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HARYANA VIDHAN SABHA

COMMITTEE

ON

PUBLIC UNDERTAKINGS (1984-85)

(SIXTH VIDHAN SABHA)

SEVENTEENTH REPORT

ON THE

REPORTS

OF THE

COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEARS 1979-80 TO 1981-82.

Presented to the House on 29th March, 1985

HARYANA VIDHAN SABHA SECRETARIAT,
CHANDIGARH.
March, 1985

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COMPOSITION

OF

THE COMMITTEE ON PUBLIC UNDERTAKINGS (1984 85)

CHAIRMAN

*1 Shri Sagar Ram Gupta

2 Shri Kanwal Singh

MEMBERS

**3 Shri Amar Singh

4 Shri Amir Chand Makkar

5 Shri Bahadur Singh

6 Shri Hari Chand Hooda

7 Shri Nihal Singh

***8 Shri Om Parkash Mahajan

Shri Mahendra Pratap Singh

9 Shri Ram Singh

SECRETARIAT

1 Shri G L Batra, Secretary

2 Shri Chander Parkash Deputy Secretary

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*Shri Sagar Ram Gupta, M L A resigned from Chairmanship of the Committee w e f 30 11 1984 on his appointment as Minister and Shri Kanwal Singh M L A a member of the Committee was appointed Chairman of the Committee w e f 2 1 1985

**Shri Amar Singh, M L A resigned from the Committee w e f 14 9 1984, on his appointment as Minister

***Shri Om Parkash Mahajan M L A resigned from the Committee w e f 8 5 1984 and Shri Mahendra Pratap Singh, M L A was elected member of Committee w e f 4 9 1984

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings having been authorised by the Committee in this behalf, present Seventeenth Report on the reports of the Comptroller and Auditor General of India for the years 1979 80 (Haryana Financial Corporation and Haryana Tourism Corporation Limited) 1980 81 (Haryana Breweries Limited Murthal and Haryana State Small Industries & Export Corporation Limited) 1981 82 (Haryana State Small Industries & Export Corporation Limited, Haryana Harijan Kalyan Nigam Limited Haryana Breweries Limited Murthal and Haryana Land Reclamation & Development Corporation Limited)

2 The Committee examined the representatives of the Corporations/Companies where necessary A brief record of the Proceedings of various meetings of the Committee as also of its inspection of the various units of the Corporations/Companies has been placed in the Haryana Vidhan Sabha Secretariat

3 The Committee feel grateful to the Accountant General Haryana, for his valuable assistance and guidance in completing this report Thanks are also due to the representative of the Finance Department of Haryana Government and to the Secretary and other dealing staff of Haryana Vidhan Sabha with whose competent assistance the report could be completed in time The Committee are thankful to the representatives of the Corporations/Companies who extended full co operation in the deliberations of the Committee

Chandigarh
the 28th February, 1985

KANWAL SINGH
Chairman

REPORT

REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEAR 1979 80 (CIVIL)

HARYANA FINANCIAL CORPORATION

Paragraph 6 17 *of* 1979 80 *Ex gratia payments to the employees*

The employees of the State Financial Corporations are not eligible for bonus under the payment of Bonus Act 1965 In respect of employees of public sector undertakings who are not covered by the provisions of the Payment of Bonus Act Government of India issued instructions (September 1976) that ex gratia payment (in lieu of Bonus) for the accounting year commencing in 1975 be limited to a maximum of 10 per cent of the salary/wages The ex gratia was payable to only those employees whose salary/wages did not exceed Rs 1 600 per month for those whose salary/wages exceeded Rs 750 per month the ex gratia amount was to be calculated as if the salary/wages were Rs 750 per month

The Corporation has, however been making ex gratia payments to its officers (other than the Managing Director) and employees at the rate of 25 per cent (3 months pay and allowances) irrespective of the quantum of profits Particulars of profits earned by the Corporation and the amount of ex gratia paid during each of the years from 1974 75 to 1979 80 are given below —

Year	*Profit for the year (Rupees in lakhs)*	*Total amount of ex gratia payments (in rupees)*
1975–76	80 52	2 16 887
1976–77	95 25	2,34 859
1977–78	1 09 05	2 42 365
1978–79	1 04 35	2 55 553
1979–80	1 00 68	4 04 507

In this connection the following points were noticed —

(i) Such payments are not covered by the Regulations framed by the Corporation (in consultation with the State Government and the IDBI) in terms of Section 48(i) of the State Financial Corporation Act 1951

(ii) The payments were made without the sanction of the State Government

(iii) During the years 1975 76 to 1979 80 the ex gratia payment was given higher than the maximum of 20 per cent pres cribed in the payment of Bonus Act The amount excess paid was Rs 8 13 lakhs

(iv) There was an extra payment of Rs 0 53 lakh during the period from 1975 76 to 1979 80 due to the criterion of Rs 750 per month for computation of ex gratia payment having been disregarded The Management stated (August 1980) that no instructions had been received from the State Government in this behalf and that the payments had been made with the approval of the Board of Directors

During the course of oral examination the representative of the Government/Corporation stated that the ex gratia was being paid to the employees with the approval of Board of Directors who is em powered to sanction such payments under Section 66(2) of the Regu lations framed by Corporation which reads as under —

> A concession grant which is not covered by these regulations may not be given to any employees except with the sanc tion of the Board

The representative further stated that the ex gratia grant is being paid from the time of Punjab Financial Corporation On further ques tioning the representative stated that the Government has not so far fixed any such criteria for grant of ex gratia to the employees of the Corporation

The Committee were of the opinion that the State Government should issue instructions in respect of ex gratia payment to the staff of the Corporation on the pattern of instructions issued by the Govern ment of India

The representative of Finance Department stated that the opinion of the I D B I is being obtained and after that such instructions can be issued

The Committee feel that it is not proper on the part of the management of the Corporation to pay ex gratia to ts employees more than what has been prescribed by Government of India for Public Sector Undertakings which are not covered by the provisions of the payment of Bonus Act

The Committee recommend that State Government should fix the limit for ex gratia to be paid to the employees of the Corporation as has been done by the Government of India in regard to the Public Sector Undertakings, within a period of six months

HARYANA TOURISM CORPORATION

Paragraph 6 21 01 *Introduction*

The Haryana Tourism Corporation -Limited was incorporated on 1st May 1974 with the following as its main objects —

—To purchase, acquire and administer restaurants bars, liquor vends bonded warehouses, cafeterias, petrol pumps emporia tourist bungalows and other places of tourist interest in the State and elsewhere,

—to provide entertainment by way of cultural shows excursions, sight seeing trips tours etc for tourists and

—to promote establishments, undertakings and enterprises con nected with activities of Tourist interest

During the course of oral examination the representative of the Company stated that the Company has made good achievements in setting up of complexes on National Highways, State Highways and at District level The representative stated that setting up of a vegetarian Krishna Dham budget tourist complex at Kurukshetra was under consi deration and negotiations were going on with the Government of India for getting financial aid and that setting up of a tourist complex at Agroha was also under consideration of the Company/State Govern ment It was further stated that on the pattern of I T D C a proposal to start a tourist bus service between Delhi Panipat and Kurukshetra was under consideration of the Management of the Company

The Committee recommend that the Company should also give importance to the backward areas in setting up the tourist complexes by exploring viability of such complexes so that the development of such areas is accelerated

The Committee also recommend that in order to attract more tourists the Company should start conducted package bus tours to places of historical, religious and cultural importance, recreation and picnic spots in Haryana, and in this connection the benefit of proximity to Delhi should be fully exploited

The Committee further recommend that the matter regarding open ing of Restaurants at Bus stands in Haryana for the supply of neat, pure and hygienic eatables and beverages to passengers at reasonable rates may be taken up with the Government at higher level and the progress intimated to the Committee

Paragraph 6 21 02 *Organisational set up* F-O - 29-8-2K

The management of the Company is vested in a Board of 11 Directors appointed by the State Govt The Board is headed by a Chairman (non official) and the Managing Director is the Chief Execu tive The Finance and Accounts Department is headed by an Assis tant Accounts Officer The statutory Auditors in their report to the members on the accounts for 1975 76 and 1976 77 had pointed to the need for strengthening the accounts cell at the Head Office and the field offices

In its written reply the Management of the Company stated that the accounts cells at head office as well as in the field offices have been strengthened But the Committee observed that in spite of strengthening of the accounts wing the accounts of the Company are still in arrears

The Committee, therefore, recommend that accounts cell of the Company should be suitably strengthened so that the accounts are pre- pared well in time

Paragraph 6 21 04 Financial Position

There have been inordinate delays in the finalisation of its annual accounts by the Company as indicated below —

Year of Accounts	*Approved by the Board in*
1974–75	May 1977
1975–76	February, 1980
1976–77	September, 1980

The Company's accounts for the year 1977 78 onwards are in arrears (January 1981)

The table below summarises the financial position of the Company for the 3 years upto 1978 79 —

Liabilities	1976–77	1977–78	1978–79 (*Provisional*)
	(*Rupees in lakhs*)		
(a) Paid up capital	1 14 46	1 16 39	1 16 39
(b) Borrowings	32 00	31 10	29 30
(c) Trade dues and other current liabilities (including provisions)	43 08	42 62	58 36
Total	1,89 54	1,90 11	2,04 05
Assets	1976–77	1977–78	1978–79
(a) Gross Block	1,19 72	1 24 03	1,27 35
(b) Less depreciation	12 82	18 23	24 59
(c) Net fixed assets	1 06 90	1,05 80	1 02 76
(d) Current assets loans and advances	63 19	61 26	70 38
(e) Capital expenditure not represented by assets	—		
(f) Intangible assets			
Miscellaneous expenses	0 56	0 88	0 79
Accumulated losses	18 89	22 17	30 12
Total	1 89 54	1 90 11	2,04 05
Capital employed	1 27 01	1,24 14	1 14 78
Net worth	95 01	93 34	85 48

Notes Capital employed represents net fixed assets plus working capital

Net worth represents paid up capital plus reserves and surplus less intangible assets

In its written reply the Management of the Company stated that the statutory auditors for auditing the accounts for the years 1980 81 and 1981 82 were appointed by Company Law Board in August, 1983 and the audit was in progress

7 During the course of oral examination the representative of the Company stated that the accounts upto the year 1982 83 have been compiled and that earnest efforts are being made to get the audit of accounts for the years 1980 81 and 1981 82 finalised from the statutory auditors and it is expected that these will be completed shortly

The Committee recommend that earnest efforts should be made by the Management of the Company to get the audit of accounts for the years 1980 81 and 1981 82 completed by the statutory auditors (Chartered Accountants) and the Accountant General's office expeditiously and a compliance report sent to the Committee The Committee further recommend that a time bound programme should be formulated by the Management to bring the accounts upto date and the matter regarding appointment of statutory auditors for the subsequent years be taken up by the Management with the appointing authorities on priority basis

Paragraph 6 21 05 *Working results*

The working results of the Company for the 3 years upto 1978 79 are given below —

(*Figures in lakhs*)

	1976–77	1977–78 (*Provisional*)	1978–79
A—Income			
(a) Sale of			
Wine and minerals	77 26	72 82	60 27
Food Stuff	64 79	77 34	76 99
Petrol & Diesel	35 75	46 40	48 43
General Merchandise	0 96	3 46	6 42
(b) Other Income	16 76	7 43	9 66
Total	1 95 52	2 07 45	2 01 77
B—Expenditure			
(a) Purchase of			
Wine & minerals	63 71	58 66	52 86
Food Stuff (including coal gas & fuel)	47 14	51 55	51 63
Petrol & Diesel	35 55	44 52	47 31
General Merchandise	7 83	3 18	4 78

	1976 77	1977 78	1978 79
(b) Administrative Expenses			
Salaries & Wages	23 78	27 84	29 98
Business promotion expenses	0 83	0 96	0 37
Others	11 36	9 33	10 50
(c) Loss on non commercial activities	4 03	0 41	0 89
(d) Interest on loan	2 33	2 26	2 20
(e) Depreciation	5 57	5 93	6 36
(f) Other expenses	3 49	3 76	7 50*
(g) Accretion/decretion in stock	(—)1 07	2 33	(—)4 66
Total	2,04 55	2 10 73	2 09 72
C Loss	(—)9 03	(—)3 28	(—)7 95
D Accumulated loss	(—)18 89	(—)22 17	(—)30 12

*Includes expenditure of Rs 2 52 lakhs pertaining to the previous years

The losses were attributed by the Management (June 1980) to

—Provision of meals and accommodation to budget tourists at subsidised rates

—provision of accommodation to the State Government officers, Members of Legislature and VIPs at rates lower than the actual cost, and

—gestation period and frequent power shut downs A review in Audit revealed that, besides the above other reasons for losses were

—heavy indirect (overhead) expenses both on commercial and non commercial activities

—inadequate internal controls and

—lack of cost control due to non preparation of working results of individual activities

In its written reply the Management of the company stated that the accumulated losses have decreased to Rs 0 61 lac during 1982 83 as against Rs 37 11 lacs in 1979 80

During the course of oral examination the representative of the Company stated that the Company has been trying to bring down the prices of certain commodities at par with the price prevailing in the market in order to augment the business

The Committee recommend that the Management of the Company should take positive steps to increase the sales, reduce heavy overhead expenses and wastages to make it a profit earning concern The Committee further recommend that the internal controls should be strengthened and working results of individual activities should be prepared to have better cost control

6 21 07 *Running and maintenance of commercial units*

(i) On its formation the Company took over 27 tourist complexes from the State Tourism Department The number increased to 29 in 1976 77 30 in 1977 78 and dropped to 28 in 1978 79 While each complex deals with several commercial activities viz restaurants bars canteens petrol pumps liquor vends etc the Management had not assessed the working results of individual activities at each complex to assess their relative profitability or otherwise at any stage

The working results of commercial complexes for the three years up to 1978 79 are indicated in the table given below

	1976 77	1977 78	1978-79
	(Provisional)	*(Rupees in*	*lakhs)*
Income	1,85 39	2 00 00	1,96 93
Expenditure			
Operative expenses	1 77 52	1 88 42	1 84 55
Overheads	12 87	14 46	16 92
Total	1 90 39	2,02 88	2,01 47
Loss	(—)5 00	(—)2 88	(—)4 54

The operational results of individual units (which could not even meet the operating expenses) revealed losses of Rs 0 69 lakh in 6 units in 1976 77, Rs 0 32 lakh in 5 units in 1977 78* and Rs 0 39 lakh in 6 units in 1978 79*

Due to heavy losses the Company closed 5 liquor vends, a canteen and a bakery during 1975 76 and 1976 77 4 liquor vends were closed from April, 1978 due to anticipated losses and 3 liquor vends were closed from April 1979 as the complex could not compete (in the auction) with private bidders Besides a bonded warehouse was transferred to a brewery in April, 1976 The Management attributed (June 1980) the losses in the running of commercial units to the gestation period and frequent power shut downs

*Figures are provisional

In its written reply the management of the Company stated that the units were closed because these were running in loss and that during 1982 83 only two units at Narnaul and Taoru were running in losses

During the course of oral examination the representative of the company stated that action has been taken to reduce expenditure on staff and that with a view to avoid wastage of food stuff it has been decided that whenever an Officer of the Company happened to be on tour he would raid some tourist complexes

The Committee feel that to make the units viable it is essential that the administrative and overhead expenses are kept under control and the Committee recommend that earnest efforts should be made by the Management of the Company in this direction The Committee desire that the results of raids made by the Company Officers may also be intimated to the Committee

6 21 07 (ii) While the selling prices were being fixed on the basis of prevailing market rates the Company had not framed any standard costs to monitor the actual expenditure and variances with a view to control costs

The table below indicates the margins on the sales of two main items of trade during the three years upto 1978 79

	Year	*Cost of material*	*Sale proceeds*	*Margin (percentage)*
		(*Rupees in lakhs*)		
(i) Wine and Minerals	1976 77	50 81	77 26	52 1
	1977 78*	46 06	72 82	58 1
	1978 79*	34 30	60 27	75 7
(ii) Food	1976 77	42 98	64 79	50 7
	1977 78*	46 01	77 34	68 1
	1978 79*	44 98	76 99	71 2

In spite of margins of 50 7 to 75 7 per cent, the Company was not able to break even because of heavy direct and indirect overhead expenses

In its written reply the Management of the Company stated as under—

However with the passage of time and further popularity of our complexes the direct and indirect expenses have been reduced in

*Figures are provisional

commercial activities as compared to the turnover The detail of which is given below —

Year	*Turnover*	*Direct expenses*	*Percentage*	*Indirect expenses*	*Percentage*
1979 80	2 48 73	1 80 46	72 55%	72 15	29%
1980 81	3 29 78	2 39 05	72 48%	80 45	24 38%
1981 82	4 32 48	3 22 99	74 68%	97 38	22 51%
1982 83	4 59 34	3 24 32	71 02%	1,18 42	25 81%

*The increase in percentage of indirect expenses for the year 1982 83 is due to the revision of pay scale of the staff w e f 1 4 82

During the course of oral examination the representative of the Company admitted that the Management had not fixed any standard costs to monitor the actual expenditure and variance with a view to control costs of items due to lack of experience and that now it has been done

The Committee observed that whenever action was taken against some delinquent official he was transferred to a place where the atmosphere was already polluted as all the disgruntled elements gathered at one place

The Committee feel that it is not enough to rest content with such transfers Instead of transferring such an employee to such a place with no chance of improvement the official should be penalised in such a manner so as to improve his conduct and take the best out of him

