019, in view of revised demarcation on 01 03 2019 It is to mention that there was no change in the total area allotted.

The Hon'ble Court accepting the petition of the allottee and vide its orders dated 16.05 19 directed that fresh RLA be construed for all intents and purposes effective from 26 03.2019.

As per record cellular tower was removed on 01 6.2018 itself. The site was earmarked by constructing a boundary wall on 25.6 2018 which led to delay due to hindrance created by the nearby allottees

it is to mention that both the tenants were Public Sector Undertakings and were issued vacation notices on 01.09.2017, 16.11.2017 & 19.04.2018 alongwith regular follow ups for vacation of the premises.

Moreover, the right of the allottee for physical possession arose only after depositing of the requisite payment(s) and submitting the Bank Guarantee(s).

The Corporation had issued notices to the tenants well in time but due to certain circumstances, the tenants could vacate the premises on 30.4.2018 only.

Allottee never actually approached HSIIDC for taking over possession of the plot and insisted on removal of encumbrances without specifying what they considered as encumbrances.

Had the allottee plainly approached HSIIDC for possession of the site, the same would have been given by the Corporation without much ado. i.e. handed over encumbrances free possession.

Remarkable it seems that one of the encumbrances stated by the allottee was regarding a parking slot which never existed and was purely anecdotal/based on wrong facts.

However, as advised by CAG, that the Corporation will take care in future for all such cases i.e. keep its saleable area free from all encumbrances before they are put to auction/allotment

The Committee observed that there was delay on the part of the Company in providing encumbrance free site to the bidder which resulted in initiation of legal proceedings against the Company by the bidder and loss of interest. The Committee recommended that department should monitor all its properties and take appropriate steps to resolve all the issues relating to each property, if any.

The Committee recommended that a committee be constituted by ACS comprising of MD, HSIIDC and Director (Industries and Commerce) to enquire into the matter and submit detailed containing following points within one month:

- 1. Why the department kept technical bid for this auction. Detailed justification for incorporating technical bid for this auction be submitted.**
- 2. Whether the successful bidder attended pre bid meeting, if held, and raised any objection about incumbrancer free site.**
- 3. How many bidders appeared for the while technical bids were opened and how many bidders were disqualified on the basis of technical bid.**
- 4. Whether the bidder moved to the Court directly or made any representation with the Company about encumbrances over the land and to get the encumbrances removed or give possession of encumbrance free land. If representation was made by the bidder, then, what action has been taken by the Company on such representation?**
- 5. Why the department did not file appeal in Supreme Court as a huge amount of funds involved in this case.**
- 6. Why the department did not initiate any action to cancel the bid whereas it was clearly mentioned in the bid document that if bidder will not deposit money with in 30 days the bid will be cancelled.**

Haryana Agro Industries Corporation Limited

5.7 Misappropriation of Custom Milled Rice

Paddy was allocated to a miller who was not approved by District Milling Committee of Fatehabad for Kharif Marketing Season (KMS) 2017-18 who misappropriated custom milled rice valuing ₹ 1.28 crore.

15. The Directorate, Food, Civil Supplies and Consumer Affairs Department (Directorate) allots *mandis* to procuring agencies²¹ for its paddy procurement operations. Thereafter, the respective District Milling Committee²² approves the list of millers and makes allotment of millers to procuring agencies for every *mandi* and allocates the estimated quantity of paddy to be milled to each miller. The procured paddy is moved directly from *mandis* to the millers' premises for milling and the Custom Milled Rice (CMR) is delivered to FCI.

The Directorate allocated (19 September 2017) Hasanga *mandi*, District Fatehabad to Haryana State Warehousing Corporation and subsequently (27 October 2017) to Haryana Agro Industries Corporation (HAIC). District Office, Fatehabad of HAIC entered (6 November 2017) into agreement with M/s Hari Brothers Rice Mill, Fatehabad (miller) who was not included in the list of millers approved by District Milling Committee for any *mandi*. The agreement was for milling 2,699.175 MT paddy worth ₹ 4.87 crore. Against this the miller was required to deliver 1,808.45 MT CMR to FCI by 4 October 2018²³.

As per the agreement, the miller submitted guarantee of ₹ 50 lakh in the form of post-dated cheque drawn in favour of HAIC. HAIC was required to conduct physical verification of the premises of the miller on a fortnightly basis as per the milling policy for the KMS 2017.

The agreement was executed despite the fact that the miller was not included in the list of millers approved for any district. The miller delivered 1,318.76 MT CMR to FCI and failed to deliver balance 489.69 MT CMR valuing ₹ 1.42 crore. Audit observed that HAIC did not conduct physical verification of the stock on fortnightly basis as required, and during physical verification conducted in September 2018, the millers' premises were found locked and there was no paddy available.

The company did not present the post-dated cheque of ₹ 50 lakh (dated 1 May 2018) obtained as financial safeguard from the miller, for payment within its validity period of three months. By allowing this undue benefit to the miller, the company lost the opportunity to partially recover the loss, which is indicative of

²¹ Food, Civil Supplies and Consumer Affairs Department- GoH, Haryana State Warehousing Corporation, Haryana Agro Industries Corporation Limited and Haryana State Co-operative Supply and Marketing Federation Limited

²² Consisting of District Managers of all procuring agencies under Chairmanship of Deputy Commissioner for every district

²³ The due date of 31 March 2018 was extended up to 30 June 2018, then 31 July 2018 and then 4 October 2018

failure of internal financial controls of the organisation. Further, no FIR was registered against the miller against the act of misappropriation (December 2019)

The Company stated (April 2019 and January 2020) that the name of the M/s Hari Brothers Rice Mill, Fatehabad was included in the orders issued (7 November 2017) by Deputy Commissioner, Fatehabad for carrying out physical verification of paddy stock allocated to various millers. Further, an FIR is being lodged by HAIC against the miller and guarantors and arbitration proceedings are also going on.

The reply is not tenable as the Directorate confirmed the fact that name of the miller was not included in the list of millers who were allotted *mandis* during KMS 2017-18. As such, HAIC allotting paddy to an unapproved miller, non-conducting of physical verification and its failure to timely cash the security resulted in misappropriation of CMR valuing ₹ 1.28 crore²⁴

The matter was referred (May 2019) to the Government and the Company; their replies were awaited (August 2020).

It is recommended that the Company should conduct physical verifications of stock on a regular basis and fix responsibility of the officials who allotted the paddy to an unapproved miller.

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

Haryana Agro industries Corporation is one of the procuring Agency of State Govt. for procurement of wheat/paddy. Vide Memo No.RP-I/2017/107-RA dated 19.09.2017, the State Govt. had allotted various mandies to the HAIC and other procurement agencies for procurement of paddy for KMS 2017-18, Vide letter referred to above, the State Govt. had allotted Hansanga Mandi in District Fatehabad to HWC. Accordingly, the District Milling Committee, Fatehabad had allotted the Rice Millers to all the procurement agencies for milling of paddy and delivery of the Custom Milled Rice to FCI on behalf of the procurement agencies. Later on, vide Memo No.RP-I-2017/21500 dated 27.10.2017, the State Govt. had decided to allot Hansanga Mandi in District Fatehabad to HAIC in place of HWC. The District Office, Fatehabad had executed an agreement dated 06.11.2017 with the above named rice miller and thereafter allotted 2699.175 MT paddy worth Rs. 4.87 Crores to M/s Hari Brothers Rice Mills Fatehabad during KMS 2017-18.

Further, it is submitted that the Deputy Commissioner, Fatehabad has issued orders vide Endst. No8498-8500 dated 07.11.2017 for carrying out the Physical verification through inter Departmental Committee for the paddy stock allotted to 164 rice milolrs in District Fatehabad and the name of M/s Hari Brothers Rice Mill, Hasanga for HAIC is mentioned at Sr. No. 4 As per out turn ratio of 67%, M/s Hari Brothers Rice Mill was required to deliver 1808.44725 MT CMR to FCI by 04.10.2018. The said rice miller had delivered 1318.7632 MT CMR to FCI on

²⁴ After adjusting amount of ₹ 10.50 lakh towards encashment of FDR submitted by the miller and ₹ 3 27 lakh payable by HAIC on account of Milling charges

behalf of HAIC and failed to deliver 489.68405 MT CMR to FCI. As such the miller was appointed with the consent of District Milling Committee but could not be included in the list of millers due to the late allotment of Hasanga mandi to HAIC. Moreover, the FCI has also accepted the delivery of 1318.76 MT CMR from the said rice miller on behalf of HAIC.

It is submitted that as per policy, the District Office, Fatehabad had obtained the FDR of Rs. 10.00 lakh and one MICR cheque from the said rice miller. The FDR of Rs. 10.00 lakhs valuing Rs. 10,50,022/- lakhs has been got encashed on 19.001.2019 in the account of HAIC and as per policy an agreement was executed with the rice miller on dated 06.11.2017 and as per terms of agreement the rice miller had to deliver the entire due CMR upto 31.03.2018. A post dated MICR cheque of Rs. 50.00 lakh bearing dated 1st May 2018 was also taken from the rice millers as additional guarantee, but the Govt of India (FCI) extended the delivery period of CMR firstly upto 30th June, 2018, then 31 July and then 4th October, 2018. The HAIC Fatehabad had given repeated notices to the rice miller for delivery of balance CMR to FCI and it was expected that the miller will have deliver the entire rice during extension period upto 04 October, 2018 but till then the validity period of three months of the cheque was expired.

The District Incharge, FSC, Fatehabad had made repeated request to the Superintendent of Police, Fatehabad for lodging of FIR against the Proprietors of M/s Hari Brothers Rice Mill, Hasanga, Tehsil Ratia Fatehabad for misappropriation of 489.68 MT CMR vide letter dated 30.06.2018 letter dated 10.01.2020 & letter NO 128-131 dated 11.06.2021, and letter No 450-53 dated 02.11.2021 but the FIR has not been registered so far.

The value of the undelivered/misappropriated quantity of 489.68045 MT CMR comes to Rs. 1,41,88,806/- The Corporation had already realized an amount of Rs. 10,50,022/- on account of encashment of FDR and a sum of Rs. 3.27 lakh (Approx.) is payable/adjustable on account of milling charges, drage and usage charges of bardana in packing of paddy in the account of the above said rice miller.

