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HARYANA VIDHAN SABHA
COMMITTEE
ON
PUBLIC UNDERTAKINGS
(1983-84)
(SIXTH VIDHAN SABHA)
TWELFTH REPORT
ON THE
GENERAL WORKING OF
HARYANA TELEVISION LIMITED FARIDABAD



Presented to the House on _____

HARYANA VIDHAN SABHA SECRETARIAT
CHANDIGARH
MARCH, 1984



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(iii)
COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS (1983-84)

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- 1 Shri Sagar Ram Gupta

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- 3 Shri Bahadur Singh
- 4 Shri Balbir Singh Grewal
- 5 Shri Daya Nand Sharma
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- 7 Shri Neki Ram
- 8 Shri Nihal Singh
- 9 Bahin Shanti Devi

SECRETARIAT

- 1 Shri G L Batra, Secretary
- 2 Shri Chander Parkash Deputy Secretary



(v)

INTRODUCTION

1 The Chairman of the Committee on Public Undertakings having been authorised by the Committee in this behalf present this TWELFTH REPORT on the general working of the Haryana Television Limited Faridabad

2 During oral evidence, the Committee examined the representatives of the Department/Company concerned. A brief record of the proceedings of each meeting of the Committee during the year 1983-84 has been kept in the Haryana Vidhan Sabha Secretariat.

3 The Committee place on record their appreciation of the valuable assistance given to them by the Accountant General Haryana and his staff and are thankful to the Secretary to Government Haryana Finance Department including his representatives and the representatives of the Department/Company who appeared before them from time to time. The Committee are also thankful to the Secretary, Deputy Secretary, the dealing Officer and the Staff of the Haryana Vidhan Sabha for the wholehearted co-operation and unstinted assistance given in preparing this report.

Chandigarh
the 24th February, 1984

SAGAR RAM GUPTA
CHAIRMAN





HARYANA TELEVISION LIMITED FARIDABAD

1 Introductory

The Company was set up on 30th December 1973 by the Haryana State Industrial Development Corporation Limited (HSIDC) in joint sector with its participation at 26 per cent collaborators at 25 per cent and public at 49 per cent. The unit was set up with a licenced capacity of 5 000 television sets per annum. The main objects of the Company are to carry on business to manufacture buy sell import distribute and repair radio and television sets as well as components thereof and to carry on research design servicing marketing importing and exporting of all types of electronics electrical machines and allied products. However the Company has confined its activity to the production of television sets only.

The Company was started in collaboration with one Sh S S Beriwalla. As the unit was incurring heavy losses year after year (Rs 37 42 lakhs upto 1976 77) the joint sector agreement with Shri Beriwalla was terminated and the collaborator surrendered his share holding of Rs 7 20 lakhs fully paid at a nominal value of Rs 100 to HSIDC which took over the concern in March 1977 in terms of agreement with the collaborator. After formation of the Haryana State Electronics Development Corporation the work of this Company has been transferred to the said Corporation and the same is now running this unit as subsidiary.

2 Share Capital and Financial Position

(i) The Company started with a paid up capital of Rs 6 lakhs. The details regarding authorised issued subscribed and paid up capital year wise are contained in the following table —

<u>Year</u>	<u>Authorised</u>	<u>Issued</u>	<u>Subscribed</u>	<u>Paid up</u>
				(In lakhs of rupees)
1974	25 00	6 00	6 00	6 00
1975	25 00	15 61	15 61	15 61
1976-77	25 00	19 40	19 40	19 40
1977-78	25 00	25 00	25 00	25 00
1978-79	25 00	19 40	19 40	19 40
1979-80	25 00	19 40	19 40	19 40
1980-81	25 00	19 40	19 40	19 40
1981-82	25 00	19 40	19 40	19 40
1982-83	150 00	90 10	90 10	90 10



Further Company had taken loan from the following institutions—

Name of institution	Rate of interest	Total loan including interest at the end of 1981 82
	(Per cent)	(Rupees in lakhs)
1 HSIDC	4 to 7	67 30
2 H F C	13½	20 94
3 Syndicate Bank	19½	25 96

Note Loan figures of Syndicate Bank are only upto August 1978 which according to the Company is likely to be to the tune of Rs 50 lakhs by the the end of 1982 83

The Company had not paid any interest to the above parties till the end of 1982 83. The company got prepared a rehabilitation scheme for the revival of the unit and under the same the HSIDC and H F C have converted Rs 58 30 lakhs and Rs 17 40 respectively out of the above loans into share capital. The Syndicate Bank was also stated to be considering the rehabilitation scheme of the Company.