The Committee are also not satisfied with the reply of the Management that the direct and indirect expenses have been reduced at the complexes The Committee feel that much more is wanting on the part of the Management to bring down the expenses especially the indirect expenses **The Committee, therefore, strongly recommend that effective steps should be taken by the Management of the Company to bring down the expenses at the complexes to make them viable**

6 21 08 *Non commercial units*

The Company took over 13 non commercial units viz, tourist bungalows huts motels rest houses etc from the Tourism Department from 1st September 1974 for managing these as an agent of the State Government The Company received a loan of Rs 2 00 lakhs from the State Government in 1974 75 as working capital and the Government also agreed to subsidise the losses if any, on the running of these units 10 additional units were handed over to the Company up to 1978 79 One unit at Hathnikund was however closed in 1977 78 after it had sustained a loss of Rs 0 16 lakh

The working results of these non commercial units for the three years up to 1978 79 are given below —

	1976 77	1977 78	1978 79
			(*Provisional*)
			(*Rupees in lakhs*)
A—Revenue			
(a) Operating	11 40	15 22	18 86
(b) Subsidy	2 50	2 50	2 50
Total	13 90	17 72	21 36
B—Expenses			
(a) Operating	6 75	7 39	8 53
(b) Overheads	11 18 (166)	10 74 (145)	13 72 (161)
Total	17 93	18 13	22 25
Loss	(—)4 03	(—)0 41	(—)0 89

Note Figures in parenthesis denote percentage to operating expenses

It will be seen that while the operating expenses went up from Rs 7 39 lakhs in 1977 78 to Rs 8 53 lakhs in 1978 79 (1 9 per cent) the overheads had increased from Rs 10 74 lakhs to Rs 13 72 lakhs (27 7 per cent) during the same period

The government had subsidised the losses to the extent of Rs 2 50 lakhs per annum as against the loss of Rs 6 53 lakhs in 1976 77 Rs 2 91 lakhs in 1977 78 and Rs 3 39 lakhs in 1978 79

The operational results of individual units revealed a loss of Rs 3 02 lakhs (11 units) in 1976 77 Rs 1 42 lakhs (9 units) in 1977 78* and Rs 1 04 lakhs (8 units) in 1978 79

The Management attributed the losses (June 1980) to gestation period provision of accommodation to the Ministers MLAs and the State Government Officers, at rates lower than the actual cost and non closure of the losing units

In its written reply the Management of the Company reiterated that the losses in the non commercial units were due to providing of accommodation to Ministers MLAs and State Government Officers at rates lower than commercial rates and non closure of losing units keeping in view the policy of social objective of the Government

*Figures are provisional

The Committee however, feel that one of the main reasons contributing the running of these units in losses was the increase in overhead expenses and very little has been done by the Management to contain these expenses

The Committee, therefore, recommend that concerted efforts should be made by the Management of the Company to reduce and control the overhead expenses of these units to make them viable instead of going in for closure of such units

6 21 09

(i) *Running of Art Gallery at New Delhi*

With a view to displaying tourism literature, paintings, organising film shows art exhibitions travel conferences etc, the Company took over (August 1975) an art gallery at New Delhi (together with the staff) from another State Government undertaking on a monthly rental of Rs 500

From August 1975 to July 1977 the Company had incurred a loss of Rs 0 33 lakh on the running of the gallery The Management having reviewed the working of the art gallery in November 1977 decided that efforts should be made to run it on profitable and commercial lines The Company however, sustained a further loss of Rs 0 19 lakh in 1977-78 and the gallery was closed down in March 1978 and returned to the owners in May, 1978/July, 1979

In its written reply the Management of the Company stated

'Art Gallery at Delhi was closed and the entire space taken on lease including the three rooms referred to in the report have since been vacated and handed over to the owner as on 27 5 1978 As regards art pieces and paintings these are displayed in exhibitions held from time to time for publicity of Haryana Tourism'

During the course of oral examination the representative of the Company admitted that the Art Gallery was running in loss when it was taken over by the Company from another State Government Undertaking

The Committee feel that when the fact that the Art Gallery was running in loss was already in the knowledge of the Management of the Company, they should not have taken over it without considering all pros and cons about its viability and thus could have avoided loss of Rs 0 52 lac to the Company

The Committee, therefore, recommend that in future before treading in ventures running in losses all pros and cons about their viability should be carefully considered by the Management of the Company

6 21 10 *Embezzlements mis appropriations and shortages*

The following cases involving embezzlements, mis appropriations and shortages of store were noticed

Sr No	*Name of the Complex*	*Brief particulars*	*Amount (Rs in lakhs)*	*Remarks*
1	Uchana	Sale proceeds cash receipts cash in hand and unpaid salary from September 1974 to Oct 1977 were short/not accounted for by the cashier	0 30	The cashier *was placed under suspension in Nov 1977 but reinstated in March 1978 pending disciplinary proceedings against him The official submitted his resignation in August, 1979 which was not accepted He is however absent from duty since then Further report is awaited (March 81)
2	Badkhal	(a) Mis appropriation of sale proceeds during 1977 78 and 1978 79	0 24	Rs 0 21 lakh was recovered from the defaulters upto November, 1980 Balance amount was awaiting recovery (Nov 1980)
		(b) Shortages of stores (Rs 0 23 lakh in Mayur Rs 0 24 lakh in Gray Falcon Rs 0 28 lakh in Surajkund, Rs 0 93 lakh in Hodel) detected in Dec 79	1 68	The project Officer was asked (February 1980) to fix responsibility for the shortages Final action is awaited(March 1981)
		(c) Against the cash book balances of Rs 31 313 at Badkhal (25th Jan 1980) & Rs 32 056 at Hodel (26th January 1980) the actual cash in hand was Rs 405 and Rs 11 162 respectively The Balance amounts were reported to have been irregularly advanced to staff and others on hand receipt basis		Final action is awaited (March 1981)

*In addition cheques and drafts for Rs 1 29 lakhs were deposited in bank during April 1976 to April 1977 but had not been accounted for in the cash book

Sl No	Name of the Complex	Brief particulars	Amount (Rs in lakhs)	Remarks
3	Badkhal and Pinjore	Shortages of stock of shoft drinks wines and minerals during Dec 1974 to October, 1977	0 19	Rs 0 13 lakh was recovered from the defaulting officials upto June, 1980 and the balance of Rs 0 06 lakh was awaiting recovery (November, 1980)
4	Narnaul	Embezzlement of cash and stores during June, 1979 to April 1980	0 13	Rs 0 03 lakh was recovered and the case was registered with the Police in April 1980 The official was placed under suspension in May, 1980 Further progress is awaited (March 1981)
5	Panipat	Mis appropriation of cash during February 1975 to May 1978	0 06	Rs 0 04 lakh was recovered in April 1980 Another official who was responsible for a mis appropriation of Rs 0 02 lakh had since left the Company s services The Matter was reported to the Police in Sept, 1980
6	Dharuhera	Shortages of stores during 1975 76 to 1977 78	0 20	The charge of the emporium and L 2 vend were taken over from the Counter Clerk in Nov 1977 and Jan 1978 respectively The Project Officer Gurgaon lodged the FIR with the Police in March 1978 The results of Police investigation are awaited (March 1981)

— In its written reply the Management of the Company stated that—

Regarding case at serial No 1 in the above para a sum of Rs 1 100/ is still recoverable from the official whose services were terminated on 30th March, 1983 and that he has been asked to deposit the amount immediately otherwise F I R would be lodged against him

Regarding cases at serial Nos 2(a) and 2(c) the amounts have been recovered and for case at serial No 3 the recovery of balance amount of Rs 3 850/ is being made in monthly instalments

Regarding case at serial No 2(b) on investigation the actual shortage was worked out to Rs 1 55 lacs against which Rs 0 43 lakh was allowed as Drivers consumption at Hodel Rs 0 17 lakh as genuine wastage and for the remaining Rs 0 96 lakh the recovery is being made by Divisional Manager Badkhal

Regarding case at serial No 4 Rs 3 000/ was recovered and for the balance amount of Rs 9 445/ FIR was lodged against the official who is reported to be absconding

Regarding case at serial No 5 the official who resigned from the service in September 1978 was reported untraceable by police in December, 1982 and Rs 2,000/ recoverable from him have been written off

Regarding case at serial No 6 the services of the defaulting official had been terminated in December 1977 and the F I R lodged against him (March 1978) was filed untraced in September 1981 and action is being taken to write off the amount of Rs 19,576/

The Committee feel that there were inordinate delays on the part of the Management of the Company in pursuing and finalising the cases and effecting recoveries **The Committee desire to know whether the antecedents of the absconding officials were verified at the time of their appointment in service and any surety bonds were taken and if not, the responsibility for the lapse should be fixed under intimation to the Committee**

The Committee recommend that the Management of the Company should take effective steps to avoid recurrence of such cases in future and the Committee be informed about the progress of recovery in these cases

6 21 12 *Other topics of interest*

(*i*) *Avoidable payment of sales tax*

The Complexes of the Company were registered as dealers under the Sales Tax Act up to 1977 78 (levy of sales tax by restaurants was discontinued thereafter under a Court decision) Under the provisions of the act the units of the Company could purchase articles for re processing and sale by issue of requisite declaration forms without payment of tax

It was noticed that the facility of making purchases without payment of tax had not been availed of by certain units of the Company resulting in an avoidable payment of sales tax of Rs 0 17 lakh during 1974 75 to 1977 78

The Management stated (November 1980) that the concerned officers had been directed to claim the refund while finalising their annual sales tax returns

During the course of oral examination the representative of the Company stated that it is very difficult to get the refund of Sales Tax amount from the Government and that now the procedure is being followed by the Company

The Committee recommend that the Management of the Company should pursue the matter with the State Government for getting the refund of the amount of claim

6 21 12 (ii) *Setting up of Folk Art Museum*

In November 1976 the Tourism Department Haryana entrusted the work of setting up 2 folk art museums at Rohtak and Hodel to the Company A sum of Rs 3 50 lakhs (Rohtak Rs 1 00 lakh and Hodel Rs 2 50 lakhs) was placed at the disposal of the Company for this purpose The Company purchased art and artifacts worth Rs 0 19 lakh and had incurred an expenditure of Rs 0 20 lakh on pay and allowances furniture conveyance etc up to January 1977 Due to the sites for setting up the museums not having been selected by the Company no concrete steps could be taken towards the implementation of the project

The Management stated (November 1980) that some sites were under consideration for setting up the museums but final selection was yet to be made (November 1980)

The Company/State Government stated in its written reply as under —

> It was decided to establish Folk Museum at Hodel and Rohtak but site for the same could not be earmarked The material purchased was kept in a safe custody After drawing up the 6th five year plan it was decided to set up a folk art Museum at Pinjore and Hodel However once again work on the Project had to be delayed due to the decision to launch a five star project at Surajkund The plan to construct such a museum has certainly not been shelved as the idea of setting up a folk art museum at Hodel and within the Tourist Village Planned between Surajkund and Badkhal are under consideration Again plans to open the museum at Sultanpur Bird Sanctuary is also under consideration However in order to make use of the items purchased in 1976 a jewelary display counter was opened a Karna Lake in 1981 82 in which some of the major items are on display and the display pattern changed from time to time Further these items are also put on display at exhibition and travel trade seminar

The Committee recommend that the decision regarding setting up of the Folk Art Museums should be expedited so that the articles already purchased could be properly utilised

6 21 12 (iii) *Irregularity in recovery of rent charges*

(a) According to rules, the rent charges for stay in a motel are recoverable in advance In one case a tourist was allowed to stay in a motel from 11th December 1976 to 22nd January 1977 without advance payment of rental charge He left the motel with the assurance that charges amounting to Rs 0 09 lakh would be paid by his employer The employer stated that the rental charges, etc should be recovered from him In January 1979 the Company filed a civil suit for recovery which was pending in the Court (Nov 1980)

(b) In another case a tourist stayed at Surajkund motel from 16th to 25th January 1977 A sum of Rs 2,460/ became due from him He gave a cheque of Rs 1 200/ and left the place with one room locked The cheque when presented for payment (January 1977) was dishonoured by the Bank The tourist did not return and the room was unlocked on 14th April 1977

After over 2 years (June 1979) the Company filed a civil suit for the recovery of Rs 7 200/ (including room rent up to 14th April, 1977) and the case is pending (November 1980)

In its written reply the Management of the Company stated that both the cases were subjudice in one case ex parte decision was given and decree proceedings were in progress and the other case was still under process

During the course of oral examination the representative of the Company stated that now the system of charging of rent has been improved

The Committee are of the opinion that there was lapse on the part of the Officers of the Motels who had allowed the tourists to leave the Motels without payment of rental charges

The Committee, therefore, recommend that the circumstances under which the tourists were allowed to leave the Motels without payment of rental charges should be investigated and responsibility be fixed under intimation to the Committee

The Committee feel that the legal action in both the cases was intiated by the Management of the Company after two years which was too long a period and could have been avoided

The Committee recommend that the cases should be pursued vigorously for early finalisation and the recovery position be intimated to the Committee

REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEAR 1980 81 (CIVIL)

HARYANA BREWERIES LIMITED MURTHAL

6 24 *Extra Expenditure on the Purchase of Empty Bottles*

In October 1978 the Company placed an order on a firm of Baroda for supply of 15 38 lakh new empty bottles at firm rate of Rs 875 26 (including Central Excise duty and sales tax) per 1 000 bottles The supplies were to commence from March 1979 and completed by June, 1979

Before commencing the supplies the firm approached the Company (13th November, 1978) to reconsider the price issue in view of the hike in price of inputs Although the supply order was not subject to any price escalation the Company after negotiating with the firm (28th April 1979) decided to accept supplies at the rate of Rs 947 70 (including Central excise and sales tax) per 1,000 bottles (as against the total cost of Rs 968 76 per 1 000 bottles as per firms demand made in November 1978) and an order was placed (April 1979) for 30 lakh bottles at the revised rate of Rs 947 70 per 1 000 bottles

Against the order for 30 lakh bottles the firm supplied 14 70 lakh bottles upto 1st September 1979 and stopped further supplies pending settlement of further increase in rates On a representation from the firm (5th September 1979) and further discussions held between the firm and the Company (13th October 1979) the rates were further enhanced (Oct 1979) to Rs 1 102 14 (including Central excise duty and sales tax) per 1 000 bottles A quantity of 7 32 lakh bottles was received at this rate

Acceptance of periodical price increases in respect of a firm price order resulted in an extra expenditure of Rs 2 24 lakhs in the purchase of 22 02 lakh bottles There was also no provision in the purchase order empowering the company to effect risk purchases at the cost of the defaulting firm

The management stated (18th August 1980) that

(i) glass bottles were the major raw material in the factory and non availability of bottles can result in crisis for it (ii) in the North only two amber glass bottle manufacturers were available with whom they were dealing (iii) no other glass bottles manufacturer was in a position to supply amber coloured beer bottles, and (iv) during the last 2 3 years there had been all round escalation of the price of inputs and the glass manufacturers had been increasing the prices as and when there had been escalation of the price of their inputs

The contention of the Management was not acceptable as the Company had not resorted to open tenders at any stage for ensuring benefit of competitive rates

The matter was referred to Government in May 1981 reply was awaited (March 1982)

In its written reply the Management of the Company stated that the recommendations of the Accountant General have now been implemented Furthermore the suppliers are now required to deposit substantial security to the extent of 5 to 10 per cent of the order value as guarantee for faithful execution of supply orders

During the course of oral examination when asked the reasons for not inviting open tenders for purchase of bottles the representative of the company stated that there are only three organisations to supply the bottles and as such open tenders were not invited in view of the limited choice as by inviting the open tenders the prices would have been much higher The representative further stated that without bottles the company could not have utilised the capacity and the situation would have worsened

The Committee note that the glassbottles is the essential basic requirement of a brewery and non availability of bottles can effect the production adversely

The Committee, therefore, recommend that the management of the Company should take steps to formulate long term planning and identifying sources of supply to have assured regular supplies of bottles at competitive rates

6 25 *Non recovery of interest*

The Company entered into agreements (June July—1978) with three distributors at Faridabad Jaipur and Hyderabad for sale of its products during the year 1979 80 In terms of agreements the distributors were entitled to a cash discount of one per cent on the Ex factory price The distributors were eligible to avail of the credit facility to the extent of the maximum amount of letter of credit opened/bank guarantee furnished to the extent of Rs 1 50 lakhs Interest at the rate of 18 per cent per annum was leviable on the outstanding payments over - and above the stipulated amount/period

During the year 1979 80 the Company had been making credit sales to the distributors even though the distributors had not furnished bank guarantees for the stipulated amount nor had established letter of credit Further the Company had also not charged so far (Nov 1981) interest amounting to Rs 0 93 lakh on credit sales made to the distributors during the year

The Company stated (March 1981) that the parties were not prepared to furnish the bank guarantees and credit facility was provided in the interest of sales

The matter was reported to Government in August 1981, reply was awaited (March 1982)

During the course of oral examination, the representative of the Company stated that whereas there have been 10 cases of non recovery of interest only against three parties the business of the Company had increased from Rs 2 46 crores in 1978 79 to Rs 3 42 crores in 1981 82 whereas the debtors have not increased The representative of the Company further stated that it was done in the interest of the Company

The Committee recommend that deviation from the terms of agreement entered into with the distributors should not be allowed in routine course by the Officers of the Company and such decisions should be taken by the Management at highest level on selective basis in the best interest of the company and the company should have a definite policy regarding credit sales and charging of interest thereon

The Committee note that during 1979 80 the Company had been making credit sales to three distributors at Faridabad Jaipur and Hyderabad even though they had neither furnished bank guarantees for the stipulated amount nor had established letter of credit as stipulated in the agreements entered into with them Further interest amounting to Rs 0 93 lakh was also not charged from these distributors on the credit sales made to them during 1979 80