It is also submitted that the charge sheet had been issued to the responsible officer/official of the Corporation. The Inquiry Officer had been appointed and the Inquiry Officer has submitted the report which is under process for initiating penalty to the defaulting officer.

It is also submitted that the Corporation had initiated Arbitration proceeding against the defaulting rice mill for recovery of pending CMR with interest amounting to Rs. 1,86,33,233/- and appointed Sh. H.P. Chaudhary, IAS (Retd.) as Arbitrator. The Arbitration proceedings are under process.

Further, The BOD of HAICL in its meeting held on 11.11.2020 approved the settlement scheme to recover the amount of pending CMR from the defaulting rice millers, subject to the approval of Finance Department and the State Govt. Accordingly, proposal was sent to State Govt. for its approval and State Govt. has approved the proposal. Meetings were convened with the defaulting rice millers and they were informed about the scheme in detailed approved by the State Govt. and to give their consent. Out of the total 28 Nos defaulting rice

millers 6 rice millers given their consent to opt the scheme and out of these 6, one rice miller i.e. M/s Daya Chand Rice Miller, Dhamtan, District, Jind has deposited the 1st installment as per the settlement scheme and also created charge on his property equal to the recoverable amount. One partner of M/s Sandeep Rice Mill has also created the charge on his property equal to the share of his responsibility and assured to give 1st installment in the month of November, 2021.

During the course of oral examination, the Committee observed that only show-cause notice has been issued against Divisional Manager. The Committee desired that disciplinary action should be taken against the Divisional Manager. The Department/Corporation should conduct full enquiry in order to know the involvement of all the officers/official of Divisional Manager's office. The detailed report should be submitted to the Committee in one month alongwith action taken or proposed to be taken against delinquent Officers/Officials.

It may also be informed that whether all millers were granted time upto 11.11.2020 under the OTS scheme.

The Committee desired that the department/company should review the OTS scheme timely so that its purpose should not be defeated.

In addition to this, the Committee would also like to know the system adopted by the department/company to recover the dues from 28 defaulters. It should be ensured that these 28 defaulters should not get work for any other agency.

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON COMPLIANCE AUDIT OF SOCIAL GENERAL AND ECONOMIC SECTORS FOR THE YEAR ENDED 31ST MARCH, 2020.

Haryana State Industrial and Infrastructure Development Corporation Limited

3.4	<i>Non-achievement of envisaged benefits of training to participants</i>
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Due to inept handling of the training programme without adequate monitoring/conducting any due diligence study, the envisaged benefits of granting employment could not be achieved even after incurring expenditure of ₹ 3.62 crore. Besides there was excess payment of ₹ 2.96 crore to the training provider.

16. Haryana State Industrial and Infrastructure Development Corporation Limited (Company), the nodal agency for development of industrial infrastructure, under its social development initiative aimed to provide employment skills to the residents of identified villages where land had been acquired by the Company for setting up its Industrial Estates. The employment skill Chapter 3 Social, General and Economic Sectors (Public Sector Undertakings) 49 programmes are run by the Company through Sector Skill Councils⁴⁰ and their approved training providers.

In August 2017, Leather Sector Skill Council⁴¹ (LSSC), Chennai sent a proposal to the Company for providing skill development training⁴² in leather sector to 15,000 candidates of Haryana on the basis of Common Norms notified (July 2015 and May 2016) by the Ministry of Skill Development and Entrepreneurship (MSDE), Government of India. The Company accepted the proposal and executed (August 2017) Memorandum of Understanding (MOU) with LSSC. As per payment terms agreed, the Company were to release 30 per cent of total training cost⁴³ on commencement of training against validated candidates (including 10 per cent as mobilisation fee on submission of action plan), 50 per cent on successful certification of trainees and remaining 20 per cent on their finding employment within three months of completion of training. The release of 20 per cent of training cost on employment had a benchmark of employment of at least 70 per cent of trainees.

⁴⁰ The National Policy on Skill Development and Entrepreneurship, 2015 laid out Skill India Mission, and envisaged the creation of Sector Skill Councils (SSCs) by National Skill Development Corporation (NSDC)

⁴¹ A company registered as section 8 company under Companies Act, 2013 and a SSC in leather sector approved by NSDC

⁴² Total duration of training in hours 200/500 relating to six different job roles e.g., stitcher, cutter etc

⁴³ ₹ 9,680 per candidate for 200 hours and ₹ 22,400 per candidate for 500 hour

The Company simultaneously, in terms of MSDE notification, appointed (September 2017) a Project Management Consultant (PMC) for one year at fee of ₹ 1.75 crore. The scope of work of PMC included understanding skill development requirements, planning and rolling out of skill development activities in coordinated manner under Phase-I and implementation of the programme under Phase-2 which included project monitoring, documentation, reporting and overall due diligence of implementation phase.

The PMC adopted the report (October 2013) of National Skill Development Corporation (NSDC) for planning skill development programme wherein the combined incremental manpower requirement for leather and footwear sectors in Haryana was indicated as 5608 only, in one five year period of 2017-22. The Company approved guidelines for implementation monitoring and tracking of skill development programme prepared by PMC in December 2017 and February 2018, respectively. However, the Company in contrast to the projected demand

granted approval for training of 476 batches consisting of 13,670 candidates during November 2017 to February 2018, before approval of monitoring and tracking guidelines. In all 523 batches of 15,003 candidates were approved by the Company.

Upon the claims by Leather Sector Skill Council, the Company released (December 2017 to March 2018) payment of ₹ 6.58 crore (including GST of ₹ 1.01 crore) towards first instalment of 30 per cent of total cost in respect of 13,670 candidates. Payment in respect of 1,333 candidates was not released by the Company. LSSC also raised (March 2018) claim of ₹ 2.90 crore towards 2nd instalment in respect of 4,648 candidates which though approved (March 2018) by the Company, was not released for not ensuring due diligence by nodal wing of the Company. Subsequently, the Management ordered (July 2018) for due diligence exercise of the enrolled candidates, checking of infrastructure of training centres and stopped further commitments under the programme. The due diligence exercise carried out (December 2018) by the PMC showed 10,776 out of 15,003 candidates were ineligible for various reasons e.g., trainees not confirmed, ineligible due to age, Aadhaar number duplication, trainees not found during inspection, and candidates in excess of approved number in job role⁴⁴ etc. Thus, only 4,227 candidates were found eligible and in respect of whom 80 per cent payment could be released.

Audit observed:

The Company signed (August 2017) Memorandum of Understanding (MOU) with Leather Sector Skill Council for providing training to 15,000 candidates

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As per MOU, there were six job roles viz. stitcher (Goods and garments), cutter (Goods and garments), stitcher (footwear), cutter (footwear), pre-assembly operation (footwear) and skiving operator (footwear) in the required numbers. However, the candidates were enrolled in first four job roles only but in different numbers, which led to enrolment of excess candidates for approved job roles

without considering National Skill Development Corporation study report/ consultant study which suggested annual requirement of only 1,000-1,200 candidates (total 5608 Nos. in five years) in leather and footwear sector and without involving the Project Management Consultant in due diligence for validation of eligibility of candidates for training.

The Company paid ₹ 1.01 crore towards GST on first instalment of training cost though the services provided by Sector Skill Councils approved by National Skill Development Corporation were exempted from GST.

Since, Leather Sector Skill Council (LSSC) had not fulfilled the MOU condition with regard to employment/placement of trained candidates, it was eligible for 80 per cent payment in respect of only 4,227 eligible candidates which worked out to ₹ 3.62 crore (80 per cent payment). This resulted in excess payment of ₹ 2.96 crore (₹ 6.58 crore minus ₹ 3.62 crore) to LSSC.

Thus, the training programme run without conducting due diligence study and monitoring of desired yield impacted the envisaged benefit of generating gainful employment to the trainees even after incurring expenditure of ₹ 3 62 crore. Besides there was excess payment of ₹ 2 96 crore to Leather Sector Skill Council.

The Management stated (June 2020) that due diligence of records was done as per the Common Norms⁴⁵, and legal action has been initiated against the LSSC to recover the excess amount. During exit conference (August 2021), the Management further stated that recovery notice has been issued and the Company was in the process of lodging FIR against the Leather Sector Skill Council.

The reply is not acceptable as the Company signed MOU with Leather Sector Skill Council without considering the training requirements as indicated in National Skill Development Corporation report and Project Management Consultant was not involved in carrying out due diligence, though their scope of work provided for the same, which resulted in non-achievement of envisaged benefits.

It is recommended that the Company may fix responsibility for the lapses and adequate monitoring/due diligence may be made in such trainings in future.

The matter was referred (January 2021) to the Government and the Company, their replies were awaited (September 2021)

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

1. Leather Sector Skill Council (LSSC) is a national body under NSDC operating to enable skill -development initiatives and standards in the Leather Sector. LSSC had submitted a demand of 1500 job opportunities across different job roles in the Leather sector in State of Haryana.

⁴⁵ Common norms were notified (July 2015 and May 2016) by the Ministry of Skill Development and Entrepreneurship which included Skill development, Skill Development Courses, Input Standards, Outcome of skill development, Funding norms, fund flow mechanism etc

2. A MOU was signed with LSSC to impart trainings in the leather sector as per the Common Norms and LSSC was sanctioned 47c batches for training-in 139 villages. Accordingly, as per the MOU, Common Norms and guidelines 30% of the amount of each batch for start of training was released. This amounted to INR 6,60,76,867 /-
3. Further on submission of training details of the candidates and relevant documents of each batch by LSSC due diligence of record was conducted by the consultant. LSSC was given an opportunity to correct all the mistakes vis-a-vis the SOPs and Common Norms.
4. An internal auditor was also appointed to review the documents provided by LSSC.
5. LSSC failed to submit the requisite documents as per the Common Norms and the balance amount i.e. Payment made on initiation of the batch (INR 6,60,76,867 /-) and eligible payment for approved candidates (4227) Le 2. 96 Cr. Has been asked to be recovered from LSSC.