(ii) The Company has been continuously incurring losses every year. The year wise details thereof are indicated as below —

Year	Amount
	(in lakhs of rupees)
1974	1 86
1975	6 60
1976 77	28 96
1977 78	15 06
1978 79	11 92
1979 80	9 43
1980 81	12 72
1981 82	3 65
1982 83	1 59

The Company has incurred a cumulative loss of Rs 91 79 lakhs upto 1982 83 against the paid up capital of Rs 90 10 lakhs upto that year.

During oral examination the Company representative gave the following main reasons for continuous losses —

- (a) Unhealthy and unlooked after working of the Company in Joint Sector
- (b) much less utilisation of capacity by the Company
- (c) paucity of finances and shortage of picture tubes in the country at times,
- (d) adverse publicity of the Company on account of various court cases against it
- (e) statements by the Government from time to time to give the unit on lease
- (f) delay in switch over to solid state technology and lagging behind other manufacturers in introducing latest techniques and
- (g) lack of proper publicity

3 Performance

The Haryana State Industrial Development Corporation had obtained a letter of intent in 1972 for the manufacture of 5 000 tele vision sets annually. This Company was formed to make use of the said letter of intent. It has however been noticed that the Company has never been able to manufacture the said number of tele vision sets. The sets produced by the Company every year are given below

Year	Production Number of sets	Percentage of actual production to installed capacity
1974	74	2
1975	652	13
1976 77 15 months	749	12
1977 78	623	13
1978 79	284	6
1979 80	43	1
1980 81	902	18
1981 82	2766	55
1982 83	3828	76

The capacity of the company therefore, has always been under utilised so much so that the capacity utilisation was only 0.9% during the year 1979-80. Though the capacity utilisation has shown upward trend during the last three financial years yet much remains to be done in this direction particularly when the company has recently been granted a licence to manufacture 20,000 coloured T.V. sets. The production of the Company has again gone down to 1,400 sets during the first 10 months of the current i.e. year 1983-84. According to the Company representative the main reason for under utilisation of the licenced capacity during first 10 months of 1983-84 are difficulties in completing legal formalities in procuring T.V. testing instruments/components (ii) recession in indigenous T.V. market (iii) absence of publicity (iv) unwieldy organisation (v) chronic shortage of funds and (vi) shortage of picture tubes in the country at times.

The Committee were not satisfied with the reasons given by the Company representative and would like to make the following observations with regard to the continuous shortfall in production and poor financial results —

1 From the written replies and the oral examination of the representative of the Company as well as of the State Govt. it became clear that a mistake was committed at the very inception of the company. The Committee strongly feel that the Company was started as a Joint Sector venture not on merits. At one stage during the oral examination the State Government representative stated that at that particular time there was no system of issuing advertisements seeking collaborators. At a later stage however he informed the Committee that the Collaborator was selected after receiving offers through an advertisement. It was stated that offers of 3 parties were selected out of offers from 16 parties. The offer of Shri S.S. Beriwal who was absolutely a novice in the line was accepted while offers of M/s Televista Electronics Pvt Ltd New Delhi and M/s Belltek Electronics Pvt Ltd, Gurgaon who were already in the line were rejected. The Committee fail to understand the basis on which Sh. Beriwal was selected as a joint collaborator particularly when he did not possess any experience or had any background in the production of T.V. sets or in any other electronics trade incidental to it. The Company representative who promised to furnish information as to the prescribed qualifications/experience for the venture advertised in the newspapers did not furnish the desired information till the drafting of this Report. The later events (subsequent to the termination of collaboration agreement) give added weight to this observation of the Committee because there has been a protracted litigation between the company and Shri Beriwal and also that some criminal cases were registered against him which were however later on withdrawn by the Government for the reasons best known to it. The Committee were informed that even now a dispute between the company and Shri Beriwal is pending arbitration.

2 The Committee feel that the performance of this Company has been very poor from the very inception because it was not managed properly. During oral examination it was revealed that the joint

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to be substituted for the last para at page 5 of the 1st Report of the Committee on Public Undertakings.