The Committee recommend that the circumstances under which the interest amounting to Rs 0 93 lac on credit sales, made to these distributors was not charged, be investigated by the management and responsibility for the lapse in this regard be fixed under intimation to the Committee

6 26 *Loss on account of defective pricing policy*

The selling price of beer is being fixed by the Company from time to time keeping in view the increase in the cost of various inputs, excise duty, transport cost etc

During the course of audit it was noticed that the rates of Rosy Pelicon brand of beer revised upwards by the Company during the years 1979 80 and 1980 81 were made applicable to Canteen Store Department (C S D) after a period ranging from 4 to 170 days from the dates on which the rates were revised for other buyers This resulted in loss of revenue of Rs 1 63 lakhs

On this being pointed out in audit, the Company admitted (October, 1981) that even though there was no formal agreement to obtain concurrence of the C S D the rates were revised after obtaining their confirmation which took some time

The matter was reported to Government in October, 1981 reply was awaited (March 1982)

In its written reply the management of the Company stated that the prices of the Canteen Stores Department are determined by mutual consultation for a period and have to be matched keeping the prices of the other competitors in view When and if the HBL develops its capability to expand its marketing zone in such a manner that the supplies to C S D are no longer in its overall interest the Company should discontinue the supplies to that organisation but, till then the supplies should continue to be made as heretofore even if we do not make money on this transaction as it helps in keeping the cost of our production low

The Committee recommend that the Management of the Company should take effective steps and formulate plans to extend its marketing zones to create adequate demand for assured sale of its product and to reduce its dependence on sales at uneconomical rates

HARYANA STATE SMALL-INDUSTRIES AND EXPORT CORPORATION LIMITED CHANDIGARH

6 27 *Loss on Import of Calcined Alumina*

In January 1975 the Company was granted an import licence of the value of Rs 2 15 lakhs c i f for the import of five types of raw materials Conditions of the licence *inter alia* provided that the import of any single item would not exceed 20 percent of the value of the licence and the imported goods would be disposed of to actual users for export production The Company however disposed of the import documents in respect of 4 items included therein on premium to two agents with stipulation that the sale of these items would be made to actual users

In the case of the fifth item viz Calcined Alumina the Company opened (16th July, 1977) a letter of credit in favour of a West Germany firm for the import of 9 400 kgs thereof inspite of the fact that the agent had informed (11th July 1977) the Company that there was slump in the market

The Company while informing about despatch of the material (9 300 kgs) by foreign supplier requested (27th September 1977) the agent to make payment As no response was received from the agent, the documents for taking delivery of material were sent (5th November 1977) to the clearing agents at Bombay with instructions to keep the goods in bonded warehouse with customs

In December 1977 the agent offered to arrange the disposal of material on premium at 10 per cent of c i f value and clearing charges This was not accepted and open tenders were called for (January 1978) from actual users The offers received (August 1978) were rejected (August 1978) as the rates quoted were lower than the actual cost The agent was again approached (August 1978) to dispose of the material at his earlier offer of 10% premium but no response was received In May, 1979 the material was shifted to Faridabad Depot of the Company

The material was ultimately disposed of (June 1980) for Rs 0 70 lakh against the cost price of Rs 1 11 lakhs (including all expenses) resulting in a loss of Rs 0 41 lakh in the deal

The Management while approaching (August 1980) the Board of Directors for write off the loss stated that the material could not be disposed of at premium as demand for it was poor It may be mentioned that the fact that there was slump in the market was in the knowledge of the Company even before the import of material

The matter was referred to Government in August, 1981 reply was awaited (March 1982)

In its written reply the Management of the Company stated that the full facts were brought to the notice of the Board of Directors of the Company in its meeting held on 14th August 1980 to write off the loss of Rs 40 987 06 incurred by the Company on the import of Calcined Alumina

During the course of oral examination on 1st February 1985 the representatives of the Company stated that the offer of M/s Raju Trading Company New Delhi for disposing of the item at 10 per cent premium was not accepted as the Management thought that better premium would be obtained On further questioning the representatives admitted that no market survey was made before rejecting the offer of the agent

The Committee feel that the import of Calcined Alumina was not handled properly by the Management as the import was made in spite of the fact that the agent had pointed out that there was slump in the market The Management also did not make any market survey to find out whether the item would fetch any premium to them or not before rejecting the offer of 10 per cent premium from the agent The unjudicious handling of the import and disposal of this item resulted in loss of Rs 0 41 lac to the Company which could have been avoided had market survey been conducted before the import of the item and the offer of the agent for 10 per cent premium was accepted keeping in view that there was slump in the market

The Committee recommend that mishandling of the case should be investiaged by the Management and the responsibility for the loss of Rs 0 41 lac sustained by the Company in the import and disposal of Calcined Alumina be fixed and a report sent to the Committee The Committee further recommend that the Management should formulate guide lines and laydown procedure for handling imports in future

6 28 *Cancellation of Basmati Rice Export Order* F o- 21-12 2000

The Company entered into an agreement (February, 1979) with a foreign firm of Kuwait for supply of 10 000 tonnes of superior Basmati rice at Rs 5,500 per tonne, f o b Bombay The entire value of shipment was covered by a letter of credit for Rs 5 50 crores

Before signing the contract, the Company on 17th October 1978 entered into a joint venture agreement with Haryana State Cooperative Supply and Marketing Federation Limited (HAFED) who were required to procure and export the rice in accordance with the specification laid down by the buyer The terms agreed to were (i) Parties were to finance margin money and share profit/loss equally (ii) the funds required for the purchase of packing material for rice and for meeting other expenses were to be arranged by the Company by borrowing from a Bank and (iii) the interest and the loan was to be charged to the joint venture account The Company took advance from the bank and remitted Rs 30 lakhs (Between November 1978 to January 1979) to HAFED to finance the purchases

Out of 2 483 4 tonnes paddy procured till January 1979 by the HAFED in the joint venture account 1 433 8 tonnes were sold (May 1979) locally and Rs 20 lakhs out of Rs 30 lakhs advanced by the Company were received back in May 1979 The balance paddy (1049 6 tonnes) was converted into rice (462 6 tonnes) but the rice could not be sold inspite of public auction fixed in July 1979 as the rates offered were much lower than the procurement price

The Company thus suffered a loss of Rs 2 86 lakhs (50% share as per clause of Venture) till 30th, June 1980 The loss is expected to increase further on the disposal of the remaining rice (462 6 tonnes)

The Company stated (December 1980) that the rice could not be exported as the procurement price of requisite quality was much higher as compared to export price due to imposition of levy by the State Govt The contention of the Company is however not acceptable as the fact of levy being in force was already known to the Company (September 1978) even before the execution of agreement with the foreign firm in Februay 1979 In fact the Company cancelled the contract as it could not procure the rice according to the specifications

The matter was reported to Government in May 1981 reply was awaited (March, 1982)

In its written reply the Management of the Company stated that the basmati rice could not be exported because the price of the rice purchased by HAFED worked out more than the contracted export price and that the Company also could not procure the desired quantity of rice as per the specification of the foreign buyer It was further stated by the Management that the matter regarding waiving off the State levy of 20 per cent on the rice meant for export was taken up with the State Government but the Government did not agree to waive off the levy

During the course of oral examination the representative of the Company admitted that no market survey was made to assess the availability of the rice of desired quantity and quality and its price and that the Government was not approached for waiving off the levy before entering into the contract with the foreign buyer The representative of the Company further stated that the entire quantity of rice has been disposed of by HAFED in home market and that as per the tentative accounts finalised by HAFED there was no loss to the Company

The Committee feel that the entire export deal was mishandled by the Management as it was essential that before entering into the contract for export of basmati rice the Management should have taken prior sanction of the Government for exemption from levy instead of presuming that the levy will be exempted and that the availability of the desired quality and quantity of basmati rice and price at which it was available should have been assessed by the Management

The Committee desire that the final position of profit/loss to the Company on the disposal of the basmati rice in the home market after the accounts of the HAFED are audited be intimated to the Committee

6 30 06 *Procurement and distribution of raw material*

(A) The procurement of scarce raw materials such as iron and steel pig iron, hard coke fatty acid cement paraffin wax white paper etc, and their distribution amongst small scale industrial units (SSI)/ Rural Industrial Units (RI) on the basis of their requirements was the main activity of the company as indicated below —

Year	Turnover in raw materials			Percentage of raw material turnover to total turnover	
	Total turnover	Iron & steel	Others	Iron and steel	Others
	(Rs in lakhs)				
1978–79	17,00 19	14 04 75	1 22 41	82 7	7 1
1979–80	18 26 66	14 10 54	1 30 88	77 2	7 2
1980–81	23 56 44	18 51 65	1 11 48	78 6	4 7

The Industries Department assesses the capacity of each unit on the basis of which the Company indents its requirement with the concerned authorities The distribution of raw materials is done through the company s 15 depots at various centres Allocations are made by head office on the basis of assessed capacities and availability of raw materials Industries Department/Regional Iron and Steel Controller watch the utilisation of raw materials by the units Besides the company also handles zinc and other non ferrous metals on agency basis

There were 2 155 2,892 and 3 399 SSI/RI units registered with the Company for supply of scarce raw materials during the years 1978 79 1979 80 and 1980 81 respectively against this raw materials were supplied to 1,609 (75 percent) 2 132 (74 percent) and 2 633 (77 percent) units during the respective years

It was noticed that there was no system for ensuring proper use of controlled materials and that the Director of Industries debarred 340 and 504 units during 1980 and 1981 respectively from getting further supplies of steel items as the raw material was not used for the purpose for which it was issued

In its written reply the Management of the Company stated that the assessed capacity of an industrial unit is worked out for a particular material by the Director of Industries and the Company supplies the material to SSI/RI units on rotational basis as per the availability of the raw material It was further stated that whenever the material is issued to some industrial unit a copy of invoice bill is sent to the General Manager Distt Industries Centre for checking its utilisation as this is required to be done by him

During the course of oral examination the representative of the Company stated that so far as the utilisation of the material by the units is concerned it is the function of the G M D I C to see that the material is being utilised properly or not and where they find that the material is misutilised they write to the Company that the unit is closed

The Committee observe that there is no proper co ordination between the Company and the Industries Department regarding the distribution and utilization of the raw material

The Committee feel that an effective system should be evolved to stop the misutilisation of raw material received by the Units which are either closed or do not function at all

The Committee also observe that the Company s main activity has become the procurement and distribution of iron and steel and it has not developed other activities adequately

The Committee recommend that effective and purposeful co-ordination should be maintained between the Company and the Industries Department so that genuine Small Scale and Rural Industrial Units could be afforded adequate benefits in the form of supply of raw materials and non existent units are weeded out and prevented from misutilising this facility

The Committee also recommend that concrete steps should be taken by the Management to improve the working and turn over of other activities also so that the Company may not be dependent for its existence on the procurement and distribution of iron and steel items alone

(*B*) *Iron and Steel*

(ii) On the basis of assessed capacities of SSI and RI units registered with the Company for supply of iron and steel the Company places its demand with the Iron and Steel Controller and Joint Plant Committee (JPC) The allocation is made by these authorities on various steel plants The table below indicates the quantity demanded quantity allotted and quantity actually supplied by the steel plants during the three years ending 1980 81

Year	*Quantity*			*No of units assisted*	*Percentage of quantity alloated to demanded*
	Demanded	*Allocated*	*Lifted*		
		(*in tonnes*)			
1978 79	88 800	35 620	32 164	1 368	40 01
1979 80	1 03 000	36 200	37 315	1 877	35 01
1980 81	1 16 150	40 100	38,500	2 266	34 5

It would be seen from above that the percentage of quantity allocated by JPC was on the decline with reference to material demand based on requirement of SSI/RI Units

The Committee recommend that the reasons as to why before entering into the contract for export of Basmati rice prior sanction of the State Government for exempting the rice from levy was not obtained and market survey was not conducted to assess the availability of basmati rice of desired specification and quantity and price at which it was available be investigated by the Management and the responsibility for the lapse be fixed and a report sent to the Committee

REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEAR 1981 82 (CIVIL)

HARYANA STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED

6 30 04 *Cash Management*

(i) The Company as at the close of 30th June 1981, had been operating 20 current accounts (16 accounts at outstation for collection of sale proceeds and 4 accounts with banks at Chandigarh) and one cash credit account According to the instructions issued (August 1974) by the Company to the outstation banks balances in current account at any time exceeding Rs 1 000 were to be transferred to the current/ cash credit account with the respective banks at Chandigarh

A test check in audit of bank statements of current accounts as well as cash credit accounts for the period from July 1979 to June 1981 indicated that the outstation banks were not implementing the above instructions besides the company kept heavy balances in current accounts and simultaneously was withdrawing from cash credit account at Chandigarh A study of daily balances during 1979 80 in current accounts with two banks and of three banks during 1980 81 indicated that on an average daily balances in current accounts ranged from Rs 0 38 lakh to 3 06 lakhs Had the Company ensured (i) the transfer of balances exceeding Rs 1 000 from outstation banks to accoutns at Chandigarh, (ii) transfer of balances, from current accounts at Chandigarh to cash credit account it would have saved Rs 1 20 lakhs (out of Rs 11 40 lakhs) paid as interest on cash credit during 1979 80 and 1980 81 The saving would have been more if outstanding balances with the remaining banks are also taken into account

In its written reply the Management of the Company stated that the Company has improved upon the system and the arrangements with the CANARA BANK has been made to cover the late transfer by its field offices so that the Bank would give credit to the account at Head Office from the date when the amount is deposited in its Branch Office in the field

During the course of oral examination the representatives of the Company when questioned by the Committee whether there is no problem now stated that at present this system is prevailing in most of the Branches and it will be applied in all the places soon

The Committee recommend that expeditious steps should be taken by the Management of the Company to introduce the revised system of getting credit in the cash credit account at Chandigarh on the same day the amounts are deposited in the all Branches of the Banks in the field so that the Company is not burdened with the avoidable interest charges on cash credit account due to delay in transfer of funds from field

In its written reply the Management of the Company stated that the allocation is made by the Joint Plant Committee on national level on the basis of expected availability of iron and steel items during the year vis a vis the demand based on the total assessed capacity of SSI units in the concerned State

The Committee observe that the Company was not only allocated much less quantity than demanded by it but it also failed even to lift the quantity allocated as against 35 620 tonnes allocated during 1978 79 the Company could lift only 32 164 tonnes and out of 40,100 tonnes allocated during 1980 81 it could lift only 38 500 tonnes

The Committee recommend that the reasons for lifting the less quantity than allocated by the J P C should be investigated by the Management and responsibility for the lapse fixed and intimated to the Committee

The Committee also recommend that all efforts should be made by the Management of the Company to get the adequate allocation of iron and steel from J P C so that the requirements of SSI and RI units are adequately met

(*D*) *Cement*

The Company made advance payments periodically aggregating Rs 9 85 lakhs during the period from November 1974 to August 1975) to a cement factory at Dadri for the purchase of cement (3 015 tonnes against which 1 207 700 tonnes cement valuing Rs 7 35 lakhs was received no supplies were received against 5 15 tonnes indented in July 1975 against which Rs 0 90 lakh were advanced in August, 1975 The Company served a notice on the factory in August, 1977 for the refund of the outstanding advance of Rs 2 50 lakhs as no supplies were received after 2nd June 1975 As the factory did not refund the amount a suit for recovery of Rs 3 54 lakhs (including interest Rs 0 98 lakh and court fee Rs 0 06 lakh) was filed in the High Court in November 1977 The factory remained closed from March 1976 to November 1976 and thereafter it was declared as a sick unit and was taken over (June 1981) by a Central Govt Undertaking The failure of the Company to adjust the advance made in one quarter from the advances made in subsequent quarters largely resulted in accumulation of the outstanding advance to the extent of Rs 1 60 lakhs

In its written reply the Management of the Company stated that the quantity of Cement could not be received from M/s Dalmia Dadri Cement Company Limited because of internal problems of that unit which were not in the knowledge of the Management and that the proceedings of the Civil suit filed by the Company in Delhi High Court were deferred by the Court because M/s Dalmia Dadri Cement Company Limited was in the process of merger/take over by the Cement Corporation of India It was further stated that the Management has filed a claim for recovery of Rs 2 55 lacs with the Commissioner of payments appointed to satisfy the outstanding creditors of M/s Dalmia Dadri Cement Company Limited

During the course of oral examination the representatives of the Company stated that now this Cement Company has been taken over by the Government of India and their claim is pending with Commissioner of Payments

The Committee recommend that the case for the recovery of the outstanding amount of Rs 2 55 lacs should be pursued vigorously with the Commissioner of Payments and the Committee be kept informed about the progress in the matter

6 30 07 *Marketing Assistance to SSI Units*

(a) The Company sponsored in 1975 76 a scheme to assist the SSI units in the State in marketing their products and to extend financial assistance In pursuance of these objects the Company had neither undertaken any market survey to identify markets for the products of SSI Units nor published any promotional plans etc

The table below indicates the number of units registered units assisted and orders executed during the three years upto 1980 81

			No and value of orders				
			Procured		*Executed*		
Year	*No of units registered*	*No of units assisted*	*Number*	*Value*	*Number*	*Value*	*%age of units assisted to units registered*
				(Rs in lakhs)		*(Rs in lakhs)*	
1978 79	99	10	15	22 00	12	19 07	10 1
1979 80	225	17	16	45 00	18	39 74	7 5
1980 81	282	18	13	22 00	12	15 74	6 4