The Committee observed that the loss involved in the para has occurred due to procedural lapses and therefore recommended that in future such cases be dealt seriously by the Company/Department. The Committee also desired that a factual report on various issues pointed out in the para be prepared and submitted to the Committee. It is also recommended that notices be issued to officers/officials who were involved in approval of ineligible candidates for the training.

3.5 Non-levy of extension fee.

The Company extended undue benefit to an allottee by reckoning the implementation period of project from 26 August 2013 instead of 27 July 2010 as per the agreement which resulted in non-levy of extension fee of ₹ 1.74 crore for delayed implementation of project.

17. Haryana State Industrial and Infrastructure Development Corporation Limited (Company) allotted (27 July 2010) a plot measuring 12,150 sq. meters at Food Park, Rai to M/s Shakti Bhog Foods Limited (allottee) under prestigious project⁴⁶ category on the undertaking (13 July 2010) given by the allottee for taking physical possession of plot on "as is where basis" without completion of development works by the Company. The allottee also undertook that for absence of the development work/infrastructure facilities they would not hold any claim against the Company.

The agreement (6 September 2010) with the allottee required them to take physical possession of plot within six months of allotment and to implement⁴⁷ their project within three years from the date of offer of possession i.e.,

⁴⁶ Projects involving investment of ₹ 50/40/30 crore

⁴⁷ Implementation of the project would mean commencement of commercial production with minimum investment of ₹ 30 crore in fixed assets.

by 26 July 2013. Any extension for completion of project beyond three years was to be granted on payment of prescribed extension fee⁴⁸ in terms of Estate Management Procedures (EMP)⁴⁹ of the Company.

The allottee, however, took possession of plot (which actually measured 11,610 sqm.) on 23 July 2012 after lapse of two years. The Board of Directors of the Company, in the meanwhile, granted (29 August 2013) one-year general extension for implementation of the projects for plots allotted up to 31 December 2012 without charging any extension fee. Accordingly, implementation period of project was extended to 26 July 2014. The Company granted further extension in time for implementation of project up to 26 July 2015 after charging due extension fee. .

The allottee informed and requested (12 January 2016) for change in allotment as it had decided to implement the project through its subsidiary and also sought extension in implementation period. The Company allowed (October 2016) the change and also granted extension up to 26 July 2017 subject to payment of extension fee.

The allottee could not implement the project even up to 26 July 2017 and again requested (September 2017) the Company to reckon three years period for implementation of project from date of approval of change in constitution i.e., 27 October 2016, but Estate Management Committee declined (September 2017) the same on the plea that the extension fee was charged as per policy of the Company. However, after giving personal hearing to the allottee, the Management decided (November 2017) that implementation period should be reckoned from date of completion of infrastructure i.e., 26 August 2013 (instead of date of offer of possession 27 July 2010) and ordered to adjust three year's extension fees already paid by the allottee. Accordingly, the Company extended (August 2018) the implementation period up to 25 August 2019 on the basis of extension fee already paid by the allottee for three years. The allottee started commercial production on 23 August 2018 and project was considered implemented with effect from 25 September 2018 on the basis of site report. The allottee paid all their dues on account of cost of plot.

Audit observed that the decision of the Management to reckon the implementation period from 26 August 2013 instead of 27 July 2010 was not justified as the allottee had undertaken (July 2010) to take possession without completion of development work and not to lodge any claim therefore. Further, the actual measurement of plot is always taken at the time of physical possession and there was delay on the part of the allottee in taking the possession of the plot. The zoning plan of plot was issued by the Company in September 2012 i.e., within two months of taking over possession of the plot by the allottee.

⁴⁸ For 1st year ₹ 75 per sqm, 2nd year ₹ 150 per sqm and 3rd year ₹ 250 per sqm 4th year at ₹ 500 per sqm and for 5th year at ₹ 1000 per sqm

⁴⁹ Estate Management Procedures address the parameters for allotment, reservation and priority in allotment of industrial plots and other related matters concerned with management of industrial estates

Thus, the Company extended undue benefit to allottee by reckoning the implementation period from 26 August 2013 instead of 27 July 2010. Resultantly, the Company did not charge extension fee for 4th and 5th years (i.e., 27 July 2017 to 26 July 2018 and 27 July 2018 to 23 August 2018) amounting to ₹ 1.74 crore⁵⁰. The allottee on the other hand has asked (October 2018) the Company for refund of ₹ 19.64 lakh after adjusting an amount of ₹ 41.10 lakh towards transfer fee for transfer of plot with 100 per cent shareholding in the name of M/s Bikano Foods Pvt. Limited. The status of payment was awaited.

The Management stated (November 2019) that they have considered the date of possession from 26 August 2013 when infrastructure facilities were completed as per clause 4.1 of Estate Management Procedure (EMP). The reply is not acceptable as clause 4.1 of EMP is not applicable in this case as the allottee had given (July 2010) undertaking before the allotment that they want to take physical possession of plot on "as is where basis" without completion of development work by the Company as per clause 4.5 of EMP. During exit conference Management did not inform any reasons for non-levy of extension fee

It is recommended that the Company may fix responsibility for extending undue benefit to the allottee to its disadvantage and must enforce provision of EMP fully in such cases.

The matter was referred (January 2021) to the Government and the Company; their replies were awaited (September 2021).

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

Plot No. 2269-2271, Food Park, Sector-38, Phase-II, Rai, measuring 12,150 sq.mtr., was allotted by the Corporation in favour of M/s Shakti Bhog Foods Limited, vide Regular Letter of Allotment (RLA) with offer of possession dated 27.07.2010, under the Prestigious Project Category, for setting up of an industrial project of manufacturing Specialty Atta fibre enriched noodles pasta, Ready to eat processed food, with proposed project investment of Rs.37.66 crore. An agreement containing terms ft conditions of allotment, was executed with the allottee on 6.09.2010. As per the terms ft conditions of the allotment/agreement, the allottee was required to implement the approved project within a period of 3 years from the date of offer of possession i.e. upto 26.07.2013. One year general extension was allowed to the allottee upto 26.07.2014.

As per the terms and conditions of allotment/agreement, the allottee was required to take over physical possession of the plot and start construction at site within six months of allotment. The allottee, vide letter dated 7.06.2012, requested for taking physical possession of the plot. IA Division Rai vide its note/report dated 15.06.2012 informed that actual area of the plot is 11,610 sq.mtr. as against allotted plot area of 12,150 sq.mtr.

⁵⁰ ₹ 58.05 lakh for 4th year at ₹ 500 per sqm and ₹116.10 lakh for 5th year at ₹ 1z

The allottee was informed vide letter dated 20.06.2012 about actual area of the plot and was requested to give consent as regards whether it wanted to take physical possession of the actual area available at site. The allottee, vide letter received on 28.06.2012, informed that they would face difficulty in adjusting their plans and requested for handing over allotted plot area by including vacant land area next to the allotted plot. Subsequently, the allottee requested for possession of the plot with area measuring 11,610 sq.mtr., which was handed over to it on 23.07.2012. Thereafter, the allottee got building plan approved on 26.-03.2013.

As per the Field Office report dated 10.08.2015, the allottee had constructed boundary wall. On request of the allottee, change of ownership from M/s Shakti Bhog Foods Limited to Mis Bikano Foods Private Limited as well as change in constitution in favour of Mis Bikano Foods Private Limited, a subsidiary company of the allottee company, having shareholders – M/s Shakti Bhog Foods Limited (51%), Sh. Kewal Krishan Kumar (1%), M/s Binkaner vala Foods Private Limited (48%); extension in implementation period of the project by levy of applicable extension fee for three years i.e. 4th year extension upto 26.07.2015, 5th year extension upto 26.07.2016, 6th year extension upto 26.07.2017, was provisionally approved/allowed vide letter dated 27.10.2016. The allottee complied with the terms & conditions of the said letter and was advised to get the conveyance deed executed, vide letter dated 28.02.2017

The allottee executed conveyance deed on 3.04 2017.

The allottee vide its letter/representation received on 12.09.2017 and dated 25.10.2017 requested for refund of extension fee on account of - change in plot area resulting in delay in possession, time taken in grant of /completion of various formalities etc.

Clause 4.1 of EMP-2015 is reproduced as under

"An 'offer of possession' means that the Corporation makes an offer of physical possession of the plot/site to the allottee. The Corporation would offer the site(s) for physical possession after it has completed the basic infrastructure facilities comprising of (i) a motorable access road to the site, (ii) water supply system i.e. availability of water connection at site for construction as: drinking purpose, (iii) Sewerage disposal Network, (iv)

Electrical Infrastructure comprising of the Distribution system network for construction purpose; and (v) Provision of security service in the Estate, and made these facilities available at site in respect of the plots for which the possession is offered so as to enable the allottee to start construction of building for the project. It would be in order to offer the possession of plots in an estate in parts or in a phased manner."

The request/representation of the allottee was considered by the Corporation and an opportunity of personal hearing was afforded to the allottee before the Managing Director of the Corporation on 25.10.2017. During the hearing, the allottee contended regarding - reduction in size of the plot, change in dimensions of the plot, completion of infrastructure

facilities in August 2013 etc. The allottee requested for considering three years' period for implementation of the project from the date of execution of conveyance deed i.e. 3.04.2017 or at least from 26.08.2013 i.e. the date of completion of infrastructure facilities and for refund of extension fee already deposited.

It was observed that - size and dimensions of the plot got changed at the time of handing over physical possession; as per report of Senior Manager (IA), Industrial Estate, Rai, infrastructure work was completed by the designated agency on 26.08.2013.

Keeping in view facts of the case, the allottee's request for considering three years' implementation period from the date of execution of conveyance deed was declined being devoid of any merit. However, reduction in size and change in dimensions of the plot had necessitated revision of zoning plot of the plot and without approval of zoning of the plot as well as completion of the infrastructure facilities, which were completed during August 2013, it was not possible for the allottee to go ahead for preparation of building plans, approval thereof and to start/complete construction work; and thus representation of the allottee for considering the initial three years' period for project completion from 26.08.2013 i.e. the date of completion of infrastructure facilities, was accepted by the competent.

The Committee observed that the Company should not have given preference in allotment of plot in such cases and agreed to exempt the extension fee as plot in this cases was allotted on 'As is where Basis'

The Committee desired that department should intimate the Committee about number of plots allotted alongwith dates of allotment at that time.