As already mentioned, the production by this Company ranged between 43 sets and 902 sets during the years 1974 to 1981 and that the Company was incurring a very huge losses from the beginning, yet the Company had been spending heavily on hiring of Private buildings for show-rooms/offices at Delhi, Amritsar, Chandigarh, Calcutta, Dehradun, Lucknow, Kanpur, Jaipur, Karnal etc. and for providing residence to the Chief Engineer at Faridabad/Delhi. Further the Company had been maintaining a fleet of motor cars and motor cycles (at present, the Company has one car and two motor cycles) and had been spending a huge amount on petrol and maintenance. The expenditure incurred on hiring of buildings and maintenance of vehicles as well as the production of sets during the years 1977-78 to 1982-83 was as under -

Year	Production of sets.	Expenditure on	
		Payment of rent	Maintenance of vehicles
1977-78	623	Rs. 5,533/-	Rs. 1,8779/-
1978-79	284	Rs. 3,406/-	Rs. 9366/-
1979-80	43	Rs. 3,4987/-	Rs. 1,1346/-
1980-81	902	Rs. 2,642/-	Rs. 40,56/-
1981-82	766	Rs. 54,000/-	Rs. 34,558/-
1982-83	388	Rs. 24,000/-	Rs. 68,411/-

collaborator was the sole person who was looking after this Company from 1974 to 1977 and neither the Board of Directors nor the Finance Department of the State Govt paid any attention to the affairs of the Company. Even after 1977 the Company was being treated as nobody's baby because till 1980 it remained under the additional charge of the Chief Administrator of Faridabad complex. It was only in 1980 that a whole time Managing Director was appointed to look after this Company but he was also drawn from the HCS rank only. All these facts show that neither the State Govt nor the HSIDC were taking proper interest in running this Company. This observation of the Committee is further strengthened by the fact that there was no financial expert on the Board of Directors of the Company who could provide constant and expert guidance on financial matters. Further the Company do not have a Company Secretary even now and the administration of the unit has been lagging behind in keeping it abreast with the latest technology and on sound financial footing. It was revealed to the Committee during the oral examination that only Government officials have been manning the Board of Directors of the Company and that no non official experts in electronics technology business management financial administration etc have ever been put on the Board of Directors of the Company. The Government officials it has been generally observed do not and cannot put in their best in running a company while their main charge is something else. Optimum situation could be that the Board of Directors comprised of Government officials some non official experts in different lines and one or two public men of repute. This shortcoming in manning the Board of Directors also contributed to its continuous poor performance.

3 During an on the spot inspection of the Company by the Committee it was observed that proper records relating to some items of store were not found up to date. The entries were not available either in the stock register or in the Pin cards. Further the audit reports of the internal auditors also reveal that accounts of sundry debtors/creditors outstanding liabilities advance orders to suppliers advances received from parties and of the assets were not properly maintained and also no physical verification of stock of finished goods and raw material was conducted. Similarly no physical verification of assets was carried out year after year. All this explains away absence of proper accounting system and financial control on the day to day functioning of the Company. This has also been one of the major contributory factor to the poor performance of the Company.

Though the Company was incurring very huge losses from the beginning to the year 1980-81 yet the Company have been lavishly spending on hiring of private buildings for show rooms and offices at various places and on purchasing and maintaining vehicles. Even at present when the losses are continuing the Company are paying a monthly rent of Rs 9 200 for show room cum flat at Chandigarh and Rs 3 000 per mensem at Delhi (though during the oral examination the Company representative deposed in July 1983 that the office building at Delhi had been taken at a monthly rent of Rs 1 000 from April 1977 and the same rent was being paid to date). Besides the Company are maintaining a fleet of five vehicles (3 cars and 2 jeeps) and

are incurring an expenditure of more than Rs 1 50 lacs every year on petrol etc. The Committee are unable to appreciate the position taken by the representative of the Company during the course of oral examination on 28th July 1983 that the Company were not maintaining any vehicle during the past 8 to 10 months when in its own revised written reply the Company admitted that they were maintaining a fleet of 5 vehicles as mentioned above. The Committee feel that Rs 1 50 lacs is quite an exorbitant amount on the maintenance of vehicles for a company which is producing only about 1500 T V Sets every year.

Another main reason for sustaining losses by the Company has been the surplus staff deployed by it. The following table showing number of sets produced every year and the No of workers deployed for the purpose lend support to this observation -

Year	No of sets produced	No of workers deployed
1974	74	20
1975	652	72
1976 77 15 months	749	72
1977 78	623	75
1978 79	283	75
1979 80	43	55
1980 81	902	77
1981 82	2 766	74
1982 83	3 828	74

It is surprising that the management of the Company continued to deploy the surplus staff even when the production was at its lowest ebb.

4 The Committee observe that the company had completed its accounts upto the year 1977 78 and the accounts for the year 1978 79 onwards are yet to be taken up by the Statutory Auditors. The delay in the finalisation of the annual accounts is fraught with financial risks and irregularities. The non finalisation of accounts is also one of the major reasons in not detecting the pit falls and areas of losses incurred by the company in its day to day transactions.