It will be observed from above that the Company rendered assistance only to 10% or less of the units registered with it

The Management explained (January 1983) that it had not been able to compete in the open tender system for the products of the SSI units as the Company was not entitled to price preference while SSI units get this benefit directly

In its written reply the Management of the Company stated that the Company was not able to compete in open tenders for the products of SSI units because it was not entitled to price preference as the goods are not manufactured by it and that the Company has represented to Government to treat it as an approved concern for supply of various items manufactured by SSI/RI units

During the course of oral examination the representatives of the Company stated that the Government of India revised the orders in 1980 providing that the manufacturers will be treated as approved source as such the Company could not give the certificate that it was the manu facturer of the goods produced by SSI/RI units, with the result it was unable to market the goods of SSI/RI units It was further stated that now the Company has represented to Government to treat it as an approved source for supply of various items manufactured by the SSI/RI units and the matter is under consideration of the Government

The Committee feel that one of the major difficulties faced by the SSI/RI units is the marketing of their products for which the Committee recommend that all efforts should be made by the Management to help these units in marketing their products

The Committee recommend that the matter regarding getting the Company declared as approved source for marketing the goods manufac tured by SSI/RI units should be pursued by the Management with the Go vernment at highest level and the Committee be informed about the progress in the matter

(d) The Chief Executive Officer Small Farmers Development Agency (SFDA) Hissar placed (August 1978)] an order on the Company for immediate supply of 1200 wheat storage bins to Block Development Officers (BDOs) for distribution to farmers at rates between ranging Rs 184 37 and Rs 360 each according to size

The Company was to get the storage bins fabricated through the SSI/RI units registered with it but the supply orders for 250 bins and 950 bins were placed with two firms of Hissar including one firm which was not a registered SSI units (250 bins valued Rs 0 45 lakh) Against the above orders one firm manufactured 175 bins (out of bins 250 ordered) and Rs 28 192 were released (October 1978) to it, similarly the other firm manufactured only 97 bins (as against 950 allocated) and an amount of Rs 20 000 was released (November 1978 and January 1979) to this firm The balance portion of the orders was not executed by the firms

All the 272 storage bins (valuing Rs 58 281) were supplied (Sept, 1978 to January, 1979) to the B D Os but bills for only 89 storage bins amounting to Rs 18,315 were raised (February 1979 to August, 1979) by the Company Out of this only Rs 14 097 had so far been received (October 1982) and balance amount of Rs 0 44 lakh was still outstanding Bills for 183 bins valuing Rs 39 866 had not been rendered upto October, 1982 as details of beneficiaries were not provided by the B D Os

In its written reply the Management of the Company stated that out of Rs 0 58 lac recoverable for the supply of 272 bins Rs 0 29 lac were recovered and the balance amount of Rs 0 29 lac was yet to be recovered from the Indenting Department

During the course of oral examination the representative of the Company stated that a further sum of Rs 0 04 lac has been recovered and Rs 0 25 lac now remained to be recovered from the Agriculture Department

The Committee recommend that the matter regarding recovery of the balance amount of Rs 0 25 lac should be pursued vigorously by the Management with the Indenting Department as this has already been delayed considerably and the Committee be kept informed about the progress of the recovery

6 30 08 (*b*)

OPERATIONAL RESULTS OF EMPORIA

(i) The goods such as tapestry brasswares carpets crockery, leather articles jewellery etc , sold at the emporia are either those pur chased by the Company as a trading venture or kept on consignment basis for sale The table below indicates the working results of six emporia for three years upto 1980 81 —

Sr No	*Name of Emporium*		*Sales*		*Profit(+) Loss (—)*	*Supplies made to Govt Deptts — other approved organisa tions (included in total sales)*
			Targets	*Actuals*		
			(Rs in lakhs)			
(1)	New Delhi	1978 79	50 00	64 83	(+)0 39	Not available
		1979 80	80 00	46 97	(+)1 81	35 47
		1980 81	60 00	49 72	(—)0 15	31 06
(2)	Chandigarh	1978 79	45 00	41 36	(—)0 01	Not available
		1979 80	60 73	29 84	(—)0 76	21 69
		1980 81	50 00	52 65	(—)0 10	26 07
(3)	Ambala	1978 79	10 00	8 49	(—)0 63	Not available
		1979 80	14 50	10 14	(—)0 39	8 55
		1980 81	15 00	18 20	(+)0 27	14 66
(4)	Lucknow	1978 79	15 00	6 48	(—)0 13	Not available
		1979 80	15 00	6 13	(+)0 32	2 60
		1980 81	12 00	8 98	(+)0 05	1 88
(5)	Bombay	1978 79	7 00	5 76	(—)0 11	Not available
		1979 80	9 00	10 83	(+)1 63	Nil
		1980 81	15 00	13 22	(+)0 54	0 44
(6)	Agra	1978 79	3 00	2 11	(+)0 16	Not available
		1979 80	4 00	3 08	(+)0 18	Nil
		1980 81	5 00	3 84	(+)0 03	0 27

The Chandigarh Emporium is still incurring losses in spite of increase in sales The Company had neither maintained records for assessing the quantity and value of goods purchased by it from the SSI/RI units for sale through the above emporia nor collected the information

(ii) From the foregoing table it would be observed that the sales by three emporia (Sr No 1 to 3) were mainly by supplies to Govt Deptts /Organisations If the profit on supplies to Govt Deptts /Organisations is excluded the loss on sales from counters was very heavy as shown in the table given below —

Sr No	*Emporium*	*Year*	*Overall Profit(+)/ Loss(—)*	*Profit earned on Govt sales*	*Loss(—)*
			(Rs in lakhs)		
1.	Chandigarh	1979 80	(—)0 76	3 22	(—)3 98
		1980 81	(—)0 10	2 44	(—)2 54
2	New Delhi	1979 80	(+)1 81	3 22	(—)1 41
		1980 81	(—)0 15	2 82	(—)2 97
3	Ambala	1979 80	(—)0 39	0 77	(—)1 16
		1980 81	(+)0 27	1 33	(—)1 06

In its written reply the Management of the Company stated that the profit of the Chandigarh emporium decreased in the 1978 79 1979 80 and 1980-81 due to unexpected increase in the overhead expenses and efforts are being made to make it profitable As regards maintenance of records for assessing the quantity and value of the goods purchased by the emporium from SSI/RI units for sale to Govt Deptts the Management stated that separate registers have been maintained

The Management stated that credit sales and sales to Govt Deptts as well as sales on the counters are part of the total sales in the emporium and more marketing efforts are involved in procuring orders from Govt Deptts in view of competition from other Govt agencies The Management further stated that sales made through the orders procured from Govt Deptts are legitimate part of the total sales of emporia and the position shown in the audit para is contrary to facts and is an erroneous subjective assessment

During the course of oral examination the representative of the Company stated that the total sales should be taken into consideration to see whether the Company was earning profit or loss and the profit/loss of the Company on sales to Government organisations and counter sales should not be evaluated separately

The Committee observe that the performance of various emporia of the Company was far from satisfactory and the emporia had not been able to achieve the targets of sales fixed by the Management The

Chandigarh emporium was continuously running in loss and the performance of other emporia were also not satisfactory The Committee observe that the major portion of sales by Chandigarh New Delhi and Ambala emporia constituted supplies to Government Departments/Organisations for which the Company is an approved source and that the Company was not able so far to make a significant dent in the open market to boost up the sales through its various emporia

The Committee feel that while analysing the sales performance of the emporia it is essential that the sales under various categories such as, Government Departments/Organisations for which the Company is an approved source sales through counters to private organisations general public etc should also be analysed to locate the areas of weakness/losses so that corrective steps could be taken by the Management to plug the loopholes effect economy and weed out items where heavy losses are incurred to make the emporia viable

The Committee deprecate that the Management failed to appreciate the object and spirit behind the audit para that barring supplies to Government Departments/Organisations the earnings of Chandigarh New Delhi and Ambala emporia from counter sales were not satisfactory needing attention of the Management for steps to boost up sales to general public private organisations and other untapped sectors also

The Committee recommend that effective steps should be taken by the Management of the Company to improve the working of the emporia and making them viable and profit earning and expand the marketing field by tapping unexploited areas The reasons for continuous losses incurred by Chandigarh emporia and unsatisfactory performance of other emporia be investigated and responsibility for losses be also fixed under intimation to the Committee

(c) With a view to boost the sale of goods produced in the State such as tapestry, brasswares, carpets crockery, leather articles jewellery etc to foreigners the Company opened (February 1977) an emporium at Ashoka Hotel New Delhi by hiring a showroom on a licence fee of Rs 0 83 lakh per annum As the emporium was not found commercially viable it was closed from 5th June 1979 During the period February 1977 to June 1979 the emporium incurred a loss of Rs 1 27 lakhs on a turnover of Rs 2 92 lakhs Further a sum of Rs 0 31 lakh incurred by the Company (April May 1977) on the renovation of the emporium also became largely infructuous

In its written reply the Management of the Company stated that since the emporium did not show positive results it was decided to close it after the expiry of the lease period and the expenditure incurred on renovation was necessary to keep the image of the emporium

The Committee observe that before opening the emporium its viability was not examined by the Management of the Company as is evident from the fact that during the two years of its working the emporium incurred a loss of Rs 1 27 lacs on a sale of Rs 2 92 lacs

The Committee recommend that the reasons for opening the emporium without going into the pros and cons of its viability which resulted in heavy losses to the Company be investigated and the responsibility for the loss be fixed under intimation to the Committee

(*d*) *Old and damaged stocks*

As on 30th June, 1981 the six emporia had a stock of old (left over for over three years) and damaged stock valued at Rs 6 83 lakhs Reasons for accumulation of old stock have not been investigated The old items included jewellery items (value Rs 1 79 lakhs) which are lying unsold The jewellery counters in the emporia have been allotted (April 1980 to December, 1980) to private parties for the sale of their own jewellery items on commission basis

As per the policy laid down no credit sale was to be effected to private parties However the debtors of Chandigarh New Delhi and Ambala emporia included Rs 0 42 lakh representing credit sales to private parties

In its written reply the Management of the Company stated that the old stock/left over for the last three years and damaged goods valuing Rs 6 83 lakhs have been assessed and cleared which included unsold jewellery of Rs 1 69 lacs which has been transferred to the jewellery counter given on contract and the payment is being recovered in instalments It was further stated that the goods on credit to the private parties were sold by the Chandigarh and New Delhi emporia and out of the sales of Rs 42 000/ now the outstandings have been reduced to Rs 30 000/ approximately

During the course of oral examination when asked to give the break up of the damaged goods valuing Rs 6 83 lacs the representatives of the Company stated that this will be sent to the Committee The representative further stated that now all the old stock has been disposed of

The Committee observe that inspite of the laid down policy that no credit sale was to be made to the private parties sales amounting of Rs 0 42 lac were made on credit to private parties out of which a sum of Rs 0 30 lac was still outstanding

The Committee recommend that the responsibility for effecting credit sales to private parties which was against the laid down policy of the Company be fixed and the outstanding amount with interest, if not so far received from private parties, be recovered from the defaulting officials under intimation to the Committee

The Committee direct that the break up and details of the damaged goods valuing Rs 6 83 lacs and its disposal giving the profit/loss on its disposal be furnished to the Committee within two months

6 30 09 *Export Promotion*

(A) The table below gives the total turnover of the Company, the value of exports of the State and the value of exports channelised through the company for three years upto 1980 81 —

Year	Total turnover of the Company	Exports sales	Expenditure on export promotion	Total export of the State	Percentage of: Export by the Company to total export of the State,	Percentage of: Export promotion expenses of total export
			(Rs in lakhs)			
1978 79	1,700 19	20 44	5 21	76 38	0 26	25 5
1979 80	1 826 66	14 35	5 58	85 00	0 16	38 9
1980 81	2,356 44	9 13	5 43	100 00	0 09	59 5

It would be seen from the above that the export by the Company declined from Rs 20 44 lakhs (1 20 percent of total turnover) in 1978 79 to Rs 9 13 lakhs (0 39 per cent of total turnover) in 1980 81 whereas the expenditure on export promotion increased from Rs 5 21 lakhs in 1978 79 to Rs 5 43 lakhs in 1980 81 and the company s contribution in the total export of the State remained negligible throughout the period

In its written reply the Management of the Company stated that during the years 1978 79 to 1980 81 the Company has been doing business on DP/DA basis (documents against presentation/documents against acceptance) and this resulted in blockade of funds without any return The Company decided to stop export business on DP/DA basis and considered it desirable to adopt systematic methodology for export of goods after carrying out in depth study as to how best the export business could be taken up by the Company in a systematic manner It was further stated that to build up the export potential survey of the Haryana State has been conducted by the Indian Institute of Foreign Trade Ministry of Commerce Government of India with the help of the Director of Industries Haryana The Company has also organised Export Development Programme with the help of IIFT to train its Officers

During the course of oral examination the representative of the Company accepted that the Company was not doing much in the Export Promotion and stated that now steps have been taken to improve the exports

The Committee observe that one of the main objects of setting up of the Company was to promote exports and the Company has completely failed in this ~~filed~~ field

The Committee also observe that though the exports of the Company declined from 20 44 lacs in 1978 79 to 9 13 lacs in 1980 81 the expenditure on export promotion increased from 5 21 lacs in 1978 79 to 5 43 lacs in 1980 81 The Committee feel that the export field has been badly neglected by the Management and no effective co relation has been kept between the export sales and expenditure on export promotion

The Committee recommend that the reasons for increase in expenditure on export promotion and steep decrease in export sales should be

investigated by the Management and responsibility for the lapse be fixed. The Committee also recommend that concerted efforts, by formulating plans, fixing targets and monitoring achievements, should be made by the Management to boost export sales and progress made be intimated to the Committee.

(B) *Foreign Tours*

The Company participated in fairs/exhibitions held abroad and arranged display of industrial products therein The officers of the Company also conducted foreign tours for promoting sales

The table below gives details of expenditure of foreign visits and orders booked during three years upto 1980 81 —

	1978 79	1979 80	1980 81
		(Rs in lakhs)	
Orders booked/committed	13 11	23 72	76 00
Orders executed	1 46	7 27	9 42
		(Percent)	
Percentage of orders executed to orders booked	11 15	30 63	12 39
		(Rs in lakhs)	
Expenditure on foreign tours	2 03	2 71	1 84

The Management adduced (July, 1982) the following general reasons for the poor performance in execution of the orders —

(i) Product adaptation needed for goods to be as per international specifications

(ii) Power shortage thereby affecting production leading to untimely supply

(iii) Frequent escalation in prices of various industrial raw materials such as iron and steel etc , leading to an order becoming un economical to execute,

(iv) Fluctuation of foreign currency in relation to Indian Rupee and

(v) Lack of quality control with the concerned units

The Committee observe that against the orders booked on foreign visits by the Officers of the Company the amount of orders executed was not significant and as against Rs 2 03 lacs incurred on foreign tours during 1978 79 the export order executed was of only Rs 1 46 lacs Likewise the performance during the years 1979 80 and 1980 81 was also **very poor**

The Committee recommend that the reasons for executing orders of Rs 1 46 lacs, Rs 7 27 lacs and Rs 9 42 lacs during 1978-79, 1979 80 and 1980 81 as aginst the orders of Rs 13 11 lacs, Rs 23 72 lacs and Rs 76 00 lacs booked in these years during foreign tours be investigated and responsibility for the lapses be fixed and a report be sent to the Committee

(C) Certain points noticed on a review of some cases of exports made by the company are given hereunder —

(i) An order for supply of readymade garments valued Rs 4 20 lakhs to a firm of Nottingham was bookd in February March 1980 by the General Manager during his visit to that place In pursuance of the order the firm initially opened (May 1980) a letter of credit for Rs 1 10 lakhs The letter of credit interalia provided that the quality design colour size and quantity and other details should be got inspected by their local representative at New Delhi before despatch of consignment to Nottingham

Ready made Garments valued Rs 1 21 lakhs were got stitched by the Company and were air lifted (June 1980) The foreign buyer after receipt of the goods rejected (July 1980) the same due to wrong marking on boys shirts and shorts shabby and irregular size of blouse tops and the bankers also refused to make the payment

During audit it was noticed that the readymade garments were not got inspected by the local representative of the foreign buyer before despatch as the representative was stated to be not available at the time of despatch of consignment The documents could not therefore be got negotiated through its bankers The goods were lying at Nottingham (September 1982)

The management stated (July 1982) that the foreign buyer was ready to return the material provided the company reimbursed the expenditure on storage customs duty etc incurred by the buyer (about Rs 25 000) The company was trying to sell the goods to some other customer in U K (Sept 1982)

In the meantime further garments valued Rs 1 17 lakhs were got fabricated (April May 1980) for the same buyer but the same were not sent as the payment for the previous consignment had not been received The material is lying in store in the export wing of the company (Sept 1982)

The Management stated (May 1981) that the services of some officers of the Corporation had been terminated and action against other officials was being initiated The management further stated (September, 1982) that all possible efforts were being made to dispose of the goods

In its written reply the Management of the Company stated that the foreign buyer refused to remit any payment to the Company due to certain changes found in the specifications of the goods and on the persuation of the Indian High Commission the foreign buyer has returned the consignment which has been received in India and is under clearance It was further stated by the Management that the readymade garments valuing Rs 1 17 lacs are being disposed of in India through sales counters of emporia

During the course of oral examination the representative of the Company while admitting the lapse in exporting the material without inspection by the local representative of the foreign buyer submitted that in future they will follow the procedure

The Committee feel that it was the severe lapse on the part of the Officers of the Company who dispatched the garments without getting inspected the same by the Local representative of the foreign buyer, as provided in the order