Haryana Agro Industries Corporation Limited

3.6	Misappropriation of paddy
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State Government guidelines for regular physical verification of stocks of paddy kept with the millers were violated which resulted in misappropriation of paddy by the miller. Subsequently, the Company favoured the miller by not encashing cheques and delayed taking legal actions to recover its dues which resulted in loss of ₹ 6.64 crore.

18. The State Government procures paddy on behalf of Food Corporation of India (FCI) for central pool through its procuring agencies including Haryana Agro Industries Corporation Limited (Company). The paddy so procured is moved directly from procuring mandis to the millers' premises for milling and the resultant rice, called Custom Milled Rice (CMR) is delivered to FCI. Government of Haryana had issued (September 2017) guidelines for the Kharif Marketing Season (KMS) 2017-18, which, inter alia, provided that:

- the miller was to deliver CMR in phased manner i.e., 20 per cent each in November 2017 to January 2018, 25 per cent in February 2018 and balance 15 per cent in March 2018 and the miller shall maintain the ratio for delivery of CMR and his own milling of rice;
- in case, rice miller failed to deliver the CMR as per the stipulated schedule, the agency has to shift the paddy stocks which would be done at the risk and cost of the miller,
- in event of delay in supply of CMR by the miller, the miller was liable to pay interest @ 12 per cent for delayed period and in case of failure to deliver the CMR, miller was liable to pay the cost of short quantity of CMR @ 110 per cent of rates of CMR along with interest;
- the Company was to conduct Physical Verification of paddy stock on fortnightly basis; and
- the miller was to provide signed cheques @ ₹ 50 lakh for each tonne of milling capacity and two third party sureties of Ahrtias, besides security amount of ₹ 10 lakh for first tonne capacity and ₹ 5 lakh for every additional one tonne capacity in the shape of Fixed Deposit Receipt pledged in the name of agency.

In KMS 2017-18, the Company allotted (October 2017) 8,237.89 MT paddy to M/s Parteek Rice Industries, Kurukshetra (Miller), the CMR for which was to be delivered by 31 March 2018. The Miller was slow in delivery of CMR from very beginning and he delivered 1053 MT, 835 MT and 727 MT of CMR in November 2017, December 2017, and January 2018 respectively against the target of 1104 MT in each month. The miller finally delivered 3,935.38 MT of CMR from October 2017 to June 2018 against the due CMR of 5,519.38 MT and misappropriated the balance 1,584 MT CMR valuing ₹ 4.63 crore. Beside this, an amount of ₹ 36.39 lakh was also recoverable from the miller on account of

cost of bardana, paddy top up and wooden crates supplied to the miller and interest of ₹ 1.88 crore (up to October 2020 @ 12 per cent per annum). In the first physical verification held on 25 May 2018, the Company found shortage of 1,687.23 MT of CMR and therefore, filed (25 June 2018) First Information Report (FIR) with the police against the miller and two guarantors for non-delivery of CMR. In the physical verification held on 3 July 2018, no stock was found with the miller and shortage of 1,548 MT was noticed.

Audit observed that:

- Though the Company was required to carry out 16 physical verifications during November 2017 to June 2018, the Company did the first physical verification only on 25 May 2018, when shortage of 1,687.23 MT of CMR was found. The Company, however, issued notice to miller on 4 May 2019, after one year to supply the balance CMR and return of bardana and other stocks lying with the miller intimating the recovery of ₹ 6.02 crore along with interest.
- Had the Company conducted physical verification of stocks fortnightly, it could have come to know the (i) status regarding maintenance of the ratio for delivery of Custom Milled Rice and his own milling of rice and (ii) slow progress of milling/non-delivery of rice. Further, the Company could have shifted the un-milled paddy to the other millers as per milling guidelines.
- The signed cheques of Rupees two crore obtained from the miller were not presented to the bank for recovery of its dues so far (October 2020). The Company, however, encashed (17 December 2019) the Fixed Deposit Receipt of ₹ 20 lakh (making it to ₹ 22.71 lakh with interest) after the lapse of more than 17 months from the notice of shortage.
- The Company initiated (October 2019) arbitration proceedings against the miller though the cases of fraud, theft or misappropriations were to be dealt through appropriate legal proceedings as per the milling guidelines and that too after 16 months.

Thus, the Company did not conduct physical verification of stock regularly in violation of State Government guidelines, which resulted in misappropriation of paddy by the miller. Subsequently, the Company has favoured the miller by not encashing of cheques and delay in taking legal actions to recover its dues which resulted in loss of ₹ 6.64 crore⁵¹.

The Government stated (August 2021) that physical verification could not be done due to shortage of staff. Further, a settlement scheme for all the defaulting rice millers has been introduced with the approval (December 2020) of the State Government for recovery of dues. During exit conference (August 2021), the Management further stated that matter regarding appointment of Arbitrator was pending in the High Court and inquiry for lapses by officials of the Company was at final stage. It was further stated that efforts for recovery of dues would be

⁵¹ Cost of CMR ₹ 4.63 crore plus cost of bardana etc. ₹ 36.39 lakh plus interest up to October 2020 ₹ 1.88 crore minus recovery on account of FDR encashed ₹ 22.

made under the settlement scheme approved by the State Government. The reply was not acceptable as the Company has failed to comply with the State government guidelines which resulted in misappropriation of paddy by the millers and now the Government/Management has brought in a settlement scheme for all the defaulting rice millers to recover some amount. It is recommended that the Company may fix responsibility for violation of the State Government guidelines and system in vogue should be followed in Custom Milled Rice

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

It is submitted that Kurukshetra and Pipli mandi was allotted to HAIC for purchase of paddy during the year KMS 2017-18. The District Milling Committee allotted the rice millers to the different procuring agency for Custom Milling of Paddy of KMS 2017-18 in District Kurukshetra in which M/s Parteek Rice Industries Bir Amin Kurukshetra had been allotted to HAIC having 3 MT capacity and HAIC had allotted 8237.89 MT paddy to the Rice Miller for milling and delivery of CMR to FCI. It is pertinent to mention here that during the previous KMS 2016-17 M/s Parteek Rice Industries was allotted to HAIC and allocated 9030.9 MT paddy by the HAIC and the miller had successfully delivered the entire quantity of CMR to the FCI within the stipulated period.

In this regard, it is submitted that after closing of the procurement on 30.11.2017, the State Govt. had ordered to conduct the physical verification of paddy allocated to the rice millers in the State of Haryana and according to the instructions of the State Govt. the District Administration, constituted the Committees consisting of following Officers/officials to conduct the Physical Verification of the rice millers of HAICs:-

1. Dr. Pardeep Dikshit , ADO-KKR
2. Sh. Ramesh Chand , IF & S, Rewari
3. Sh. Parveen Kumar, Mandi Inspector , HAIC Pipli
4. Sh. Raj Kumar Saini , Vigilance Member, BJP

The above said committee conducted the Physical Verification and submitted their report on 1.12.2017 and no deviation was pointed out by the Committee. The PV report is enclosed.

As per instructions and guidelines of the State Govt., fortnightly physical verifications were required to be conducted but due to shortage of staff and rush of work of preparing the accounts of mandi aarthias/rice millers as well as monitoring of delivery of CMR the PVs could not be conducted. However, notices were issued to all the rice millers to complete the delivery of CMR as per schedule of the agreement. The copies of three notices dated 02.02.2018, 22.02.2018 and 15.03.2018 are enclosed.

However, the pace of delivery of CMR upto 31.03.2018 of M/s Parteek Rice Industries was slow but keeping in view the last year performance of the rice miller, the HAIC did not pursue to shift the paddy from M/s Parteek Rice Industries to another rice miller.

Although second physical verification was conducted on 25.05.2018, by a committee consisting of following members:-

Sh. Ashok Kumar Asstt. Acctt, HAIC Pipli

Sh. Parmod Kumar Store Clerk, HAIC Pipli

Sh. Abhey Ram Acctt. HAIC Pipli.

The Committee pointed out the shortage of 1687.24 MT CMR in the rice mill during the physical verification of the stock. Accordingly, an FIR No 0274 dated 25.06.2018 was registered against the party at Police Station, Kurukshetra for misappropriation of Paddy/CMR of HAIC. The copy of the FIR is enclosed.

Again, a physical verification was conducted on 03.07.2018 by a committee consisting of following members:-

Sh. Ashok Kumar Asstt. Acctt, HAIC Pipli

Sh Narender Rana, Data Entry Clerk, HAIC, Pipli

Sh. Surajbhan, Acctt. HAIC, Pipli

The Committee pointed out the net shortage of 1584.01 MT CMR in the rice mill during the physical verification of the stocks enclosed.

A notice was issued to the concerned rice miller vide letter dated 11.07.2018 with the intimation that Govt of India extended the period of delivery of CMR upto 31.07.2018 and directed to ensure the delivery of balance quantity of CMR to FCI upto 31.07.2018. Again the party was intimated vide letter dated 02.08.2018 that extension has been further extended upto 31.08.2018 and directed to ensure the delivery of balance CMR to FCI by 31.08.2018. But the party did not delivered the pending CMR to FCI during the extended period by the Govt. of India.

Lastly, on 13.09.2018, a physical verification was conducted by the committee consisting of the following members:-

Sh. Ravinder Verma, District Incharge HAIC Pipli

Sh. Ashok Kumar, Asstt. Acctt, HAIC Pipli

Sh Parmod Kumar Store Clerk, HAIC Pipli

Sh. Parveen Kumar Godown Keeper, FSC Pipli

Sh. Dheeraj Kumar, Godown Keeper, HAIC Shahabad.

Wherein as per PV report, net shortage of 1584.015 Qtls has been reported which is to be recovered from the rice miller.

Further, HAIC had issued notice on dated 28.09.2018 for informing the extension of period for delivery of CMR upto 04.10.2018 by the Govt. of India for KMS 2017-18 and directed to ensure the delivery of balance CMR to FCI by 04.10.2018.

Despite of our several notices for extension period and sincere efforts, M/s Parateek Rice Mill has not completed the balance CMR.