Observations and Recommendations

1 The joint venture collaboration agreement with Shri Beriwalla was not only ill conceived but smacks of an attempt to

favour a particular businessman. His selection was not made on the basis of sound business policies and on merits. It will be relevant to quote here from the reply of the Managing Director of the Company during oral examination on 28th July 1983. Mr. Beriwal made trunk calls outside the country in the name of the company when he was Managing Director of the company. Thus he had misused the funds of the Company. He hired vehicles and used the staff cars unnecessarily. He hired Rest houses for the Company at Calcutta and Amritsar where there was no sale.

The Committee recommend that an independent enquiry should be instituted in this behalf so as to reveal how and why Shri Beriwal was selected as a Joint Venture Collaborator and how he ran the company to promote his own individual interests. It should also be enquired as to what prompted him to agree to surrender all his shares of the face value of Rs / 20 lacs for Rs 100 only and responsibility be fixed in this apparent shady deal, on the concerned officer(s)/official(s).

2 During an on the spot inspection by the Committee it was intimated by the Company's representative that at the time of taking over the management from the Private Collaborators an audit of the pre take over period of transactions was got conducted from a firm of Chartered Accountants who had submitted a detailed report as to the position of assets and liabilities then obtaining. The Committee direct that a copy of the said report alongwith action taken thereon be furnished to the Committee within a month.

3 The Committee observe that the Company have been running in losses throughout ever since its inception and that the capacity utilisation has also not been to the desired extent. It was stated by the management during oral examination that the Company hoped to revive this unit by diversifying its production. It was also stated that the company was seeking to obtain some more licences for diversification of its activities. One such licence for electronic telephones exchange has been given to the Haryana State Electronics Development Corporation which is to be installed in some backward areas of the State. The management also stated that they had approached M/s Maruti Limited to get some of their electronic components manufactured by the Company. The Company also hoped to obtain license for VCR. A license for manufacturing 20 000 coloured T V sets has already been granted. The Company have at its disposal sufficient land and vast building. The Committee recommend that expeditious steps should be taken to diversify its activities on the aforesaid lines. It is particularly recommended that the company should go in for a speedy production of black & white T V Sets of small screen (the approximate cost whereof was stated by the company representative to be from Rs 1,000 to 1,500). The Committee feel that it will not be difficult for the Company to popularise and sell such low cost T V sets in the State as well as in the surrounding areas.

4 During oral evidence and in their written reply the management had stated that rehabilitation schemes had been framed according to which H S I D C and Haryana State Financial Corporation (HFC) have already given financial relief to the Company by way of conversion of loans into equity share and H F C had further agreed to

re schedule the instalments with a moratorium of two years. Since these reliefs are expected to put the company on a sound financial footing, the Committee recommend that the management may expedite process of finalisation of the scheme and report the results of their efforts to the Committee within three months

5 The Committee strongly feel that the Board of Directors of the Company should not only consist of Government Officers but should also include some experts drawn from public having vast experience in financial management, technical expertise etc including public man of eminence

6 It was brought out before the Committee that the company had not been allowed any relief in sales tax so far. In fact, the Company had never sought it. Looking into the past financial history of the Company the Committee recommend that the Company should take steps to seek concession in the liability of sales tax so that its revival is made easier

7 The Company is lagging far behind in getting its accounts audited by the Statutory Auditors. The Committee view the process of completion of accounts and audit thereof as an important instrument of financial control and appraisal. In this light, the Committee recommend that the audit by the Statutory Auditors as well as the observations of the C A G of India on the annual accounts should be got promptly finalised and the annual accounts kept to date

8 The Committee would also advise the Company to reduce its expenses on the purchase of vehicles and their maintenance. The rent payments being on the higher side should also be reduced and brought to the minimum. Simultaneously the company should take steps to reduce its over head expenses

9 The Committee observe that one of the main reasons for the discrepancies in store and stock accounts is the non appointment of the Company Secretary. The Committee, therefore, recommend that the Company Secretary should be appointed immediately so that the discrepancies and loopholes pointed by the Internal Auditors in their report from time to time are rectified and do not recur. It will certainly go a long way in improving the financial health of the company

10 The Committee strongly feel that the management should pay more heed to the after sale service and publicity. The Committee would particularly recommend that it should approach the village pan chayats and Block Samities with a view to popularising the sale of I V sets. This will undoubtedly boost the sale of the Company to a large extent



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