The Committee direct that the action be taken against the Officials found responsible for this lapse and the position of the disposal of the garments brought back from U K and also the position of disposal of garments valuing Rs 1 17 lacs and the loss suffered by the Company in the transaction, be intimated to the Committee

(ii) The Manager Export during his foreign tour in September/October, 1978 (Expenditure Rs 0 40 lakh) booked one order (value) Rs 1 09 lakhs for supply of 2 000 pairs of shoes to a firm of Kuwait as per approved samples

The rate for sample No 101 (order for 250 pairs) was US$ 10 35 per pair and for sample No 102 (order for 1 750 pairs) was US$ 7 45 per pair The firm opened a letter of credit in favour of the company for US$ 15,625 valid upto 15th November 1979 (extended upto 15th December, 1979 for the first consignment and 25th December 1979 for the second consignment) Against the above order 250 pairs as per sample No 101 valuing Rs 19 804 83 were shipped on 20th Nov 1979 and the payment was released in December 1979 Consequent on rejection (February 1980) of the goods by the foreign buyers on the ground that the shoes were shabby packing horrible and without the label indicating that the shoes were made in India' these were received back at Bombay Port in April 1980 The consignment could not be reshipped as the defects were not rectified and there was also shortage of 41 pairs (value Rs 3,248)

Second consignment of 350 pairs (against order for 1 750 pairs as per sample No 102) valuing Rs 20 599 was shipped to the buyer on 15th January 1980 against bill of exchange of 30 days sight, as the letter of credit had already expired The payment (Rs 20 599) for the second consignment was however withheld by the foreign buyer due to non receipt of 250 pairs of first consignment

Since the company did not lift the shoes from the Bombay Port Port Trust auctioned (Feb 1981) 209 pairs of shoes for Rs 9 129 for meeting their wharfage charges The company lodged (Aug 1981) a claim for Rs 19,100 with Dock Manager which was not accepted Thus the company lost Rs 0 21 lakh in this deal apart from its failure to satisfy the foreign buyer either as to the quality of goods or delivery

In its written reply the Management of the Company stated that on the export of first consignment of 250 pairs the shoes were rejected and returned by the foreign buyer on some technical flaws that the stamp made in India was not there on the shoes and that as he could not find anyother flaw he made an excuse to blame the Company that the shoes were shabby packing was horrible etc The Management further stated that the first consignment could not be reshipped on account of shortage of 41 pairs of shoes found in returned consignment and the consignment was auctioned by the Port Trust Authorities for Rs 9 129 The Management stated that they have filed a claim with the Port Trust Authorities for the recovery of Rs 19 100 and have issued a legal notice to them and the Company had also taken up the matter with the Bombay Port Trust Authorities for refund of Rs 9 129

During the course of oral examination the representative of the Company admitted that this was another unfortunate deal where they had suffered a loss and that they are making efforts to recover Rs 9 129

The Committee was not convinced with the reply of the management that the only flaw was that the stamp made in India was not put on the shoes and that the shoes were not shabby and packing horrible etc as pointed out by the foreign buyer

The Committee feel that there was serious lapse on the part of the Officers of the Company who allowed the returned consignment to remain with the Bombay Port Trust Authorities for one year without getting the defects rectified for reshipment or disposed them of in home market, which resulted in loss of Rs 0 21 lac to the Company

The Committee, therefore, recommend that the responsibility for the lapse in this deal which resulted in loss of Rs 0 21 lac to the Company be fixed under intimation to the Committee

(*iii*) A firm of New Delhi approached (Sept, 1978) the company for arranging export of auto accessories (value US $ 66 115) to two buyers of Nigeria The Company obtained (November 1978) a cover for the export from Export Credit & Gurantee Corporation (ECGC) Ltd upto a credit limit of Rs 3 lakhs for the export to one party whereas ECGC refused to give any cover in respect of the other

Against the despatch of 74 cases of auto accessories valuing Rs 1 15 lakhs by firm A to the shipping agent at Bombay An advance of Rs 0 92 lakh was given by the company (November 1978) to the firm Further another 20 cases of auto accessories were sent by the firm to Bombay (Jan 1979) However due to delay on the part of the firm in obtaining preshipment inspection certificate from General Superintendent Company and import licence from the foreign buyers the goods could be shipped only in August 1979 The company paid a further advance of Rs 0 32 lakh (Sept 1979) to the firm to cover the shipping expenses The despatch documents were given by the company to its bankers at Chandigarh (October 1979) for collection As the payment (Rs 1 24 lakhs) was not received by the company it withheld (December

1979) the shipping documents valuing $ 5 400 of a sister concern of the firm These were however released by the company on authorisation by the firm to the banks at Chandigarh to pay Rs 1 24 lakhs to the company when realised from the foreign buyer The firm revoked even this authority in January 1981 The company did not take any legal action to recover Rs 1 24 lakhs (June 1982)

In its written reply the Management of the Company stated that a civil suit has now been filed in the court of Senior Sub Judge Chandigarh on 31st August 1984 against M/s Ramba Exports Private Limited New Delhi who had shipped the consignm nt for the recovery of an amount of Rs 1 24,180 79 plus costs and interest

During the course of oral examination when asked by the Committee that since the goods were not manufactured in Haryana why the Company entered into this export deal the representative of the Company replied that this was done to increase exports The representative of the Company further stated that suit has been filed against M/s Ramba Export Pvt Limited New Delhi and the next date of hearing of the case is on 9th February 1985 The representative stated that the Nigerian firm had also been made a party in the suit filed by the Company

The Committee feel that exporting the goods manufactured by units situated outside Haryana State was not the basic objectives of the Company and the Management went out of way to help the New Delhi firm

The Committee recommend that the export of goods of the Delhi firm made by the Company and the lapses committed in the process resulting in loss to the Company should be investigated and responsibility be fixed and a report be sent to the Committee

(iv) An order for the supply of hand tools valuing US $ 7,933 41 was received from a firm of Sweden in August, 1979 The goods were to be supplied immediately and payment was to be made against documents to be sent to the bankers of foreign buyer in Gothenburg

The company procured (December 1979 & January, 1980) through personal contacts by the officers of the company without observing the normal purchase procedure the handtools (value Rs 0 59 lakh) from manufacturers in Jullundur and Rajpura and shipped the goods to Sweden on 19th April 1980 The Shipping documents were given to company s bankers on 25th April 1980 for forwarding to the buyers and collection of payment The bank informed (20th August 1980) the company that the foreign buyer was not ready to take delivery of the goods as these had been ' delivered too late However the buyer informed (January 1981) the company that he was willing to accept the tools on consignment basis which was not agreed to by the company In the meantime the shipping agent in Bombay informed (March 1981) the company that in case the consignment was not cleared before 1st April 1981 it would be sold by public auction The bank returned the bill and shipping documents on 29th October 1981 as unpaid and stated that as per their information the goods had been sold by the shipowners because there was delay in getting them cleared

Due to delay of eight months in the despatch of goods against the condition of immediate delivery the company incurred a loss of Rs 0 98 lakh (cost of material Rs 0 59 lakh expenses Rs 0 39 lakh)

In its written reply the Management of the Company stated that the consignment of the handtools were not accepted by the foreign buyer M/s Devi Imports and Exports Gothenburg Sweden because it was inordinately delayed The Shipping Company had auctioned the con signment for Rs 8748 35 and the Company has suffered a loss of Rs 0 76 lac It was further stated that the services of the then General Manager (Exports) who was responsible of mis handling the consignment were terminated and the loss of Rs 0 76 lac was written off with the approval of the Board of Directors of the Company on 8th March 1983

During the course of oral examination the representative of the Company stated that the Management was not fully aware about the activities of the then General Manager (Exports) and when the things came to the notice of the Management his services were terminated on 10th July 1980

The Committee feel that when the lapse came to the notice of the Management of the Company which resulted in a loss of Rs 0 76 lac it was not enough to have dispensed with the services of the officer but the Management should have also taken steps to recover the amount of loss from the defaulting Officer

The Committee recommend that the circumstances under which the defaulting Officer was let off by dispensing with his services without the recovery of the amount of loss of Rs 0 76 lac should be investigated and responsibility for the lapse in this regard be fixed and the Committee be informed

The Committee further recommend that in future the Management should chalk out positive plans and targets well in advance for making exports of goods manufactured in Haryana by keeping in view the interest of the Company

6 30 09 (*c*) (*v*)

An agreement cum indemnity bond was executed (February 1979) by the company with a firm of Bombay for export of 160 diesel engines (Value Rs 3 42 lacs) to Egypt As per the terms and conditions of the agreement the company was to export engines on behalf of the firm at a commission of one and half percent and the export was to be made either against confirmed irrevocable letter of credit established by foreign buyers in favour of the company or cash against documents The agree ment also provided for the payment by the company to the firm 80 percent of the export value against shipping documents Consignment of 160 diesel engines (value Rs 3 42 lacs) was shipped (January 1979) to Egypt on the basis of ' Documents against Acceptance" for 120 days basis in contravention of the provision of the agreement Moreover advance pay ment of Rs 2 90 lakhs was made (February, 1979) to the firm despite the fact that contravention was in the knowledge of the company

The sale proceeds were due from the foreign buyer in April 1979 (extended by the company till June 1979) On failing to receive the money from the foreign buyer the claim for US $ 41 600 (in voice value) was lodged (January, 1980) with the Export Credit and Guarantee Corporation Limited which provided cover to the extent of 75 percent of the value The claim had not however been accepted by the Corporation so far (June, 1982)

As per clause 8 of the agreement the firm was to pay to the company interest 11½ per cent upto 180 days and at bank rate thereafter an advance payment of Rs 2 90 lakhs till the date of realisation of amount from foreign buyer The amount of interest recoverable from the firm till June 1982 worked out to Rs 1 65 lacs no claim was, however preferred against the firm so far (September, 1982)

As the transaction was for the promotion of an industry located out side Haryana it was not covered by the objects of the company

In its written reply the Management of the Company stated that against an advance payment of Rs 2 90,000 made to M/s Hindustan Exports Bombay the Company has with held an amount of Rs 2 05 000 of their sister concern Since the Company had taken an Export Credit and Guarantee Corporation s cover for Rs 3 0 lacs a claim has already been filed with the ECGC Bombay but the ECGC has informed the company on 12 7 1984 that they will consider the claim provided the Management take legal action against the foreign buyer In order to do so the matter has been taken up with the High Commissioner of India in Cairo and ECGC authorities in Bombay

During the course of oral examination the representative of the Company stated that they are going to file a suit in Cairo against the foreign buyer to recover the amount and a Counsel has been engaged When questioned by the Committee as to why 120 days credit was allowed to the foreign buyer which was against the terms of the agreement which provided that the export was to be made either against confirmed irrevocable letter of credit established by foreign buyers in favour of the Company or on cash payment against documents the representative of the Company admitted that the credit was wrongly allowed

The Committee feel that the Company had no business to export goods manufactured by a Bombay firm which was done without taking adequate steps to safeguard the interests of the Company

The committee recommend that this deal should be thoroughly investigated by the Management and responsibility for the lapse resulting in loss to the Company be fixed and a report be submitted to the Committee and the Committee be also kept informed about the progress of the case

General Recommendation

After going through the export deals made by the Company and its performance in the export field the Committee observe that the entire system of export of the Company was defective and full of lapses with the result the company has been put to avoidable losses The committee also observe that the exports made by the company were not only insignificant but in almost all export deals the company has suffered heavy losses The Management is holding only one person the the General Manager (Exports) responsible for these lapses and losses The committee find it hard to believe as to how only one officer however big he may be could have managed to indulge in actions which put the company into these lapses and losses The committee are not convinced of this contention and are of the opinion that the Management of the company completely failed to safeguard the interests of the company in the export deals and allowed undue benefits to private parties/firms situated outside Haryana which was against the objectives of the company

To obviate recurrence of such lapses in future the committee direct that the management make and prescribe rules regulations and guidelines so that an individual officer is not in a position to abuse his position to put the company in losses and a report be submitted to the committee within a period of three months

6 30 10 (*b*)

Marketing Assistance under R I Scheme

In order to provide effective marketing assistance to the tiny/RI units set up under the Scheme the company had opened 12* District marketing centres upto June 1982

The centres submit tenders to the prospective buyers in the name of the company on the basis of quotations received from RI units and entrust the execution of the order received to the RI units against fixed commission

The following table indicates targets for marketing assistance and actual assistance provided by the 12 centres to RI units during the three years ending 1980 81

Period	Target for marketing assistance	Marketing assistance provided	Percentage of marketing assistance provided to the targets
	(Rs in Lakhs)		
1979 80	1 28 40	1 18 35	92
1980 81	3 48 00	2 12 09	61
1981 82	3 16 75	2 66 54	84

From the above table it would be seen that the targets fixed by the Management were not achieved in any of the three years It may however, be mentioned that the company was not buying goods from the RI units during off seasons as was envisaged under the Schemes

During the course of oral examination the representative of the Company stated that the marketing assistance in the terms of the sales of the goods of RI units was Rs 276 lacs during 1981 82, Rs 196 lacs during 1982 83 and Rs 152 lacs during 1983 84

The Committee observe from the facts given by the Management of the Company that the marketing assistance to the RI Units was declining year after year and needed concerted efforts on the part of the Management to

*12th district (Faridabad) was created after the formation of the scheme help the R I units to market their products The Committee was not convinced with the reply of the representative of the Company that after working for sometime the units had become viable and do not come to them for marketing assistance as the Management had no information as out of total units how many units were functioning and what was their turnover

The Committee feel that in the prevalent competitive market it is difficult for the R I Units to market their products exclusively by themselves without needing help from the Company and the Company should not neglect its duty in this regard

The Committee recommend that a classified list giving quantum of the goods manufactured by the R I Units in Haryana should be maintained by the Company and the difficulties faced by the Units in marketing their goods should be identified and solved and maximum extent goods produced by such units should be marketed by the Company

6 30 10 (*c*) (*ii*)

Sports Goods Complex Murthal

The Comapny decided (September, 1978) to set up an industrial complex for the production of sports goods Initially, a training cum common facility centre was started at Sampla in May, 1979 With a view to impart training for production of sports goods 72 artisans were trained (between May 1979 and December 1980) by the company at a cost of Rs 2 01 lakhs at Sampla but there is no follow up to indicate as to whether they adopted the trade or not

As per project report approved by the Board (December 1981) for setting up the sports goods complex, 100 industrial units to be run by private entrepreneurs were to be established

For the establishment of the complex different sites in Sampla were surveyed by the company In the meantime, the Haryana State Industrial Development Corporation Ltd (HSIDC) informed the company (July 1980) that Sampla was flood prone area The company therefore, asked (August, 1980) the Director of Industries to get approval of the State Govt for the shifting of the complex from Sampla to Murthal Approval of the State Govt was accorded only in December, 1981

Before receipt (December 1981) of approval from the State Govt for shifting of the complex the company had shifted (December 1980) the complex from Sampla to Murthal Land measuring 10 acres valuing Rs 2 66 lakhs was also purchased (December 1980) at Murthal from Haryana Urban Development [illegible] ty (HUDA) The work of construction of industrial sheds/traini[illegible] mmon facility centre at Murthal was given (October 1981) to [illegible] td The sheds are expected to be completed by early 1983

The comp[illegible] had purchased (March 1980 to April, 1982) machinery valued Rs 1 54 [illegible] hs for training cum common facility centre The management stated (November 1982) that machinery was being utilised for training centre However machinery valued Rs 0 85 lac was yet (November 1982) to be installed

The State Govt provided a grant of Rs 0 72 lakh (December 1981) to the company for opening a centre at Sampla and the Management decided (March 1982) to open an additional training centre at that place But no progress has been made in this regard so far (February 1983)

During the course of oral examination the representative of the Company stated that the Centre was shifted from Sampla to Muthal because Sampla was flood prone area and that at Murthal 99 sheds have been constructed It was further stated by the representative that the construction of the sheds were started in 1981 and the allotment of the sheds was completed in December 1983 and out of 99 persons to whom these sheds were allotted only 66 took the sheds and the remaining backed out The representative further stated that they have advertised for allotment of the sheds twice and at present they are having 20 applications and they will be allotting the sheds soon

The Committee feel that the Management was not able to provide adequate facilities in the complex with the result that it was not able to attract adequate number of entrepreneurs to set up their sports goods manufacturing units in the complex

The Committee recommend that the Management should complete the allotment of sheds expeditiously and should also provide adequate facilities like availability of raw material at reasonable rates and marketing assistance to the entrepreneurs to facilitate the setting up of sports goods manufacturing units in the complex

6 30 10 (*c*) (*iii*)

Sewing Machine Parts Complex Panchkula

In order to set up a sewing machine parts complex including training cum common facility centre at Radaur in collaboration with a private concern which had to provide only technical and marketing assistance land (5 acres) valuing Rs 0 49 lakh was purchased at the place in May 1979 At the collaborator s instance the company shifted the complex (September 1980) to Panchkula without conducting any survey or feasibility study However the collaborator backed out (December 1980) and in the absence of any agreement the company could not take any action against them

The company hired (September 1980) two sheds at Panchkula at Rs 1837/ per month from HSIDC for setting up the training cum common facility centre Machinery valued Rs 6 53 lakhs were purchased during August 1980 to April 1982 and training of 42 entrepreneurs was started (April 1981) Out of 42 trainees only 29 entrepreneurs completed the training by October 1981 and were called upon to deposit earnest money for allotment of sheds Twenty four entrepreneurs deposited Rs 1 86 lakhs upto June 1982 for the allotment of sheds but no allotment had been made so far (June 1982) as sheds were still under construction The poor response from the entrepreneurs was attributable to non availability of rural industrial incentives as Panchkula is in urban area which factor was not taken into account while shifting from Radaur No further course of training has been started after October 1981 Since November, 1981 the machinery is being partially utilised for job work of private parties and the value of total work done upto end of May 1982 was of the order of Rs 1 03 lakhs only Due to the failure in setting up of the complex the services of the staff and Manager appointed since September, 1979 are not being properly utilised