It is submitted that HAIC has got encashed the FDR of Rs. 20 lacs of M/s

Prateek Rice mills, on 17.12.2019 with maturity value of RS. 22.71 lacs. However, the security cheques worth Rs. 2 Crores. has not been presented before the bank for its realization. The action against the defaulting Officers/officials for not presenting the cheque with the Bank is under process.

It is submitted that, when the shortage of paddy/CMR was come to the notice of the HAIC on 25.05.2018 during the physical verification, the Corporation had immediately initiated legal action by lodging the FIR against the rice miller on 25.06.2018 with the Police Authorities. HAIC had appointed Shri Vijay Kumar Verma, Jt. Director Prosecution (Retd.) as Arbitrator on 23.10.2019. But the Arbitrator has returned back the case to HAIC in the middle without completion of the Arbitration Proceedings due to COVID-19. Accordingly, HAIC has appointed Shri R.R Banswal, IAS, (Retd.) in place of Shri Vijay Kumar Verma as Arbitrator to resolve the dispute of pending CMR. Due to position explained above, it is clear that to safeguard the interest of the Corporation, HAIC has appointed Arbitrator prior to the approval of Board of Directors of HAIC to recover the amount of pending CMR from the defaulting rice millers for KMS 2012-13 to 2017-18 on 14.07.2020. However, Shri R.R Banswal, IAS, has also returned back the case to

HAICL due to COVID 19. The owner of M/s Prateek Rice mill has filed an application before the Hon'ble Court of Punjab & Haryana for the appointment of an arbitrator but still the appointment of arbitrator is pending in Punjab & Haryana High Court and the next date of hearing is fixed for 02.12.2022.

The replies given above.

It is true that HAIC has sent the proposal to the State Government on 06.08.2020 for recovery of the amount of pending CMR from the defaulting rice millers for KMS 2012-13 to 2017-18 for its approval. Accordingly, State Govt. has approved the proposal for recovery of dues from rice millers with two options. After approval of the proposal of the State Govt., HAIC has sent the offer letters to 28 Nos. defaulting rice millers for the KMS 2012-13 to 2017-18 to opt either first option or second option as per their convenience. Meetings were convened with the defaulting rice millers and they were informed about the scheme in detailed approved by the State Govt. and to give their consent. Out of 28 Nos. defaulting rice millers, 6 Nos. rice millers has given their consent to opt the scheme and out of these 6 rice millers, only one rice miller i.e. M/s Daya Chand Rice Miller, Dhamtan, District, Jind has opted first option and deposited the amount of Rs. 65.20 lakh of 1st and 2nd instalment as per the settlement scheme and also created charge on his property equal to the recoverable amount. One partner of M/s Sandeep Rice Mill has also created the charge on his property equal to the share of his responsibility and deposited Rs. 17.52 lakh of 1st and 2nd instalment.

Due to poor response of the rice millers, meeting were held with the rice millers to discuss the matter regarding recovery of dues of pending CMR. In the meeting some defaulting rice millers have requested that they do not want to operate their rice mills further and ready to opt the 2nd option of the settlement scheme but they have no property to create the charge in favour of HAIC and

requested to waive off the condition of creation of charge on property in favour of HAIC, besides the above rice millers have also requested to exempt 5% VAT charges on the value of CMR charged by the HAIC which is now not applicable on paddy/rice as per GST rules.

Keeping in view, the poor response and representation received from the rice millers and to make the settlement scheme more extensive the matter was placed before the Board of Directors of the Corporation in the meetings held on 22.04.2022 and 06.09.2022 with the following changes .

To waive off the clause of creation of charge on property by the miller in favour of HAIC in case of rice millers who opt the 2nd option of the scheme

The Corporation may waive off the 5% VAT charges of those rice millers who want to opt the 2nd option of the settlement scheme and will execute the agreement within 90 days from the offer of the amended settlement scheme.

After expiry of 90 days the facility of exemption of VAT charges will cease and earlier scheme will remain in force. The Board of Directors has authorized the Managing Director for forwarding the proposal to the State Govt. for its approval with the above changes /amendments in the settlement scheme through Administrative Department. The proposal has been submitted to the State Govt. through Additional Chief Secretary to Govt. of Haryana, Agriculture & Farmers Welfare Department, Chandigarh on dated 16.09.2022 for consideration & its approval

It is pertinent to mentioned here that 8 Nos. Rice Millers including M/s Parteeek Rice Mill Kurukshetra has given their consent to opt the settlement scheme if the above clauses are waived off from the settlement scheme.

Further, it is also submitted that HAIC had appointed Sh. R.C. Bansal District & Session Judge (Retd.) as Inquiry Officer on 20.11.2020 to conduct the preliminary inquiry for fixing the responsibility of officer /officials into the 28 nos. cases of defaulting rice millers. The preliminary inquiry report has been received and the necessary action against the defaulting Officer/Officials as per Inquiry Report is under process.

The Committee observed that under OTS scheme only 2 parties have come in a period of one and a half years and they are also asking for customization in the scheme. The Committee desired that Department relaunch its scheme after customizing but it should be implemented in a time bound manner. After that the department should tell them this is the last and final chance for them. Now, if they do not adopt the scheme then department should go to the Court. Apart from this the department ask its legal wing to expedite these case with the help of Advocate General.

3.7 Interest/penalty due to non-deposit of VAT in time

The Company suffered avoidable loss of interest/penalty amounting ₹ 1.85 crore due to not depositing the Value Added Tax amount in time with the tax authorities.

19. The Haryana Agro Industries Corporation Limited (Company) is one of the food grains procuring agency and is also engaged in trading of fertilizers, pesticides and agriculture implements etc. through its 17 Farmer Service Centers (FSCs). The Company had taken separate Value Added Tax (VAT) numbers for each FSC who are responsible to deposit the VAT on due dates. Section 14 (6) of the Haryana Value Added Tax Act provided that if any dealer fails to make payment of tax beyond 90 days from the last date of payment of tax, he shall be liable to pay interest @ 2 per cent per month for the whole period till the payment is made. Farmer Service Centre, Pipli of the Company filed its quarterly returns of VAT (VAT-R1) but did not deposit the full due tax. The FSC had turnover of ₹ 413.57 crore and ₹ 346.16 crore during Assessment Years (AY) 2013-14 and 2014-15 respectively as per Forms VAT-R2 filed. The VAT liability for the AY 2013-14 and 2014-15 worked out to ₹ 16.07 crore and ₹ 16.65 crore respectively as per assessment made by the Assessing Authority after adjusting the input tax credit. However, the Company had deposited VAT of ₹ 14.78 crore and ₹ 13.28 crore respectively. As such, the Company short deposited VAT by ₹ 1.29 crore for the AY 2013-14 and ₹ 3.37 crore for the AY 2014-15 as the VAT authorities increased the sale during assessment which Chapter 3 Social, General and Economic Sectors (Public Sector Undertakings) 57 resulted in short deposit of tax apart from non-payment of tax by the concerned person. The Assessing Authority, Kurukshetra imposed (March 2017) interest/penalty amounting to ₹ 94.06 lakh (interest: ₹ 91.68 lakh and penalty ₹ 2.38 lakh) for the AY 2013-14. The Company deposited the additional tax and interest during June to November 2017. As regard AY 2014-15, the Company filed (March 2018) appeal for adjustment of previous refunds amounting to ₹ 1.08 crore and deposits made on 29 April 2015 amounting ₹ 2 crore for the payment of tax. The assessing authorities, however, did not make any adjustment and imposed (March 2018) as interest of ₹ 2.46 crore and penalty of ₹ 0.10 crore for the AY 2014-15. The Company deposited (April 2018) only the short tax liability of ₹ 3.37 crore with the authorities but the interest/ penalty of ₹ 2.56 crore (₹ 2.46 crore plus ₹ 0.10 crore) for the AY 2014-15 has not been deposited so far (March 2021). The non-deposit of interest/ penalty may further attract interest/ penalty. Audit observed that the Company has availed cash credits/ short term loans from banks for its day-to-day activities at the interest rate of 11.83 per cent per annum which was lesser than the worked out interest rate of 24.33 per cent per annum levied on the Company. As such, had the Company made payment of additional tax timely from its cash credits/ short term loans, it could have saved an amount of ₹ 1.73 crore on account of differential interest. Further, a penalty of ₹ 12.38 lakh (AY 2013-14: ₹ 2.38 lakh and AY 2014-15: ₹ 10 lakh) also could have been avoided. Thus, due to short deposit of VAT,

the Company had to bear extra burden of interest and penalty amounting to ₹ 1.85 crore. The Government stated (August 2021) that the VAT authorities increased the sale which resulted in short deposit of tax apart from non-payment of tax by the concerned person. During exit conference (August 2021), the Management further stated that inquiry was to be taken up against the delinquent officials for the lapses.

It is recommended that the Company may fix responsibility for short deposit of VAT and strengthen its internal control mechanism to ensure timely payment of taxes in future.

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

Reply in case of Financial Year 2013-14

From the VAT Assessment of HAIC, Kurukshetra conducted by the tax authorities dated 27.03.2017 for the FY 2013-14 following facts can be drawn: -

Sr. No.	Particulars	Amount (Rs.)
1.	Output tax liability	21,31,24,645/-
2.	Less: Input Tax Credit (available at the time of assessment proceedings)	5,24,08,944/-
3.	Less: Tax Deposited	14,78,03,558/-
4.	Short Tax Paid (1-2-3)	1,29,12,143/-
5.	Interest on 4	91,67,622/-
6.	Penalty on 4	2,38,000/-

In this regard, it is submitted that, during the FY 2013-14 the opening balance of net input tax credit (ITC) available as per the books of the Corporation is Rs.5,61,90,679/-, however, pursuant to the VAT Assessment of FY 2012-13 dated 31st March 2016, the ITC of the Corporation is reduced to Rs.3,91,13,833/- by the VAT Authorities, and later on during the assessment proceedings for the FY 2013-14, VAT Authorities considered this reduced opening balance of ITC of Rs.3,91,13,833/- (instead of Rs.5,61,90,679/-) for computing the total ITC balance of Rs.5,24,08,944/- (mentioned at serial no. 2 above) of the Corporation which results into short tax paid of Rs.1,29,12,143/- (mentioned at serial no. 4 above).