During the course of oral examination the representative of the Company stated that earlier the complex was to be set up at Radaur with the help of Singer Machines Company and on their advice this was shifted to Panchkula but later on they backed out to help the Company in setting up the complex The representative of the Company fur her stated that the sewing machine project has been dropped by the Company and some sheds have been given on rent to M/s B E L and to H M T Ancillery Units On further questioning by the Committee the representative of the Company admitted that the Nutan Stove unit of the Company at Panchkula was also running in loss and that they are re thinking on it

The Committee feel that the Management had not analysed and examined the viability of the project and the market demand of the products before undertakings their implementation which has put the Company in loss

The Committee recommend that before conceiving the establishment of such projects the Management should thoroughly study the viability of the projects so that the Company is not compelled to abandon them before completion or they prove to be unviable after completion

The Committee also recommend that effective steps should be taken by the Management to make the Nutan Stove Unit viable and the sheds constructed by it should be utilised for establishing some viable and purposeful complex for the benefit of entrepreneurs instead of hiring out the sheds on rent to some Companies

6 30 10 (*v*) & (*b*)

Electrical Appliances & Builders Hardware Complex

(a) The company decided (August, 1980) to set up an electrical appliances complex at Radaur in collaboration with a private firm which was to provide technical knowhow and marketing assistance As per their terms and conditions settled with the collaborator the company was to get a plot allotted to the firm within the State near Delhi for assembling the components produced at Radaur and 60 percent components manufactured by the complex were also to be purchased by them A Manager for the complex was posted in December, 1980 and continued to function as such till November 1981 During this period only a project report was prepared by the Manager The company did not get the plot allotted near Delhi to the firm and the contract was terminated (December 1981) by the Board as the party was not willing to provide technical knowhow and marketing assistance in the absence of allotment of an industrial plot near Delhi The project was abandoned in December 1981 Thus the expenditure of Rs 0 19 lakh in the form of pay and allowances of the Manager was rendered infructuous

(b) The company decided in November 1981 to establish a Builders Hardware Complex at Radaur (instead of at Bhiwani) in place of electrical appliances complex The Board of Directors approved the project report in March 1982 However, no further action has been taken in the matter (October, 1982)

During the course of oral examination the representative of the Company stated that earlier it was envisaged to set up an Electrical Appliances and Builders Hardware Complex at Radaur and the land was acquired but the Company did not get good response from the entrepreneurs So it was decided to set up a Builders Hardware Complex but this was also dropped on the advice of the Technical experts The representative further stated that the Company has taken a decision to develop this land as industrial colony and a proposal has been sent to Government in July 1983 for approval which is still awaited

The Committee observe that the Management was planning the setting up of a Complex at Radaur since August 1980 but nothing has been done in this regard so far

The Committee feel that the Management of the Company was unable to identify the right type of product for which a complex could successfully be set up at Radaur

The Committee recommend that the case for getting the approval of the State Government for setting up an industrial colony at Radaur as proposed by the Company should be pursued vigorously and the Committee be kept informed about the progrss in the matter

6 30 11 (*i*) & (*ii*)

Integrated and Intensive Rural Development Programme

(i) With a view to generating maximum employment and disperse economic activity to the smaller towns and villages, a scheme for the promotion of rural industries was framed by the SFDA in six districts in November 1978 The implementation of the scheme was entrusted to the company on agency basis in November 1978 Under the scheme the company was to (i) provide training to rural artisans in pre selected trades, vis carpentry blacksmithy shoe making pottery weaving, etc to help them in setting up their own units (ii) establish training cum common facility centres and (iii) provide marketing assistance for the products of the units set up under the scheme The table below indicates the amounts received from the SFDA actual expenditure there against and percentage of expenditure to available funds for the years 1978 79 to 1980 81

Year	Opening balance	Receipts	Total	Expenditure	%age of exp to total receipts
		(Rs in lakhs)			
1978 79	—	23 83	23 83	11 56	49
1979 80	12 27	21 83	34 10	21 53	63
1980 81	12 57	17 51	30 08	18 32	61
		63 17		51 41	

Reasons for not utilising the funds to the full extent called for in September 1982, were awaited (February 1983)

(ii) Under the scheme, the company was to train 8000 rural artisans in the various trades during the five years from 1978 79 to 1982 83 To achieve this objective the company opened 26 training centres between December 1978 and May, 1980 The table below indicates the number of centres run in each district number of persons who could be trained number of persons actually trained and number of persons who set up their units upto May 1982

Sr No	District	No of centre	No of artisans to be trained	No of artisans actually trained	No of trainees who set up their units
1	Ambala	4	480	291	146
2	Bhiwani	5	600	293	60
3	Gurgaon	3	340	190	144
4	Hissar	6	660	438	145
5	Mohindergarh	4	460	300	189
6	Rohtak	4	480	200	53
		26	3 020	1 712	737

Against 8,000 artisans who were to be trained between 1978 79 and 1982 83 the company trained only 1 712 artisans upto May 1982 and of this only 737 could set up their own units The reasons as to why the remaining trainees could not set up their units called for from the Management in September 1982 were awaited

Out of 26 training centres 6 had been closed by the company between March 1981 and March 1982 on the recommendation of the financing agencies of the scheme because of their poor performance

In its written reply the Management of the Company stated that due to the late receipt of funds the work of setting up of Centres under the Scheme could be finalised by May June 1979 which affected the achievement of training targets Out of 1,712 trainees 737 were such who had set up their own units and it is felt that remaining were not in a position to set up their units and had therefore sought employment in the same trade in some other units It was further stated that as per SFDA scheme training was to be imparted to 8000 persons during a period of 5 year but the SFDA entrusted the work for opening of 26 Centres to the Company and the target for providing training to artisans against these centres was 3 020

The Committee observe that out of 3020 trainees to be trained in 26 centres the Company could train 1712 Artisans out of which only 737 trainees could set up their own units and about the remaining 975 trained artisans the Company had no information

The Committee feel that the Management of the Company should have guided helped and persuaded these artisans also to set up their own unit for which they were trained

The Committee observe that six centres had to be closed by the Company on the recommendation of the DRDA as the quality and standard of the training imparted was not found upto the mark by DRDA and because of this the trainees were not in a postion to start their own trade/business and the very idea of imparting training was not fulfilled

The Committee recommend that the reasons as to why the quality and standard of the training imparted at the centres was not upto the mark which resulted in the closure of the Centres be investigated by the Management and responsibility for the lapse be fixed and a report be submitted to the Committee

6 30 12 *Development of Handicrafts*

A scheme for the promotion of certain handicrafts viz Mudha Making Punja, Durrie Artistic Pottery etc framed by the Director of Industries in December, 1977 and entrusted to the Haryana State Handlooms and Handicrafts Corporation Ltd (HSHHC) was transferred (November 1979) to the company as the former company expressed its inability to implement the scheme

Under the scheme the following facilities were to be provided to the craftsmen —

(i) Opening of training cum production centres for imparting training and giving part time/whole time employment to the craftsmen

(ii) Supply of right type of raw material

(iii) Provision of marketing facilities and

(iv) Arranging fainancial assistance through banking institutions

The company received from the Govt as grant, Rs 14 28 lacs during 1979 80 (Rs 10 78 lakhs) 1980 81 (Rs 2 lacs) and 1981 82 (Rs 1 50 lakhs) but spent Rs 9 77 lakhs during these years for the purpose

The company was to establish three training cum production centre for Mudha Making Punja Durries, and Artistic Pottery The training centres for the first two units have started (June 1980) operation The third unit proposed to be set up at Jhajjar is yet to be completed

Against the anticipated expenditure of Rs 14 ?4 lakhs on artistie pottery centre the Company has spent Rs 8 15 lakhs up to June 1982 which includes cost (Rs 1 70 lakhs) of machinery purchased but not installed as the work on the building in which the machines are to be installed/put to use in progress (November 1982)

During the course of oral examination the representative of the Company stated that out of Rs 14 28 lacs received as grant from the Government during the years 1979 80 to 1981 82 Rs 2 40 lacs have been utilised upto 1982 83 on two centres at Ambala and Gurgaon The representative further stated that the total grant received upto 1983 84 has been Rs 18 28 lacs and that the Artistic Pottery Centre Jhajjar (Rohtak) which was to be completed by November 1982 was delayed A sum of Rs 8 50 lacs was spent on the purchase of land and construction of building for this centre and Rs 3 73 lacs was spent on machinery upto 1983 84 and the total expenditure on this centre was Rs 14 57 lacs On further questioning whether this centre has now been started the representative of the Company submitted that the training programme at the Centre will be taken up from 1st April 1985

The Committee feel that the setting up of the Artistic Pottery Centre at Jhajjar (Rohtak) which was to be completed by November, 1982 has been inordinately delayed which has deprived the benefit of the Centre to the artisans of the area

The Committee recommend that expeditious steps should be taken by the Management of the Company to complete the centre in all respects and the training programme be started from Ist April, 1985 as promised by the Management and a report be sent to the Committee

6 30 13 *Dolls and Toys Making Centres*

The Company had set up 3 centres for making dolls and toys and for training artisans During the period 1974 75 to 1976 77 the Company received a sum of Rs 1 50 lakhs as grant in aid (Rs 0 50 lakh in each year) from the State Government for training cum production centre at Ambala The Government stopped annual grant in aid with effect from Ist April 1977 As the centres were working on losses the Management closed down the Chandigarh centre on Ist September, 1977 The other centres continued to be run on losses The loss incurred by these centres during the three years ended 1980 81 were Rs 0 37 lakh, Rs 0 66 lakh and Rs 1 01 lakhs respectively The Management stated (January, 1983) that these centres were inherited from the Industries Department which was running them as a development activity and that because these centres were incurring losses one centre was closed and staff reduced in others

During the course of oral examination the representative of the Company stated that the Dolls and Toys Making Centre Ambala incurred a loss of Rs 0 93 lac during 1981 82 Rs 0 47 lac during 1982 83 and Rs 0 40 lac during 1983 84 The representative further stated that during the current year or in the next year the unit will be running on no profit and no loss basis and thereafter it will start earning profit On further questioning the representative of the Company admitted that the production of the centre has come down from Rs 1 36 lacs in 1981 82 to Rs 1 29 lacs in 1982 83 and the production has further came down to Rs 0 92 lac in 1983 84

The Committee feel that the reduction of production is not the proper way for reduction of loss on the other hand the Management should increase the production and control the expenditure and popularise the product of the Centre

The Committee recommend that concerted efforts should be made by the Management of the Company to improve the working of the centre

by increasing production and curtailing the overhead expenditure and by popularising the product so that the Centre becomes viable and profit earning

6 30 14 *Budgetary Control*

The Company does not have any system of preparing budgets, setting the various objectives to be reached (both quantitative and financial) during the budget period The Management stated (July 1982) that the main activity of the Company was procurement and distribution of scarce raw material for which targets could not be fixed because the procurement was done on the basis of availability of raw material from steel plants against the allocation made by the State and therefore it was not possible to have budgetary control

During the course of oral examination the representative of the Company stated that the Company has not been preparing Annual Budgets and they have check and balance system as the Company's major function is the supply of raw material to SSI/RI units On questioning about the difficulty in the preparation of the Budget the representative of the Company stated that they were already considering the proposal of preparing Budget and for introducing budgetary system and a final decision will be taken shortly

The Committee feel that preparation of annual Budget setting out the various objectives both quantitative and financial to be achieved during the budget period is an essential requirement of a commercial undertaking and in the absence of which the Management will not be in a position to exercise effective control over the working and performance of the various activities of the undertaking

The Committee recommend that the Management of the Company should take early decision in this regard and start preparing annual budgets

6 30 15 *Internal Audit*

Internal audit wing of the Company started functioning from 1978 79 However audit of the transactions of the various sections of the head office was never covered by the Internal Audit since inception

All Internal Audit reports were being submitted to the Controller of Accounts whereas for effective internal audit this wing should be directly answerable to the top executive of the Company There is no system of placing the internal audit reports before the Board of Directors

In its written reply the Management of the Company stated that the company has its own Internal Audit Team and 100% internal audit is carried out of each unit and the internal audit department has been placed under the supervision of personnel Manager who submits his report to the Managing Director through Additional Managing Director But there is no system of placing the internal audit reports before the Board of Directors

During the course of oral examination when enquired by the Committee as to what is the established practice the representative of the Finance Department stated that there is no established practice in this regard and generally internal audit report is presented to the Chief Executive of the Company

The Committee were of the view that the internal audit report should be placed before the Board of Directors who controls the over all management of the Company The representative of the Finance Department assured the Committee to take note of the observation of the Committee

The Committee recommend that in order to keep themselves apprised about the working and peformance of various activities of the Company it is imperative that the internal audit reports are aubmitted to the Board of Directors so that corrective action and improvements where needed are expedited The Committee desire that the Finance Department should examine this aspect and take a decision for making applicable this to all Public Undertakings in Haryana

6 30 16 *Other topic of interest supply of wooden crates*

The Company received (March, 1981) orders for supply of 7000 wooden crates from Haryana State Cooperative Supply and Marketing Federation Limited (Hafed) at the rate of Rs 45 50 per crate Supplies were to be made by 30th April, 1981 On 24th March, 1981, the General Manager (Technical) of the Company distributed the above order to five District Project Officers (DPOs) for execution through training cum common facility centres under them

The DPO Bhiwani, expressed inability to manufacture the crates allocated (1,000) to it because of high cost The other four DPOs purchased wood, nails paint etc for the manufacture of 3 500 crates (value Rs 1 14 lakhs) However only 2,996 crates valuing Rs 1 36 lakhs were manufactured by them by July 1981 All these crates were rejected by Hafed during inspection as they were found to be undersize infested with knots and cracks of uneven levels etc Out of these, only, 1 850 crates (value Rs 0 84 lakh) had been delivered to Hafed by February 1982 after the removal of defects against which no payment had been received (November 1982) Further, 1 146 crates (value Rs 0 52 lakh) not accepted by the Hafed and raw material valuing Rs 0 24 lakh were lying undisposed of with the company (November, 1982)

During the course of oral examination the representative of the Company stated that out of 2 996 crates manufactured 2 240 have been supplied and 696 crates valuing Rs 0 32 lac and also raw material valuing Rs 0 25 lac are lying with the Company The representative further stated that there were more defects in the crates manufactured at Narnaul and Jhajjar (Rohtak) and the persons found responsible had either left the service of the Company or in some cases the services were terminated

The Committee recommend that early steps should be taken by the Management of the Company for the utilisation/disposal of the raw material valuing Rs 0 25 lac and crates valuing Rs 0 32 lac and progress made in this regard and the loss suffered in the entire deal by the company be intimated to the Committee

Dropped All Para / 14-5-2000

HARYANA HARIJAN KALYAN NIGAM LIMITED

6 31 03 *Working Results*

The audited account of the Nigam were received up to 1976 77 only According to the provisional accounts drawn upto 1980 81 the Company had incurred an accumulated loss of Rs 4 98 lakhs in spite of earning of interest amounting to Rs 25 49 lakhs during 1975 76 to 1980 81 on surplus funds

The Company made profits during 1975 76 (Rs 2 26 lakhs) 1976 77 (Rs 2 85 lakhs) and 1979 80 (Rs 0 86 lakh)' but incurred losses during 1977 78 (Rs 1 23 lakhs) 1978 79 (Rs 6 54 lakhs) and 1980 81 (Rs 2 35 lakhs) The Management attributed (November 1982) the losses to non availability of sufficient orders and under utilisation of capacity of the production units

In its written reply the Management of the Nigam stated that the accounts have been audited upto 1978 79 and that the tentative accounts for the years 1979 80 to 1982 83 have also been prepared The Management stated that the losses were due to non availability of sufficient orders and under utilisation of capacity of the production units The Management further stated that steps have been taken to improve the quality of the product of units so as to popularise them and that shoe production centre Karnal has been got declared as an approved source for supply of shoes/boots/chappals to Government Departments

The representative of the Nigam stated during oral examination on 26th September 1984 that the delay occurred in getting the accounts audited upto date on account of inadequate and incompetent staff/ posted at district headquarters and that now an Accountant has been posted at each district headquarter to maintain the accounts properly When questioned as to when the upto date audited accounts would be submitted the representative replied that the audited accounts will be submitted by the end of next year or so As per the tentative accounts finalised by the Nigam upto 1982 83 the cumulative loss increased to Rs 14 38 lacs

The Committee feel that the sharp increase in losses calls for immediate corrective action on the part of Management/State Government

The Committee recommend that the effective steps should be taken by the Management of the Nigam to reduce cost and increase output of the production units by procuring more orders and popularising the products The Committee further recommend that the accounts of the Nigam should be got audited uptodate by the end of 1985 and the Committee be kept informed about the progress in this regard

6 31 04 *Budgetary Control*

The Nigam had no system of preparing financial budgets sufficiently before the period to which it related setting the various objectives to be achieved during the budget period Due to non preparation of financial budgets the Nigam was not able to exercise control over the various activities expected of it such as utilising fund for achieving desired objec tivities, trading/manufacturing programmes of small scale industrial units stock levels to be maintained debts and their realisation repayment of loans etc

In its written reply the Managem nt of th Nigam stated that formal budgeting has been started now and th targets to b achieved have also been prescribed and that to exercise control ovr various activities, improvements over the existing system have been made

During the course of oral examination on 5th October 1984 the representative of the Nigam admitted that infact what they prepared was only an action plan for the year 1984 85 which cannot be called a Budget The representative, however assured the Committee that now onwards the Nigam will start preparing annual budget in proper form

The Committee feel that in the absence of preparation of annual budgets it was hardly possible for the Nigam to exercise proper control over its various activities and this could be one of the main reasons for poor performance of the Nigam during all these years

The Committee, therefore, recommend that the Management of the Nigam should prepare the annual Budget in proper form for each year well in advance of the start of the financial year and get the same approved from the Board of Directors

6 31 05 *Utilization of funds*

The table below indicates the position of funds available with the Nigam and the funds lying in deposits with the banks at the end of the four years ending 30th June upto 1980 81 —

Year	*Funds available*	*Funds lying with banks*	*Amount kept in fixed deposits*	*Interest received on fixed deposits during the year*
	(*Progressive*)	(*Year end*)	(*Year end*)	
		(*Rs in lakhs*)		
1977 78	175 52	53 26	45 00	2 32
1978 79	242 11	102 45	91 00	2 13
1979 80	330 76	170 19	157 00	4 83
1980 81	417 83	179 69	134 00	6 19

It will be seen from above that unutilised funds lying with the banks are increasing year after year indicating that the Nigam draws funds sanctioned by the Government without assessing its needs

In its written reply the Management of the Nigam stated that definite targets under different schemes have now been prepared and the funds are likely to be spent during the current financial year 1984 85

The Committee feel that the Nigam was keeping surplus funds received from Government for the welfare of Scheduled Castes in the Fixed Deposits while the State Government was in over draft which was not a healthy policy

The representative of the Nigam stated during oral examination that due to the shortage of staff and delay in scrutinising of the loan applications the funds were not utilised fully It was also stated that the funds were now kept in the Savings Bank Accounts

The Committee recommend that the Management of the Nigam/State Government should take expeditious steps to streamline and improve the working of the Nigam so that the funds are not kept idle and are utilised soon after their receipt for the purpose these were released by the Government

6 31 06 *Loan Operations*

The population of Scheduled Castes in Haryana as per census of of 1981 is 24 64 lakhs, i e 19 07 per cent of the total population of the State The Nigam is required to create employment potential for Scheduled Caste communities and help them in the task of socio economic and educational uplift mainly by advancing loans on easy terms for various activities relating to agriculture dairy and poultry farming cattle and pig breeding, trades business and higher education etc However the Nigam had not undertaken any economic/employment survey or occupational analysis of the Scheduled Castes so as to lay down their targets/policies accordingly Out of 259 persons in the service of Nigam as on 30th June, 1982 (regular 191 piece rate/daily wage workers 68) only 133 (79 regular plus 54 piece rate/daily wage workers) belonged to Scheduled Castes It will be observed from the table on next page

The table below indicates the details of loans application received sanctioned rejected and loans disbursed for the four years' ended upto 1980 81 —

Patriculars	1977 78		1978 79		1979 80		1980 81		Commulative since inception	
	Number of appli cations	Amount	Number of appli cations	Amount	Number of appli cations	Amount	Number of appli cations	Amount	Number of appli cations	Amount
				(Amount	Rupees in lakhs)					
Received	2,551	*	5,757	*	6 203	*	6,563	*	47 896	*
Sanctioned	582	20 36	1 314	29 16	8,20	21 77	6 344	1,28 41	12 593	3,02 90
Rejected	1,969	*	4,443	*	5 383	"	219	*	35,303	*
Disbursed	442	12 83	815	18 50	656	15 61	3,589	76 51	7 882	1 91 66
Percentage of applications sacntioned to those received	22 8		22 8		13 2		96 5		26 3	
Percentage of amount disbursed to amount sanctioned		63		63		72		60		63

*Indicates figures not available

(a) Loans were sanctioned in 12,593 cases up to June, 1981 representing 26 3 per cent of the number of applications received Reasons for rejection of 35 303 applications since inception (amount not known) were not on record

(b) The percentage of loans disbursed to loans sanctioned increased to 72 per cent in 1979 80 but came down to 60 per cent in 1980 81 The Management attributed (November 1982) the decrease to non completion of formalities by the loanees

(c) Cut of the total population of Scheduled Castes of 24 64 lakhs the Nigam has extended help to only 7 882 persons up to June 1981

In its written reply the Management of the Nigam stated that the main reason for rejection of 35 303 applications was that these applicants were not covered under the prescribed guidelines and since the rejected applications have been destroyed, no comments are offered

During the course of oral examination the representative of the Nigam admitted that there are no rules for the destruction of records and the reasons for rejecting the loan applications destroyed were not on record The representative further stated that there are also a large number of cases where loans were sanctioned and these cases are now coming to the notice of the Government that some of the beneficiaries do not exist

The Committee feel that the Nigam Officers committed serious lapse by indiscriminate destruction of rejected applications without having any rules and regulations in this regard and in spite of sufficient funds available with the Nigam a large number of poor Scheduled Castes applicants were denied loans, on the other hand loans were sanctioned to non existant beneficiaries

The Committee, therefore, recommend that the loan operations of the Nigam should be investigated to fix responsibility especially for the destruction of large number of rejected applications without any rules in this regard, denial of loans to large number of applicants inspite of availability of sufficient funds with the Nigam and sanction of loans to beneficiaries who do not exist and a report submitted to the Committee within six months

(ii) About 68 3 per cent of the total beneficiaries were given loans for dairy farming, sheep and goats, piggery and poultry while for higher studies it was only 0 35 per cent

In accordance with the provisions of the agreements a loanee is required to utilise the loans within one month from the date of disbursement The Nigam has no follow up system to check the utilisation of loans A test check in audit of 377 cases revealed that utilisation certificates in respect of 279 cases involving Rs 6 05 lakhs disbursed during 1979 80 and 1980 81 had not been received from the loanees upto June 1982

In its written reply, the Management of the Nigam stated that utilisation certificates in respect of most of the cases have been received and in remaining cases these are likely to be received in the near future

The Committee recommend that these may be collected at an early date under intimation to the Committee

(*iii*) On receipt of instructions from the Government of India (Decem ber 1976) that the Nigam should have a wide range of promotional activities a scheme of tie up arrangement has been finalised (August 1981) with certain banks under which the applicants are to be identified by the Nigam The Nigam is to advance margin money to the extent of 25 per cent of the loan and the balance 75 per cent is to be financed by the bank During 1981 82, the Nigam distributed loans amounting Rs 4 08 lakhs (25 per cent) to 553 beneficiaries against the target for disbursement of loan to 12,000 beneficiaries

The Committee feel that loaning in villages is very poor and the amount is being disbursed in the urban areas

During the course of oral examination the representative of the Nigam/State Government stated that the matter will be looked into and report submitted to the Committee which is still awaited

The Committee also desired that the following information be sup plied—

(i) why the functioning of the Nigam was not proper since its inception i e right from the year 1971 to 1981

(ii) whether the guidelines and directions issued by the Govern ment to the Nigam were being followed properly and

(iii) whether the Government at any stage pointed out to the Nigam that they were rejecting the applications of the poor Harijans rightly or wrongly

The information is still awaited

The Committee direct that the information be submitted to the Committee within two months

6 31 07 *Default in repayment of loans*

(i) Out of cumulative amount of Rs 57 41 lakhs (principal Rs 37 52 lakhs interest Rs 19 89 lakhs) due for recovery during the year 1980 81 from various loanees only Rs 9 41 lakhs (principal Rs 6 58 lakhs interest Rs 2 83 lakhs) were recovered during the said year leaving an overdue amount of Rs 48 lakhs (principal Rs 30 94 lakhs interest Rs 17 06 lakhs) from 7,109 loanees at the end of 30th June 1981 It has also been observed that the rate of recovery has come down from 30 per cent in 1978 79 to 18 per cent in 1980 81 in respect of principal and that of interest from 27 per cent to 14 per cent

(ii) In 30 cases where loans aggregating Rs 0 98 lakh were advanced during 1971 72 to 1975 76 the recovery of all instalments and interest amounting to Rs 1 79 lakhs was in default (April 1982)

The Management stated (November 1982) that the cases of defaulters (including above 30 cases) have since been referred to the respective collectors for recovery of the amount as arrears of land revenue

During the course of oral examination, the representative of the Nigam stated that shortfall in recovery was due to inadequate staff in field offices and non existence of certain beneficiaries It was further stated that the Board of Directors have been rejecting the cases of providing more staff

The Committee desired that the information as to when the proposal was put to the Board when rejected and what were the grounds of rejection be submitted to the Committee The information is however, still awaited The Committee direct that the information be submitted to the Committee within two months

The Committee recommend that all out efforts be made to locate the beneficiaries and the results intimated to the Committee within six months

6 31 08 *Purchase of plots*

The following plots of land were purchased by the Nigam for setting up manufacturing/processing units

	Place	*When purchased*	*Area (acres)*	*Cost (Rs)*	*From whom purchased*
1	Bhiwani	25th May 1973	2	64 380	HUDA
2	Tohana	7th December, 1973	2	1 06 750	Colonisation Deptt
3	Murthal	28th January 1976	1 26	66 957	HSIDC
4	Panchkula	13th December, 1976	1	56 277	HUDA
		Total		2,94,364	

No plan for development has yet been drawn in respect of Tohana (June 1982) The Nigam deposited Rs 4 50 lakhs with Public Works Department (PWD)/Haryana State Industrial Development Corporation (HSIDC) Chandigarh for the purpose of construction of buildings at Murthal (Rs 2 lakhs in May 1977 and April 1978), Bhiwani (Rs 1 50 lakhs in May 1975 and June 1975) and Panchkula (Rs 1 00 lakh in April 1978) As no action for construction of buildings was taken by PWD/HSIDC the amounts were got refunded (April 1977 and August, 1981) without interest after lapse of 2 to 4 years

In December 1978, Government of India directed the Nigam that it should engage itself mainly in promotional activities and need not run any industrial undertaking

The HSIDC has resumed (December 1982) the plot at Murthal as the Nigam failed to construct its building on the said plot within a stipulated period As regards plots at other places the Nigam has not yet taken any decision regarding construction of buildings on these plots while it is incurring an expenditure of Rs 3 350 per month towards rent on buildings at Murthal/Panchkula for running the manufacturing units

In its written reply, the Management of the Nigam stated that for setting up of units at Tohana and Bhiwani on the advice of Technical Expert Industries Department, Haryana the matter was referred to the General Manager, -District Industries Centre, Hissar and Bhiwani for their views, in August 1984

The Management further stated that the plot at Murthal has been got re allotted and approval of the Board to construct a building on this plot and a plot at Panchkula have been obtained on 13th June, 1984 and that the work for construction of both these buildings is to be entrusted to Haryana Tourism Corporation

The Committee recommend that an early decision be taken to set up the units in order to create employment potential

The Committee may also be informed about the progress of construction of buildings at Murthal and Panchkula The Committee desire that the reasons for delay in getting the refund of amounts from the PWD be intimated

6 31 10 (*iii*)

The Nigam deputed (September 1981) an officer for preparing the list of old stock of shoes lying at the centre The value of shoes manufactured upto 1979 80 but not sold up to 30th June 1981 was assessed at Rs 7 61 lakhs (20 810 pairs)

The Nigam decided (November 1981) to dispose of the old stock at manufacturing cost but only 5,904 pairs (value Rs 2 16 lakhs) approximately could be sold up to March 1982

In its written reply, the Management of the Nigam stated that out of 14 906 pairs of shoes 10,860 pairs have been sold upto 20th August, 1984 and that 3 946 pairs are still lying for disposal which were manufactured upto 1979 80

The Committee direct that the position regarding the disposal of 3 946 pairs of shoes alongwith the loss incurred by the Nigam on the disposal of 14,806 pairs of shoes and also the position of left over 100 pairs be intimated to the Committee

6 31 10 (*iv*)(*a*)

A test check of records in audit revealed that 7 768 pairs of shoes/chappals valuing Rs 2 19 lakhs were lying with the Nigam in damaged and unsaleable condition at the close of 30th June 1982 The reasons which led to above mentioned accumulations are as under —

(a) 4 610 pairs of chappals/boots (Rs 1 52 lakhs) manufactured between 1974 75 and 1977 78 on receipt of an indent from the Police Department were not lifted by them due to subsequent change in the pattern of the uniform for Police personnel These chappals/boots are not saleable to general public Though the Nigam was not consulted before the change in the pattern of uniform of police personnel, it failed to take appropriate action to make the police department accept the goods manufactured for them

In its written reply the management of the Nigam stated that out of 4 610 pairs of police chappals 2 838 pairs have been sold and the remaining are yet to be disposed of

The Committee desire that the position of the disposal of the remaining 1 772 pairs alongwith the loss suffered on their sale be intimated to the Committee

6 31 10(*iv*)(*b*)

The Nigam purchased 4 900 pairs of chappals (value Rs 0 78 lakh) during 1976 77 from a firm of Kanpur Of these only 2 151 pairs could be sold so far (June 1982) and the balance 2 749 pairs (value Rs 0 51 lakh) are lying with the Nigam The Management stated (November 1981) that the footwear purchased from the firm were of very poor quality and these chappals developed cracks within a short period of putting into use The guarantee for any manufacturing defects in raw material was valid up to 60 days only from the date of supply Further the purchase of chappals from a source outside Haryana did not benefit the Scheduled Castes of the State in any manner

In its written reply the management of the Nigam stated that these chappals of different varieties were purchased with the expectation that these will sell like hot cakes at the newly opened emporia at Rohtak, Chandigarh, Jind, Yamuna Nagar and Karnal but these failed to capture market resulting into closure of three emporia at Jind Yamuna Nagar and Karnal

The Committee fail to understand as to how the purchase of Chappals by the Nigam from outside the State had benefited the Scheduled Castes of Haryana State for whose welfare the Nigam was set up

The Committee recommend that the circumstances under which the chappals of very poor quality were purchased from out side the State should be investiaged and responsibility for the lapse fixed under intimation to the Committee The position of disposal of remainingp 2 749 pairs alongwith the loss suffered by the Nigam in the deal should also be intimated to the Committee

6 31 10(*iv*)(*c*)

The centre manufactured 675 pairs of ladies sandals with wooden soles in 1979 without proper assessment of marketability Out of these the Nigam could sell only 266 pairs upto June 1982 and the remaining 409 pairs (value Rs 0 16 lakh) had not yet been disposed of (June 1982)

The Management stated (June 1982) that the sandals have been eaten by white ants and were not saleable

The representative of the Nigam stated during oral examination that the sandals were eaten by white ants and got damaged and later on there was change in the fashion of sandals and now the Company was proposing to auction these sandals

The Committee recommend that early steps should be taken by the Nigam for the sale /disposal of these sandals and the position be intimated to the Committee

6 31 10(*v*)

The centre incurred loss of Rs 1 22 lakhs Rs 6 57 lakhs Rs 1 81 lakhs and Rs 1 89 lakhs during the years 1977 78 1978 79 1979 80 and 1980 81 respectively A perusal of the profit and loss accounts of the centre revealed that the ratio of overhead expenditure to direct cost during 1977 78 to 1980 81 varied from 25 to 51 per cent The total overhead expenditure (Rs 18 48 lakhs) and net loss (Rs 11 49 lakhs) during the year 1977 78 to 1980 81 was more than the wages paid (Rs 7 38 lakhs) during the said period Thus the centre has neither conferred benefits commensurate with the costs to the Scheduled Castes nor it has run on commercial lines

The representative of the Nigam during oral examination on 18th October 1984 stated that the losses were due to heavy administrative expenses and under utilisation of capacity due to less orders received

The Committee recommend that the expenditure may be linked with the production and earnest efforts be made to obtain bulk orders to increase the marketability of the product of the Centre

6 31 10(*vii*)(*a*) & (*b*)

There is no adequate financial control on the sales depots of the Nigam Further, regular deposits of cash by the depots into the banks were also not watched Again there was no proper follow up system of reconciliation of debtors accounts Two cases of embezzlement of cash and shortage of stocks noticed are mentioned below —

(a) The salesman of Chandigarh emporium left the emporium in November 1977 without handing over charge Verification conducted (January 1978) by an officer of the Nigam revealed that Rs 0 10 lakh were due from the salesman towards sale proceeds realised but not deposited (Rs 0 09 lakh) and cost of shoes and leather found short (Rs 0 01 lakh)

The Nigam terminated the services of the salesman on 17th January 1978 A case was got registered with the

Police on 6th October 1978 which was under investigation (February 1982)

(b) The salesman of Rohtak emporium absented himself from duty from 4th December, 1982 An enquiry/physical verification conducted (December, 1982) by an officer of the Nigam revealed

(i) appropriation by the salesman of the value three cheques (Rs 34 929) in favour of the Nigam during the period from June 1980 to April 1981,

(ii) short deposit of cash with bank (Rs 365) , and

(iii) shortage of stores (Rs 38,579) The salesman was suspended (December 1982) and the case has been handed over to police

In its written reply the management of the Nigam stated that,

(a) regarding Chandigarh emporium the accused after obtaining anticipatory bail from Sessions Court has been absconding and that the Chandigarh Police have been requested to arrest the culprit as early as possible (b) Regarding Rohtak emporium the Police authorities of Rohtak have been requested to arrest the accused

The representative of the Nigam stated, during oral examination on 18th October 1984 that no arrests had been made so far and the matter is being pursued with the Police authorities

The Committee recommend that the matter may be taken up with the Police authorities at the highest level to get the culprits arrested at the earliest and the Committee be kept informed about the development of the cases