Further, submitted that the short tax deposit was due to the following discrepancy:-

Vat Authorities had increased the deemed sale of by-products of paddy by Rs 8,41,06,457.00 and imposed VAT of Rs.33,64,258.00 for the FY 2009-10. Assessment completed on 25 03 2013.

VAT Authorities had increased the deemed sale of by-products of paddy by

Rs.15,75,45,882.00 and imposed VAT of Rs.72,82,810.00 for the FY 2010-11 Assessment completed on 28.03.21\

Thus total sale increased by (Rs.8,41,06,457.00 + 15,75,45,882.00) = 24,16,52,339.00 and total ITC reduced by (Rs.33,64,258.00 + 7282810.00) = Rs. 1,06,47,068.00

However, deposit of the VAT on sale of by-products was the responsibility of the rice millers to whom paddy was allotted. The Corporation had filed the appeal against the assessment orders before the Hon'ble Haryana Tax tribunal related to 2009-10 and before the joint Excise and taxation commissioner (appeals), Ambala for the assessment year 2010-11, the decision of which were made in favour of appellant through which issue regarding levy of tax amounting to Rs 33,64,258.00 for the year 2009-10 and Rs.7421475.00 (Including interest of Rs.1,38,665.00) for 2010-11 on by-products was set aside.

Thus, It is clearly evident from the facts furnished above that the loss of differential interest (24.33%-11.83%) of Rs.47,10,040/- and penalty of Rs.2,38,000 suffered by the Corporation on account of late deposit of VAT is an unavoidable loss as the event of reduction of ITC balance during the year 2009-10, 2010-11 and pursuant to VAT Assessment of AY 2012-13 was occurred on 31st March 2016 which was unforeseeable during the FY 2013-14

Reply in case of Financial Year 2014-15

From the VAT Assessment of HAIC, Kurukshetra conducted by the tax authorities dated 05.03.2018 for the FY 2014-15 following facts can be drawn

Sr. No.	Particulars	Amount (Rs.)
1.	Output tax liability	18,01,98,052/-
2.	Less: Input Tax Credit (available at the time of assessment proceedings)	1,37,20,736/-
3.	Less: Tax Deposited	13,28,01,690/-
4.	Short Tax Paid (1-2-3)	3,36,75,626/-
5.	Interest on 4	2,45,83,208/-
6.	Penalty on 4	10,41,000/-

While doing the assessment, VAT Authorities computed the VAT deposited amount as Rs.13,28,01,690/- (mentioned at serial no. 3 above) However, actual VAT deposited by the HAIC, Kurukshetra for the FY 2014-15 is Rs.13,53,38,261/- and therefore, actual short tax paid is Rs. 3,11,39,055/- instead of Rs. 3,36,75,626/- (mentioned at serial no. 4 above) and VAT Authorities has given this pending benefit of Rs.25,36,571/- (i.e., Rs.13,53,38,261 - Rs.13,28,01,690) to the Corporation during the VAT Assessment of further

years.

Provided further that, the short tax deposit was on account of the following discrepancies:

VAT Authorities had increased the sale by Rs.11,54,70,093/-, which is liable for VAT @5%, this results into short tax paid of Rs.57,73,504/-; and

Remaining short tax paid of Rs.2,53,65,551/- (i.e., Rs 3,11,39,055 – Rs. 57,73,504) was due to non-payment of tax by the concerned person.

Further, the Corporation has deposited the short TAX of Rs.3,36,75,626/- only with the TAX Authorities and filed an appeal to the Assessing Authority to allow appeal effect of Rs. 107,85,733/- of excess VAT imposed on by-products of paddy during the year 2009-10& 2010-11 with interest by deleting the interest charged against short tax deposited against their demand of interest. The copy of reply dated 15.06.2022 to their notice dated 31.05.2022. and reminder dated 18.10.2022. It is pertinent to mention here that the Tax Authorities has now not demanding the penalty of Rs. 10,41,000/- in their demand notice dated 31.05.2022 The Corporation is pursuing the matter with Tax Authorities for adjustment of interest imposed due to deposit of short Tax and actual loss in this account will be calculated after the final outcome of the appeal.

Further, the Corporation has fixed the responsibility of Officers for short deposited of Tax and Sh. Anoop Gachli the then DM of FSC, Pipli has been charge sheeted vide Memo No. EA-I/2022/5951 dated 06 10.2022 for recovery of loss of Rs. 1.85 Crore to the Corporation.

The Committee desired that Department should provide a copy of Appellate Tribunal orders to the Audit and Committee. The Committee also desired to constitute a joint committee (one officer from Excise and Taxation Department, one officer from Audit office and one officer from HAIC) to examine the issues relating to the year 2013-14 and send a report to the Committee. The Committee directed the Department to examine the issue relating to the year 2013-14 at its own level and accordingly matter may be taken up with ETC.

Further, the Committee also desired that necessary action for termination of Shri Anoop Gachali be completed within 2 months under intimation to the Committee.

Haryana State Warehousing Corporation.

3.8 Damage of wheat stock The Corporation suffered a loss of ₹ 1.29 crore due to non- maintenance of health of wheat stock.

20. The State Government procures wheat on behalf of the Food Corporation of India (FCI) for central pool through its grain procuring agencies including Haryana State Warehousing Corporation (Corporation). The Director Food, Civil Supplies & Consumer Affairs Department, Government of Haryana had issued instructions from time to time (reiterated in May 2018) for maintenance of health of wheat stock procured and kept especially in open stores. As per the standard operating procedure, the Corporation was to ensure protection of its wheat stocks from vagaries of nature, when stored in open, and thus, was required to assure itself that they had been kept properly on wooden crates covered with polythene sheets under all circumstances, storage area to have proper drainage system and free of grass and weeds, given periodical premonsoon treatment with fumigants and specified chemicals as per schedule and all other necessary steps taken including deployment of adequate watch and ward staff.

However, in respect of wheat stocks procured at Haily Mandi (Pataudi) and Sevali Mandi (Palwal) the following was observed.

The Corporation stored 13,379 MT wheat in open plinths at Haily Mandi during crop year 2018-19 FCI in its inspection observed and intimated (August 2018) the Corporation that the wheat was not covered properly with polythene covers by the staff and as a result, the stock was affected by rain and most of the outer layer of stock lying in open was rain affected and given inadequate aeration and observed atta formation in pockets. The FCI declared (September 2018) 7,088 MT wheat stock as up gradable⁵². Of this, 1,765 MT damaged wheat was auctioned (July 2019) causing financial loss of ₹ 1.10 crore⁵³ to the Corporation. They also cited repeated instructions to concerned warehousing staff to maintain health of wheat stock which have not yielded improvement.

(ii) In case of 15,090 MT wheat stored at Sevali Mandi (Palwal), the stock was received from three mandis⁵⁴ during crop year 2018-19 for storage. The Corporation in its internal inquiry (June 2018) observed that while receiving the wheat stock from Punhana Mandi, staff posted at Sevali Mandi did not properly check the wheat stock as some of stock was already in damaged condition. Resultantly, 143 MT of damaged wheat stock was auctioned (July 2019) which caused a loss of ₹ 0.19⁵⁵ crore.

⁵² Up-gradable means improvement in quality of wheat through segregation, out of damaged wheat lots

⁵³ ₹ 3.90 crore (amount receivable from FCI) – ₹ 2.92 crore (amount received in auction of damaged wheat) + ₹ 0.02 crore (expenditure on segregation & up-gradation) + ₹ 0.14 crore (cost of excess gunnies replacement) - ₹ 0.04 crore (difference of amount recovered from arthias on account of moisture cut)

⁵⁴ Punhana Mandi 15,002 MT Baroli Mandi 78 MT and Hodal Mandi 10 MT

⁵⁵ Rs 0.33 crore (amount receivable from FCI) minus Rs 0.20 crore (amount received as per

Thus, the Corporation suffered a loss of ₹ 1.29 crore (₹ 1.10 crore plus ₹ 0.19 crore) due to negligence of staff in maintenance of wheat stocks of crop year 2018-19 in good health at Hailey Mandi (Pataudi) and Sevali Mandi (Palwal) despite the clear instructions from the Director Food, Civil Supplies & Consumer Affairs Department.

The Government stated (August 2021) that three officials at Haily Mandi, who were charge sheeted earlier in this case were found negligent in preservation of stocks and consequential financial loss of ₹ 1.10 crore to the Corporation. Further case for imposing penalty were being pursued. Besides, the then District Manager had also been charge sheeted (28 June 2021) for his supervisory lapses. Further, regarding the Sevali Mandi, necessary action against the concerned employees for financial loss of ₹ 0.19 crore would be taken. During exit conference (August 2021), the Management reiterated that inquiry has been taken up against the concerned officials for the losses suffered by the Corporation

It is recommended that the Corporation should follow instructions of Director Food, Civil Supplies & Consumer Affairs Department for proper storage of its wheat stocks to safeguard its interests and disciplinary actions against the officials should be expedited

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

In regard to observations made by Audit it is informed that the case of charge sheet of officials namely Sh. Manish Shukla, TA, Bhim Singh G.K. and Sh. Hukam Singh, GK who were charge sheeted under Rule-7 in September 2018 for their negligence in preservation of stock. Said case has been decided after going through proper procedure. Now keeping in view of quantum of loss, these three officials have again been charge sheeted under Rule-7 for financial loss of Rs.11037250/- to Corporation on account of 1764.65 MT damaged stock obtained after segregation/up gradation of Wheat 2018-19 stock stored at Haily Mandi vide letter No. 22851, 22853, 22855 of dated 28.06.2021. Besides this the then DM, HSWC, Palwal has been charge sheeted under Rule-8 vide letter No. 22849 of Date 28.06.2021 for his supervisory lapse & Mrs. Rekha, TA working as AM(QC), at HSWC D.O. Palwal has also been charge sheeted under Rule-7 for her supervisory lapse vide letter No. 30024 of dated 2.9.2021 Similarly in case of SWH, Sevali regarding financial loss of Rs.1853239/- to Corporation on account of damaged stock of 143.242 MT obtained after segregation/upgradation of Wheat 2018-19 stock, it is informed three officials namely Sh Kuldeep Negi Manager, Sh. Rajender Singh Naruka, TA and Sh. Akil Ahmed, JTA Have been charge sheeted under Rule-7 of Haryana Civil Services (P&A) Rules 2016 vide letter No.6195, 6197 & 6199 of dated 9.3.2022 respectively for recovery of losses to Corporation. These abovementioned officials have been charge sheeted for not following of instruction issued by Director, Food, Civil Supplies and Consumer Affairs, Haryana.

auction) plus Rs. 0.06 crore (expenditure incurred on segregation and up-gradation

The Committee observed that there was delay in taking action against the delinquent officers/officials, therefore, the Committee recommended that an enquiry be conducted to fix the responsibility for delay in taking action in these cases as well as suggestions for improvements in the process to be adopted so that such incident do not occur in the future. The detailed report in this regard be submitted to the Committee within 3 months. The Committee also recommended that a monthly report of day-to-day progress of this case be submitted to Committee.