6 31 10 (*viii*)

Physical verification of stores at the centre revealed (February/March, 1980) that there were shortages of finished goods valued at Rs 1 20 lakhs The Manager in charge of the centre was charge sheeted (April, 1982) Further developments are awaited (June 1982)

During oral examination on 18th October, 1984 the representative of the Nigam admitted that the charge sheet was served after two years of the shortages of the material The representative stated that the Enquiry Officer was changed becuuse the Enquiry Officer appointed at first stage was delaying the enquiry In its written reply (December, 1984) the management of the Nigam also stated that Shri A K Anand was appointed as Enquiry Officer in October, 1983 and no evidence had as yet been recorded

The Committee recommend that the enquiry be got expedited and the decision regarding recovery of amount be intimated to the Committee within three months

In its written reply the management of the Nigam reported (December 1984) one case of shortages which occured after 1980 in Shoe Production Centre Karnal against Shri H S Rajput Production Manager to the extent of Rs 0 77 lakh The management stated that Production Manager resigned in November 1982 without handing over proper charge and clearing the accounts and joined the service of Punjab Leather Corporation

The Committee feel that Nigam failed to take timely action against the defaulter by registering a case with the Police

The Committee recommend that the matter for effecting recovery of the amount be taken up with the Punjab Leather Corporation and failing which legal proceedings be initiated against the defaulter to effect recovery of the shortages and to safeguard the interests of the Nigam

6 31 11 (1) *Packages unit Murthal*

The Nigam established in June, 1976, a unit for manufacture of various types of paper packages The capital expenditure incurred on it up to June 1981 amounted to Rs 3 46 lakhs (machinery Rs 2 96 lakhs sheds Rs 0 36 lakh and furniture Rs 0 14 lakh)

(i) The units commenced production in June 1976 with installed capacity of 4 000 corrugated boxes of 3 ply and 2 000 of 5 ply per day This unit has generated employment potential for 14 persons only out of which 10 are Scheduled Castes The table below indicates the actual production vis a vis installed capacity during the four years ended 30th June 1981 —

Quantity of corrugated boxes

		1977 78	1978 79	1979 80	1980 81
			(Number in lakhs)		
1	Installed capacity	18 00	18 00	18 00	18 00
2	Actual production	6 04	5 27	4 92	2 23
3	Shortfall	11 96	12 73	13 08	15 77
			(per cent)		
4	Percentage of production to installed capacity	33 6	29 3	27 3	12 4

It would be seen from the above that actual production was far below the capacity and the percentage of capacity utilisation had come down year after year

The Management stated (May 1982) that the production could not be increased for want of supply orders

In its written reply the management of the Nigam stated that the unit depends upon supply orders placed on it by Government Orgonisations and whenever sufficient orders are not forthcoming the production comes down The Management stated that efforts are being made to procure as many orders as possible

The Committee observed from the statement furnished by the Management of the Nigam in December 1984 that while the production and sales have decreased there has been increase in the administrative expenditure which resulted in increase in losses of the unit

The Committee recommend that to lower the overhead expenditure and to make the unit viable the Management should procure sufficient orders from the Sister concerns and private concerns

6 31 11 (*ii*)

No norms for the consumption of paper were fixed The table below indicates the consumption of paper in kilogrammes as per job analysis vis a vis the paper consumed (as per accounts) for the four years ended 30th June 1981 —

Year	*Paper consumed as per accounts*	*Actual paper which should have been consumed as per job analysis*	*Excess consumption*	*Average rate per kilogramme*	*Value of excess consumption*	*Percentage of excess consumption*
	(*In kilogrammes*)			(*Rupees*)	(*Rs in lakhs*)	
1977 78	2 63,119	2,44,195	18,924	4 00	0 76	7 7
1978 79	2 45 175	2 21 459	23 716	5 55	1 32	10 7
1979 80	2 24,909	2 15,050	9,859	6 07	0 60	4 6
1980 81	1,11,477	97,642	13,835	5 94	0 82	14 2
Total			66,334		3 50	

It would be seen from the above that the paper consumed in excess with reference to job analysis varied widely from 4 6 per cent (1979 80) to 14 2 per cent (1980 81), the reasons for which have not been investigated (June, 1982)

During the course of oral examination on 18th October 1984, the representative of the Nigam admitted that no norms have been fixed by the Nigam for the consumption of paper so far The Management of the Nigam in its written reply (December 1984) stated that there is no excess consumption of paper and submitted a statement in support thereof

The Committee recommend that norms be fixed for consumption of paper and the revised figures now supplied by the Nigam may be reconciled with the Accountant General's office

6 31 12 *Harkalyan Binders and Printers Panchkula*

The Nigam started (January 1976) a unit for manufacture and supply of various types of exercise books and answer books out of the quota paper allotted by the Central Government through State Government The unit is also doing printing work

With a view to meet the increased printing work, the Nigam decided (July 1979) to purchase an automatic printing machine A firm of Ballabgarh quoted (July 1979) Rs 0 90 lakh ex factory and the offer of the firm was valid for 60 days i e upto 26th September 1979 The Nigam decided (July, 1979) to obtain a quotation from Hindustan Machine Tools (HMT) and in September 1979 HMT quotation was asked for and it quoted (3rd December 1979) rate of Rs 3 20 lakhs after which the case for purchase of machine from the Ballabgarh firm was forwarded to Head office in February 1980 and it was approved (March, 1980)

An order was placed on the firm of Ballabgarh in March 1980 after expiry of validity of offer in September 1979 The firm informed (March 1980) that the current price of the machine had been revised to Rs 1 20 lakhs ex factory plus excise duty and taxes The revised price was approved by the Purchase Committee (April 1980) and the order was placed (May 1980) at enhanced rate of Rs 1 20 lakhs Supply was completed on 9th December 1980

The Nigam, thus incurred addition expenditure of Rs 0 35 lakh including taxes due to delay in finalisation of the purchase

During the course of oral examination on 18th October 1984, the representative of the Nigam stated that delay was caused due to mutual discussion regarding purchase of suitable machine at competetive price

The Management of the Nigam stated in its written reply (December 1984) that the delay was caused in selecting a suitable machine with the best intention for which no individual could be held responsible The Management further stated that the original notice inviting quotations was neither available in the Manager s office nor at Head office

The Committee feel that due to inordinate delay in taking decision on the part of the Nigam Officers, the order could not be placed on the firm within the validity period of its offer and resulted in additional expenditure of Rs 0 35 lakh in the purchase of the machine

The Committee recommend that the responsibility be fixed for this additional expenditure and the original notice traced out and the Committee be informed,

HARYANA BREWERIES LIMITED MURTHAL

6 32 *Abnormal Wastage Of Cartons*

The Company purchases its requirements of cartons from outside agencies including a State Govt undertaking for packing beer bottles In the purchase order the Company specifies the quality of cardboard, size and weight etc of the cartons and the quality of the cartons supplied was to be verified by the Company before taking delivery

A test check of issues consumption and wastage of cartons for the three years ended 31st March 1982 revealed as under —

Year	*Cartons issued*	*Cartons utilised*	*Cartons spoiled in handling*	*Cartons replaced to customers*	*Total (4+5)*	*Percentage of wastage to cartons issued*
1	2	3	4	5	6	7
1979 80	778268	732650	9650	35968	45618	5 86
1980 81	774635	709033	12600	53002	65602	8 47
1981 82	750586	544061	10611	95914	106525	14 19

The percentage of wastage of cartons against the standard of 0 5 percent fixed by the department was very high and ranged up to 14 19 Further the extent of loss of beer due to breakage of bottles in transit owing to defective cartons has not been assessed by the management The avoidable expenditure on cartons used in excess of the standard of 0 5 percent works out to Rs 5 46 lakhs for the above three years

The management stated (April 1982) that the excessive loss of cartons was mainly on account of cheaper quality of material used by the suppliers and that steps are being taken to ensure proper supplies in future It was not clarified as to why cartons made of cheaper quality material being substandard were not rejected

The matter was reported to Government in June, 1982 , reply was awaited (February 1983)

In its written reply the management of the Company stated that the records show that 50 6 percent of the cartons during the period were purchased from Harkalyan Nigam a Govt company It is also submitted that whenever the material supplied was of poor quality it was rejected The standard of 0 5 per cent for wastage of cartons is based on the observation of single day in the bottling hall and does not take into account the wastage in the ware house and in the transit of goods However a strict vigil is maintained to minimize the wastage of cartons Moreover the standard of cartons has also been improved

During the course of oral examination, the representative of the

Company with the permission of the Committee deleted one of the sentences in the reply which read, as under —

'However, the standards of the cartons themselves were lowered down in the interest of the Company

The representative of the Company submitted that because of this the Management of the Company had been in confusion and had not been able to reach on a definite view whether there has been any hanky panky or not The representative further submitted that they were on the job and in the meantime he requested the Committee to leave this paragraph for the time being

The Committee recommend that the matter should be thoroughly examined and the results intimated to the Committee within three months

6 33 *Purchase of Labels*

The Company got printed labels for fixing on beer bottles from outside agencies at Rs 24 25 per thousand (including paper) during the years 1977 78 to 1979 80 (299 15 lakh labels) A review of the General Stock Register of the Company revealed that 70 81 lakh labels (valuing Rs 1 72 lakhs) held at the end of March, 1980 could not be utilised and were discarded (April 1982) On audit query, the Company got reprinted (September 1981 onward) 23 33 lakh old labels out of the above stock (value Rs 0 57 lakh) at a cost of Rs 0 22 lakh with changed marking of month of production and 43 35 lakhs labels (value Rs 1 05 lakhs) were treated (April, 1982) as obsolete as these could not be salvaged being old and rotten stuff No decision about utilisation/discarding of balance 4 13 lakh labels was available on record (April, 1982) Out of reprinted labels only 19 52 lakh labels could be utilized and 3 81 lakh labels (value Rs 0 09 lakh) were re transferred to old stock register from time to time

The management stated (July, 1982) that 43 45 lakh labels became obsolete on account of additional requirement of printing of month and year on labels, classification of labels for bond and otherwise for sales in specified areas withdrawal of one of the brands, etc, resulted in piling up of different types of labels and could not be used on first in first out basis These labels remained in the stores for years together and became brittle i e, unusable

The argument is not tenable of the discarded labels were in respect of brands in production and could be used with changed marking of month and year on the labels The loss of Rs 1 36 lakhs was actually the result of prolonged storage due to which the labels become rotten and had to be discarded

The matter was reported to Government in August 1982, reply was awaited (February 1983)

In its written reply the Management of the Company stated that the labels had become obsolete on account of additional requirement of printing of month and year on labels classification of labels for bond and otherwise for sales in specified areas and withdrawal of one of the brands from the market The suggestion that the discarded labels ... ng in respect of brands in production could be used with changed marking of month and year on the labels does not appear to be in the interest of the Company as the implementation of this would have cost more money than the cost of the labels themselves

During the course of oral examination the representative of the Company stated that they have to store different types of labels more than the required quantity in anticipation of business and that they have collected about 1 06 lakhs labels and going to get the names of the brands printed on them However, the representative assured the Committee that the Management will be careful in future

The Committee feel that the labels were got printed by the Management much in excess of the actual requirement which resulted in loss of Rs 1 36 lakhs to the Company which could have been avoided had proper Co ordination been ensured between production of beer and purchase of labels

The Committee recommend that the management should make proper planning and realistic assessment for the purchase of labels from time to time so that such wasteful expenditure do not recur in future

The Committee desire that the position of remaining 4 13 lacs labels mentioned in the paragraph may be intimated to the Committee

6 34 *Supply of Defective Beer*

During 1980 81 the Company supplied 163 008 bottles of beer to a dealer of Hyderabad In January 1981, the Company received complaint from the dealer that supplies made during October 1980 to December 1980 contained 2 549 bottles of beer which had sedimentary formation and 5,152 bottles of beer were found odourous on their opening The Company thereafter allowed a rebate of Rs 0 16 lakh being the cost of 2 549 spoilt bottles of beer to the dealer

Again the same dealer on 24th September, 1981 complained that 38,400 bottles of beer supplied during September, 1981 had been spoilt due to —

(i) Formation of sediments which had become a regular feature

(ii) Sedimentation taking place during one week of storage even in bottles which seemed to be clean at the time of receipt, and

(iii) existence of one big cork in one bottle and some foreign particles in some other bottles

The Company after obtaining clearance from Excise authorities, brought back (October 1981) the entire consignment from Hyderabad to its work for reprocessing which was done after incurring a further expenditure of Rs 0 69 lakh Beer was despatched to the dealer on 10th October, 1981 i e within 3 days after receipt of the rejected lot An expenditure of Rs 40,014 was incurred on its transportation (both sides)

Owing to spoilage of beer the Company thus suffered a loss of Rs 1 25 lakhs However, the management had neither investigated the reasons for spoilage nor taken preventive steps to obviate such complaints and losses nor fixed any responsibility for the loss

The matter was reported to Government in August, 1982 reply was awaited (February 1983)

In its written reply, the Management of the Company stated that the sedimentation in the beer was perhaps on account of keeping the beer in fermentation room for a longer duration than necessary The overall responsibility for process is that of Brew Master and the Brew Master of the period is no longer in the employment of the Company

During the course of oral examination the representative of the Company stated that the Management had not been able to lay hands on this case as to on whom exactly the responsibility may be fixed on account of loss for defective supply of beer to this dealer So he submitted that the paragraph may be postponed for the time being

The Committee desire that the matter should be investigated thoroughly and the results of investigation intimated to the Committee within three months

HARYANA LAND RECLAMATION AND DEVELOPMENT CORPORATION LIMITED

6 35 *of* 1981 82 *Purchase of defective bearings* dropped — 5-1-2001

On 26th June 1980 the company placed two orders for supply (before 6th July 1980) of 1,312 bearings for tractors on two firms of Amritsar and Chandigarh for Rs 0 81 lakh and Rs 0 22 lakh respectively In terms of the contract, the material was to be inspected by the service engineer of the company at the suppliers premises and 90% payment was to be released against Railway Receipt duly supported by such inspection certificate The suppliers were to replace free of cost the goods if those failed to come up to the requisite specification even after their receipt

Supplies duly inspected (August September, 1980) by the service engineer were despatched to the Karnal unit of the Company in August and September 1980 (Delivery period was extended by the company) Ninety percent payment amounting to Rs 0 95 lakh was released by the Company in August September 1980 through bank

The bearings when used created major defects and break down in the tractors The Managing Director directed (February, 1981) another service engineer of the company to conduct a thorough investigation into the matter The service engineer reported (27th March 1981) that bearings supplied by the both the firms were defective and not genuine as those were under/over sized and got seized and noisy on use

The firms were asked (May 1981) to replace the defective bearings as per the terms of the supply order - The Chandigarh firm declined (18th May 1981) to replace the bearings as the material was pre inspected

The firm of Amritsar agreed (18th May 1981) to replace the bearings if it was found that these were not upto the mark, but the same had not yet been replaced (April 1982)

Out of the defective bearings valued Rs 1 05 lakhs bearings valuing Rs 0 63 lakh were still lying the remaining are stated to have been consumed and found defective The Management had not assessed the impact due to operation the tractors which were fitted with defective bearings

The Service Engineer who had inspected the goods left (October, 1980) the service of the Corporation

The matter was reported to Government in June, 1982, reply was awaited (February 1983)

In its written reply the management of the Company stated that—

The then Service engineer central workshop - Karnal who made predelivery inspection of these bearings and was also the consignee, left the services of the Corporation in December, 1980 and it was after his departure that the incoming service engineer and foreman informed about the defects in these bearings The service engineer who complained about these bearings being defective was asked to enquire and submit his report and he was asked that the report should specifically mentioned about (a) details of defective bearings supplied by both the firm s showing quantity of defective bearings and value thereof as per supply order, separately in respect of both the parties

B Nature of defects found/noticed

C Any suggestion/remarks

Since the report submitted by the service engineer who later was promoted as Executive Engineer and who had earlier reported about these bearings defective was not specific about the nature of defects in the bearings and number of defective bearings received from both these suppliers, the matter was enthrusted to the Additional Director Agricultural (Engineering) in the Department of Agriculture, Haryana to enquire into the purchase of bearings made by the HLRDC and to mention about their being genuine/or otherwise and according to the specifications The Additional Director, Agricultural Engineering after getting concurrence to enquire into this case from the Director of Agriculture Haryana, submitted his report Through this report, the Additional Director, Agriculture Engineering has mentioned that there is no truth in doubting genuinty of these bearings and he had even advised the SE, Karnal to continue the use these bearings The use of these bearings was continued and reports about their working satisfactory were received from the field offices

Out of 1108 bearings of different types and sizes valuing Rs 1 04 980 43 supplied by these two firms, bearings valuing Rs 62,110 68 had been used upto 31 3 83 The remaining bearings have also been in use in tractors even after April 1983 and thus the stock in hand has considerably reduced

During the course of oral examination the representative of the Company stated that the security of the firm was forfeited on account of supply of defective bearings and non completion of the contract

The Committee feel that in case of conflicting reports the Company should have deputed some other independent person to reach to a conclusion, which was not done

The Committee also take a serious view that the Company kept the matter pending for a period of more than four years and no action was taken against the Officers who had stated that the bearings were defective

The Committee further desire that the Company should intimate the number of bearings within this lot supplied to each Centre with dates and the number of bearings consumed by them the number of bearings returned by them The Company did not send the requisite information till the drafting of this Report (February, 1985) and **the Committee desire that the requisite information be submitted to the Committee within a period of one month**

14943—H V S —H G P , Chd

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