The Committee also desired that a report regarding final action taken against all the delinquent officers/officials ~~also~~ be submitted within three months.

3.9 <i>Misappropriation of paddy/Custom Milled Rice.</i>
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Non-compliance with the terms and conditions of Kharif Marketing Season guidelines and not making timely efforts to recover the balance amount from a defaulting miller caused loss of ₹ 6.75 crore.

21. The State Government procures paddy on behalf of Food Corporation of India (FCI) for central pool through its procuring agencies including Haryana State Warehousing Corporation (Corporation). The paddy so procured is moved directly from procuring mandis to the millers' premises for milling and the resultant rice, called Custom Milled Rice (CMR) is delivered to FCI. Government of Haryana issued (September 2018) guidelines to its procuring agencies for the Kharif Marketing Season (KMS) 2018-19 which stated as follows:

- The agency was to conduct physical verification of paddy stock on fortnightly basis and each rice miller was to prepare a pictorial chart depicting the positioning of the stacks with stack number and number of bags in each stack and submit a copy to the concerned agency.
- The miller was to provide signed cheques at the rate of ₹ 50 lakh for each tonne of milling capacity and two third party sureties of Ahrtias⁵⁶, besides security amount of ₹ 10 lakh for first tonne capacity and ₹ 5 lakh for every additional one tonne capacity in the shape of Fixed Deposit Receipt (FDR) pledged in the name of agency.
- In case rice miller failed to deliver the CMR as per the stipulated schedule, the agency was to shift the paddy stocks at the risk and cost of the miller.

Test check of records for KMS 2018-19 revealed that M/s M. M. Rice Mills, Radaur (Miller) was allotted 3,475.27 MT of paddy against the maximum of 4,000 MT paddy as per guidelines. The Miller was to deliver 2,328.43 MT of CMR at out turn ratio of 67 per cent up to 31 March 2019, which was extended up to 30 September 2019. The Miller defaulted on delivery of CMR even during the extended period and had delivered only 674.34 MT (28.96 per cent) of CMR up to 9 April 2019 to FCI against the target of 100 per cent as per original

⁵⁶ Ahrtia is a middleman in a market

delivery schedule by 31 March 2019. The last physical verification carried out (16 July 2019) by the Committee consisting of Godown Keeper and Manager of the Corporation alongwith representative of miller in the premises of the Miller revealed that the Miller had misappropriated remaining 1,654.09 MT of CMR causing loss to the Corporation amounting to ₹ 6.75 crore (including interest up to January 2021).

Audit observed that during physical verification on 25 March 2019, though the Corporation came to know that there was shortage of 196.87 MT paddy, legal notice for the same was issued on 30 May 2019 only. First Information Report (FIR) against the Miller was lodged on 27 December 2019, five months from the date of last physical verification. The paddy stock was not shifted when the shortage was noticed on 25 March 2019. The guarantee cheques amounting to ₹ 5.80 crore of Miller were presented to bank only on 19 February 2020 i.e., after seven months from the notice of misappropriation. The cheques bounced on 25 February 2020. The Corporation has filed recovery suit in the court against the miller as well as sureties/ guarantor in October 2020. The joint physical verification of the paddy stock was also not conducted on fortnightly basis and pictorial chart/sketch of paddy stocks was not received from the miller

Thus, non-compliance with the terms and conditions of KMS guidelines, and not making timely efforts to recover the balance amount has resulted in misappropriation of paddy by the miller worth ₹ 6 75 crore.

The Government stated (July 2021) that the Corporation had carried out physical verifications of stock a number of times, though not on fortnightly basis and Corporation was hopeful to make good the loss from the Miller through all legal as well as criminal actions. During exit conference (August 2021), the Management further stated that delinquent officials have been charge sheeted and FIR have been lodged against the Miller Further, suit has been filed for recovery of dues.

It is, therefore, recommended that guidelines of the Government should be followed in letter and spirit to safeguard financial interests of the Corporation.

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

In the initial part of the Audit para,certain policy guidelines have been iterated which need no comments.

It is correct that M/s M.M. Rice Mill, Radaur was allotted only 3475.275 MTs of paddy during KMS 2018-19 against the maximum of 4000 MTs of paddy as per guidelines. The miller was to Deliver 2328.434 MTs of CMR to FCI at out turn ratio of 67% but the miller delivered only 674.340 MTs of CMR to FCI as per original delivery schedule revised later on by the State Govt up to 30.04.2019. There was somewhat delay in issuing Legal notice to the miller concerned bythe District manager concerned which was only due to procedural intricacies. For the misappropriation of 1,654.09 MT of CMR noticed during the last physical verification carried out on 16 July 2019 by the committee consisting of godown Keeper, state warehouse, Radaur,

Manager state warehouse, Radaur and partner of the Miller, the process of lodging FIR against the Miller was initiated by the Corporation by writing a letter to Police Station, Radaur vide letter No HSWC/DM/AMB/2019/2033-37 dated 22.07.2019 followed by many more letters bearing No HSWC/DM/AMB/2019/2634-41 dated 29.08.2019 HSWC/DM/AMB/2019/3417-24 dated 9.10.2019 and HSWC/DM/AMB/2019/4395-4401 dated 17-18/12.2019 (Copy enclosed) but the police lodged FIR on 27 December 2019 after five months after investigation of the case.

In this way, HSWC lost no time in approaching the police Deptt for lodging FIR in this case. The paddy stock could not be shifted from M. M Rice Mill to other Rice Mills because of this mill found locked many times. The guarantee cheques amounting to 5.80 Crore of Miller could only have been presented to Bank after expiry of extended period of delivery i.e. 4.10.2019 and that too after knowing the exact amount recoverable from the miller and therefore, after doing the needful, the cheques were presented to bank on 19 February 2020 and when the same bounced due to insufficient amount, a complaint u/s 138/142 of NI Act was filed in the Hon'ble court at Jagadhari on 03.07.2020.

The delay in filing this complaint occurred due to non working of courts physically due to imposition of lockdown owing to Covid -19 pandemic. Now next date of hearing in this case for computation of limitation period & arguments is fixed for 26.04.2022.

Further, FDRs of Rs 10.00 Lakhs deposited by the miller with HSWC towards security have already been encashed with interest. Besides it, property of the miller more than 5 % of total cost of paddy was also got pledged with the Corporation as per Govt. instructions.

The Suit for recovery of Rs 6.06 Cr against the miller as well as the sureties/Guarantors concerned were also filed in the Hon'ble court at Jagadhari on 05.10.2020. Next date of hearing in this case for arguments is fixed for 21.07.2022. The staff of the Corporation had carried out joint physical verification of stocks a number of times though not on fortnightly basis. Pictorial chart/sketch of paddy stock was not received from the miller which generally no miller submits to any procuring agency.

In this way, the Corporation is hopeful that the amount of loss sustained to it would be made good from the miller through all legal as well as criminal actions which it has already initiated against him.

Further, the delinquent officials i.e., District Manager, HSWC, Ambala City & Manager, State Warehouse Radaur have already been charge-sheeted vide Memo No. HSWC/Admn./EA-9/2020 /26030 dated 29.06.2020 & Memo No. HSWC/Admn./EA-9/2020 /26032 dated 29.06.2020 have already been proceeded against for not following the policy guidelines.

The Committee desired that department should examine the matter with respect to rules/guidelines of FCI in order to examine whether it is possible to wait for the end of the delivery period or not for encashing the guarantee if stock is not present in the Godown on physical verification. The report in this regard be submitted to the Committee within a period of one month. The Committee also desired to know that whether the department has consulted its legal cell in this regard. The detailed report along with the latest status of action taken against the responsible officials/officers may be submitted to the Committee within a period of one month.

Haryana Medical Services Corporation Limited

3.10 *Poor financial management*

Due to poor financial management, the Company lost the opportunity to earn interest of ₹ 4.48 crore on its surplus funds.

22. Haryana Medical Services Corporation Limited (Company) was established (January 2014) for purchase of drugs, consumables and equipment for all hospitals/ dispensaries on behalf of the Director General Health Services (DGHS), Health Department, Haryana. The DGHS transfers funds to the Company for undertaking procurement activities on its behalf for which it pays four per cent as processing fees. The main sources of revenue of the Company are process fee received from DGHS, interest from fixed deposits, late supply charges and testing charges.

Test check of the records of the Company revealed that it opened three bank accounts with HDFC bank and one in IndusInd bank, as detailed below. The Company lost the opportunity to earn interest due to keeping funds in the savings accounts in HDFC bank and current account with IndusInd bank.

(a) HDFC Bank: At the time of opening the account, the bank had offered (May 2016) interest at rates between 6 per cent and 7.25 per cent on sweep-in-Compliance Audit Report of Social, General and Economic Sectors for the year ended 31 March 2020⁶² savings account⁵⁷ deposits. The Company however, opened three⁵⁸ savings bank accounts with the bank on 1 June 2016, 3 June 2017 and 21 May 2018, respectively. The bank paid applicable interest at the rate of 3.5 per cent from the date of opening of these bank accounts. Audit observed that the Company did not review the account type/ nature of account and unspent balances received from DGHS kept lying in these accounts. On being pointed out by Audit that the Company has kept funds in saving accounts, the Company asked (November 2019) the bank to pay interest at the rate of 6 per cent per annum instead of 3.5 per cent per annum. Upon non-receipt of any response from the bank, it decided (January 2021) to close all the three accounts with HDFC Bank. Thus, instead of keeping the money in higher interest earning sweep-in-savings account, funds were kept in low interest rate bearing saving accounts, due to which, the Company lost opportunity to earn minimum additional interest income of ₹ 4.22 crore during June 2016 to March 2020⁵⁹.

(b) IndusInd Bank: For opening of bank account, the IndusInd bank offered interest at the rate of 6 per cent per annum on the daily balances held by Company in its account, above Rupees one lakh. The Company applied to open

⁵⁷ Whenever balance in saving account is higher than threshold limit, the surplus amount is transferred to Fixed Deposit account to earn higher rate of interest. The technical term for this purpose is "sweep-in".

⁵⁸ (i) 50100072479021, (ii) 5010020549608, and (iii) 50100236650058

⁵⁹ As the fixed deposits rates after March 2020 were nearing to the interest on saving bank accounts, no calculation has been made thereafter.

a current flexi account⁶⁰ with IndusInd Bank account in September 2014, but the bank opened a current account in October 2014. No funds were maintained in this account till 29 September 2017. However, funds ranging from ₹ 1.03 crore to ₹ 10.17 crore were deposited in this account during the period from 29 September 2017 to 26 July 2018 and remained credited till 9 August 2018. In August 2018, the Company realised that funds kept in current account with IndusInd bank were not earning any interest and therefore decided to change the nature of the account from current account to saving account-cum-Indus large business account. The balance of ₹ 10.17 crore lying in the current account was transferred to this new account. Thus, had the Company reviewed the type of account timely and converted the current account into a saving account, it could have earned interest of ₹ 26.14 lakh on its balances held in the bank, during the period 29 September 2017 to 9 August 2018.

Thus, due to poor financial management, the Company lost opportunity to earn additional interest income of ₹ 4.48 crore on its surplus funds kept in the two banks.

The Company admitted the facts and stated (December 2020 and January 2021) that all three bank accounts in HDFC bank have since been closed and added that efforts are being made to get the interest credited from IndusInd bank. During exit conference (August 2021),

Management reiterated that the matter for recovery of interest has already been taken up with the bank and no such cases have occurred in the recent past. The reply is not acceptable because the banks will give interest as per the nature of account operated during the period and may not entertain the claims of the Company. It is recommended that the Company should strengthen its financial management for investment of its surplus funds to optimise returns. The matter was referred (March 2021) to the Government and the Company; their replies were awaited (September 2021).

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

(a). HDFC Bank:

HMSCL in its 17th Board meeting (02 February 2018) accorded ex-post facto approval for opening three bank accounts. Accordingly, funds were kept in these three savings accounts (A/c Nos. 50100072479021, 50100205489608 and 50100236650058) opened with HDFC Bank on 01 May 2016, 03 June 2017 and 21 May 2018, for earning interest on unspent amounts at a rate as applicable on auto flexi fixed deposits. It was observed that HDFC bank was not paying interest rate as applicable on auto flexi fixed deposits. Accordingly, Bank was asked (Vide letter No.6401 dated 19.11.2019, 6441 dated 13.12.2019, 6878 dated 16.12.2019, 459 dated 11.02.2020, 1138 dated 12.03.2020, 2098 dated 12.05.2020, 7552 dated 11.11.2020, 7909 dated 03.12.2020 and 7978 dated

⁶⁰ Current flexi accounts are current account with benefits of fixed deposits for funds exceeding some amount (₹ 1 lakh in this case) kept in account for a period in excess of specified days (7 days in this case)

09.12.2020) to pay interest rate as applicable on auto flexi fixed deposits on all deposits of HMSCL from the date of opening of accounts till to date.

But, no action was taken by the bank. Therefore, all accounts in HDFC bank were closed.

(b) IndusInd Bank

At the time of opening of account in IndusInd bank, the bank authorities were giving the rates of Flexi Fixed Deposits. However, this account remained non-operational till 8 August 2018 and was made operational thereafter. It was observed that IndusInd bank had not paid interest as per Auto Flexi Fixed Deposit rates treating the Saving Account as Current Account during the period 29 September 2017 to 08 August 2018. thereafter, the bank was asked (letter No. 6400 Dated 19.11.2019, 6442 dated 13.12.2019, 6879 dated 16.12.2019, 460 dated 11.02.2020, 1137 dated 12.03.2020, 1860 dated 04.05.2020, 7551 dated 11.11.2020 and 7907 dated 03.12.2020) to pay the interest rate as applicable on Auto-flexi fixed deposits for this period repeatedly but no compliance was made by the Bank.

It is further submitted that IndusInd Bank has started paying interest of the savings account at a rate more than rate of interest as applicable on Auto flexi FDs wef 09 August 2018 to date (i.e. at a rate of interest @6-7% per annum).

It is also submitted here that letters were issued to the concerned department for taking action against the concerned officers.

However, it is also submitted here that cases regarding paying the due interest by HDFC and IndusInd Bank to HMSCL has been filed in the court of Civil Judge Senior Division, Panchkula vide Civil Suit No.650/2021 (Next date of hearing is 21.02.2023) and 749/2021 (Next date of hearing is 16.02.2023) respectively.

After hearing the departmental representative, the Committee observed that this is a case of willful negligence and no corrective action was taken by the Company after issue of the para. The Committee, therefore, recommended that Company Secretary or officers/officials of account branch be issued show cause notice with immediate effect.

The Committee also desired that an enquiry be conducted in this regard and a detailed report be submitted to the Committee within 30 days. Further, pragmatic efforts be taken to expedite the legal process.

The Committee further recommended that the strenuous efforts be initiated by the department with the help of Finance Department to negotiate with the concerned Banks in order to recover the interest amount.

Details of Pending Recommendations of the Committee till the Finalization of this Report.

Sr. No.	Board/Corporation	Report No.	Recommendation	No. of Recommendation
1	2	3	4	5
	HVPNL/HPGCL/ UHBVNL/ DHBVNL	35 th	23 HPGCL	1
		52 nd	8,10, HVPNL	2
		53 rd	1 HPGCL 42 UHBVNL	2
		58 th	1 DHBVNL	1
		60 th	2, DHBVNL	1
		61 st	1,2&4 UHBVNL & DHBVNL	3
		62 nd	5 HPGCL 13 & 14 HVPNL	3
		63 rd	1-7	7
		64 th	3-7, 12&13 UHBVNL & DHBVNL 1 DHBVNL	7 1
		65 th	1-3 HPGCL 3 UHBVNL 5 UHBVNL &DHBVNL	3 1 1
		66 th	5 HVPNL 6&7 UHBVNL 8 DHBVNL	1 2 1
		67 th	4-5 UHBVNL 12,13 & 14HPGCL 15UHBVNL & DHBVNL 16 DHBVNL	2 3 1 1
		68 th	7 UHBVNL 15 DHBVNL	1 1
	TOTAL			46
2	Haryana State industrial and infrastructure Development Corporation	57 th	4	1
		58 th	4	1
		60 th	8	1
		62 nd	6-10	5
		65 th	6	1
		67 th	9,10,11	3
		68 th	1-6, 17	7
	TOTAL			19

3	Haryana Financial Corporation	49 th	2,3,4,5,6	5	-
		50 th	4,23	2	
		52 nd	18	1	
		56 th	5,6	2	
		57 th	9,10	2	
		67 th	7	1	
	TOTAL			13	
4	Haryan Agro Industries Corporation Ltd	16 th	6-29	1	
		23 rd	14-16	3	
		38 th	8	1	
		48 th	27-33	7	
		53 rd	29-36	8	
		56 th	2	1	
		57 th	7	1	
		58 th	6,7	2	
		59 th	8-16	9	
		62 nd	11	1	
		64 th	15	1	
		65 th	7	1	
	Haryana Agro Industries Corporation Ltd And Haryana Warehousing Corporation Ltd	66 th	1-4	4	
		67 th	1,2,3 8 & 9	3 2	
		68 th	8-14	7	
	TOTAL			52	
5	Haryana Land Reclamation & Development Corporation Ltd	53 rd	39	1	
	TOTAL			1	
6	Haryana Warehousing Corporation Ltd	50 th	16,18	2	
		52 nd	19	1	
		53 rd	28, 47	2	
		55 th	8,9,10,11,13	5	
		60 th	7	1	
		63 rd	8-14	7	
	TOTAL			18	
7	Haryana Seeds Development Corporation Ltd	49 th	9	1	
		53 rd	3,4	2	
		64 th	8	1	
	TOTAL			4	

8	Haryana Tourism Corporation Limited.	59 th	5	1
		62 nd	3 & 4	2
	TOTAL			3
9	Haryana Forest Development Corporation Limited	58 th	3	1
		66 th	9	1
	TOTAL			2
10	Haryana SC Finance & Development Corporation Limited	60 th	6	1
		63 rd	1	1
	TOTAL			2
11	Haryana Roads & Bridges Development Corporation Limited	55 th	14	1
		57 th	8	1
		60 th	4	1
		61 st	5,7-12	7
		62 nd	15-16	2
		64 th	14	1
		68 th	19 & 20	2
	TOTAL			15
12.	Haryana Police Housing Corporation Limited	60 th	5	1
		68 th	18	1
	TOTAL			2
13	Haryana Women Development Corporation Limited	64 th	16	1
	TOTAL			1
14	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	64 th	18-23	6
	TOTAL			6
	Haryana State Electronics Development Corp Ltd	67 th	9	1
	TOTAL			1
Sr. No.	Board/Corporation	Report No.	Recommendation	No. of Recommendation
1	2	3	4	5
Outstanding recommendation in respect of Non-General working companies				
1	Haryana State Small Minor Irrigation & Tubewells Corporation	42 nd	27	1
		51 st	5,6	2
	TOTAL			3
2	Haryana State Small Industries Export Corporation	19 th	11(General)	1
		43 rd	3,4,7	3

		51 st	8	1
	TOTAL			5
3	Haryana Mineral Limited	41 st	18	1
		45 th	1-14 (General)	14
		48 th	23,24,41	3
	TOTAL			18
Outstanding recommendation in respect of General working companies				
1	Haryana Urban Development Authority	47 th	7-20	14
		67 th	1	1
	TOTAL			15

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